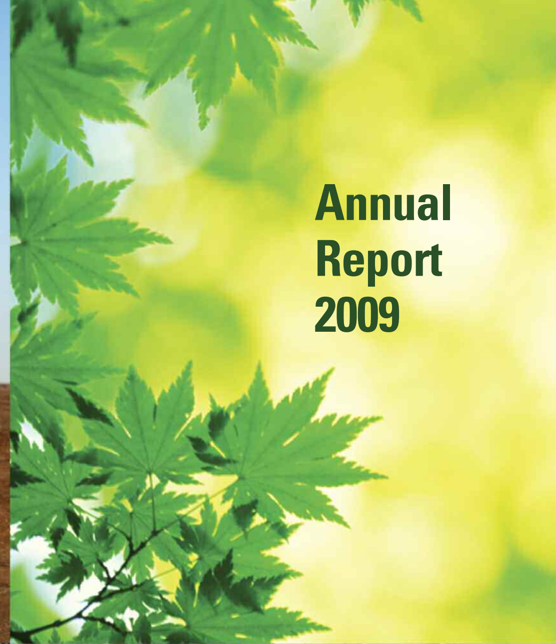
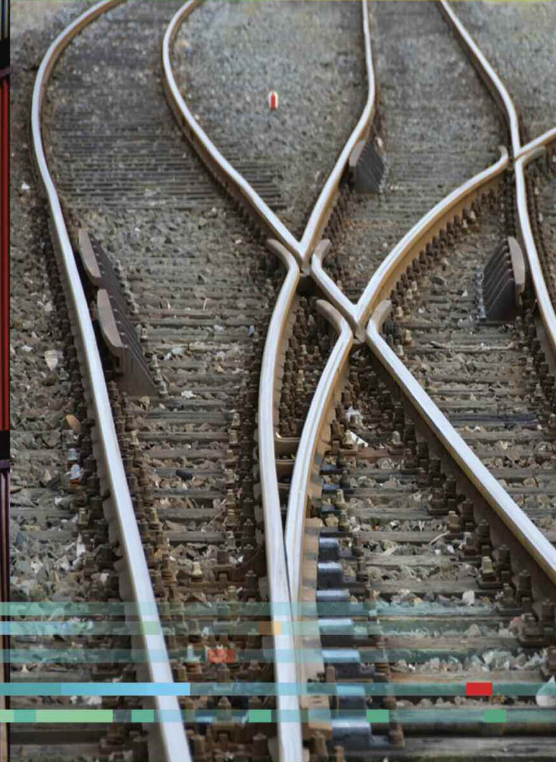
Sumitomo Corporation of America



Annual Report 2009



It goes without saying that the fiscal year ending March 31, 2010 was a tough year for everyone, and our company was no exception. The ongoing liquidity problems and the financial meltdown in 2008 all continued to severely impact the global marketplace and made it extremely challenging to maintain the steady growth we had managed to achieve in years prior. Given the cyclical nature of some of our business areas, it can be difficult to control results when markets fluctuate so severely. A combination of the slowdown of overall U.S. economy in addition to the increased instability in the overall global market contributed to our shortfall last year, closing the year with a consolidated net income of $80.9 million, which was down from fiscal year ending March 31, 2009.

With the macro environment still unstable in many regards, our people worked extremely hard to weather this "perfect storm" and through careful management of their inventories and cost cutting, and being more vigilant to our goals of profitability, most managed to maintain control of their business and get a fair return on their investments. I am proud of the dedication and strong efforts that everyone in our company exuded during this difficult year.

At the same time, I was very pleased with the initiatives that were taken toward the future through continued innovation of our business model and leveraging opportunities in developing business in new and emerging industries, like clean technology and renewables.

With the implementation of our current mid-term business plan FOCUS 10, we concentrated on managing our assets and balance sheet exposures. Our concern was to ensure that our credit remained strong and efficient through promotion of medium and long-term growth. These efforts paid off and we have maintained a strong balance sheet which has allowed us to capitalize on emerging prospects for the future.

I believe that SCOA's strengths are its integrated corporate functions and its diversified portfolio of businesses. It's this diversity that contributes to our ability to remain profitable, even during a recession.

For instance, although our businesses that rely on the housing industry did continue to suffer, we were at the same time able to take advantage of low prices and acquire new assets in other business sectors at fairly good rates.

Our Tubular products group once again was our leader in revenue, although their earnings were softer than the year prior. However, they anticipate the marketplace is improving and their numbers will start to trend upward again.

The Steel and Non-Ferrous Metal group continued to feel the effects of reduced demand in 2009, which caused deterioration in prices and margins. Although the group faced a difficult year, the Specialty Steel unit enjoyed stronger results compared to 2008.

Our Machinery, Power and IT group had lower income from the Automotive Business unit, which was hit hard by the economic downturn. However, investments in green energy projects and traditional power plants fostered revenue growth in the Power and Telecom Business unit.

The Chemicals and Electronics group's consolidated subsidiary The Hartz Mountain Corporation experienced a significant turnaround from the negative impact of impairments taken in 2008. With stronger results from Hartz and other subsidiaries, the Life Science unit net income increased by $41 million compared to 2008.

The Living-Related Business group's consolidated subsidiary, TBC Corporation, a wholesale and retail tire business, saw increased income in 2009 as consumer spending on tires increased as consumers began to hold cars longer in the uncertain economy. TBC's contribution helped the Living-Related Business group increase income by $32 million in 2009 compared to 2008.

In this context, I believe we have taken strong actions to protect the Company during this recessionary cycle. I can confidently say that SCOA is managing its business for the long-term, adhering to the ethical principles embodied in our mission statement. These are timeless management principles that are woven into the fabric of our corporation and will continue to see us through the challenges and prospects that lie ahead.

Michihisa Shinagawa
Sumitomo Corporation of America
President and Chief Executive Officer

Consolidated Balance Sheets

(In Thousands of Dollars)

ASSETS	March 31, 2010	March 31, 2009
Current assets:		
Cash and cash equivalents	**$ 225,189**	$ 160,191
Accounts receivable, net of allowance for doubtful accounts of $26,713 and $30,863, respectively	**857,618**	872,063
Finance receivables, net of allowance for doubtful accounts of $16,645 and $6,703, respectively	**289,872**	276,672
Inventories, net	**1,436,571**	1,847,231
Advance payments to suppliers	**72,848**	111,839
Prepaid expenses and other current assets	**108,653**	159,565
Total current assets	**2,990,751**	3,427,561
Investments in equity securities	**36,374**	32,718
Long-term receivables:		
Third party	**78,937**	62,600
Finance receivables, net of allowance for doubtful accounts of $31,504 and $5,314, respectively	**310,121**	409,483
Related parties, net	**114,407**	106,627
Property and equipment, net	**909,716**	901,189
Investments in associated companies	**883,146**	801,990
Goodwill	**561,454**	547,274
Other intangible assets, net	**525,996**	559,835
Other assets	**23,238**	24,415
Total assets	**$6,434,140**	$6,873,692
LIABILITIES AND EQUITY		
Current liabilities:		
Commercial paper	**$ 679,000**	$ 756,762
Notes payable:		
Third party	**232,308**	614,263
Related parties	**150,000**	350,000
Current portion of long-term debt:		
Third party	**203,957**	330,883
Related party	**300,000**	100,000
Accounts payable:		
Third party	**425,434**	410,952
Related parties	**149,338**	209,140
Advances received	**5,969**	47,066
Accrued expenses and other current liabilities	**288,493**	316,530
Total current liabilities	**2,434,499**	3,135,596
Long-term liabilities:		
Long-term debt:		
Third party	**807,252**	692,233
Related party	**810,000**	750,000
Other long-term liabilities	**119,795**	134,863
Deferred income taxes	**202,270**	198,955
Commitments and contingencies		
Equity:		
Common stock, no par value. Authorized 300,000 shares; issued and outstanding 187,650 shares	**399,251**	411,000
Retained earnings	**1,136,533**	1,055,573
Accumulated other comprehensive income (loss)	**6,448**	(37,687)
Total Sumitomo Corporation of America stockholder's equity	**1,542,232**	1,428,886
Noncontrolling interests	**518,092**	533,159
Total equity	**2,060,324**	1,962,045
Total liabilities and equity	**$6,434,140**	$6,873,692

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(In Thousands of Dollars)

	Years Ended March 31,	
	2010	**2009**
Revenues:		
Gross profit on trading transactions (gross trading volume consists of $2,474,262 and $3,341,828, respectively)	**$ 159,420**	$ 201,594
Manufacturing and other revenues	**5,307,127**	6,385,744
Total revenues	**5,466,547**	6,587,338
Manufacturing and other costs	**(4,003,785)**	(4,872,411)
Gross profit	**1,462,762**	1,714,927
Trading and administrative expenses	**(1,298,167)**	(1,285,449)
Interest expense (net of interest income of $11,953 and $33,331, respectively)	**(66,503)**	(102,507)
Other income, net	**17,945**	2,287
Equity in earnings of affiliates	**42,295**	109,003
Income before income taxes	**158,332**	438,261
Income taxes	**(75,360)**	(144,624)
Net income	**82,972**	293,637
Net income attributable to noncontrolling interests	**(2,012)**	(68,811)
Net income attributable to Sumitomo Corporation of America	**$ 80,960**	$ 224,826

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity and Comprehensive Income

(In Thousands of Dollars)

	Years Ended March 31, 2010 and 2009					
	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholder's equity	Noncontrolling interests	Total equity
Balance – March 31, 2008	$411,000	$ 830,747	$21,459	$1,263,206	$456,121	$1,719,327
Comprehensive income:						
Net income	—	224,826	—	224,826	68,811	293,637
Changes in other comprehensive income (net of tax):						
Unrealized losses on investments	—	—	(10,814)	(10,814)	—	(10,814)
Unrealized gains on derivatives	—	—	1,129	1,129	(135)	994
Minimum pension liability adjustment	—	—	1,369	1,369	—	1,369
Foreign currency translation adjustment	—	—	(50,830)	(50,830)	(21,521)	(72,351)
Comprehensive income				165,680	47,155	212,835
Purchases and other changes in noncontrolling interests	—	—	—	—	29,883	29,883
Balance – March 31, 2009	411,000	1,055,573	(37,687)	1,428,886	533,159	1,962,045
Comprehensive income:						
Net income	—	80,960	—	80,960	2,012	82,972
Changes in other comprehensive income (net of tax):						
Unrealized gains on investments	—	—	3,022	3,022	—	3,022
Unrealized gains on derivatives	—	—	3,232	3,232	138	3,370
Minimum pension liability adjustment	—	—	(311)	(311)	311	—
Foreign currency translation adjustment	—	—	38,192	38,192	22,058	60,250
Comprehensive income				125,095	24,519	149,614
Purchases and other changes in noncontrolling interests	(11,749)	—	—	(11,749)	(39,586)	(51,335)
Balance – March 31, 2010	**$399,251**	**$1,136,533**	**$ 6,448**	**$1,542,232**	**$518,092**	**$2,060,324**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)

	Years Ended March 31	
	2010	**2009**
Cash flows from operating activities:		
Net income	**$ 82,972**	$293,637
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**123,896**	119,430
Goodwill impairment	**—**	35,439
Other asset impairments	**—**	29,090
Deferred income taxes	**14,790**	(16,683)
Undistributed earnings of affiliates	**12,588**	(35,112)
Net realized gains on investments	**(7,153)**	(10,057)
Other noncash items	**(3,957)**	(3,541)
Changes in operating assets and liabilities:		
Accounts and notes receivable	**55,183**	(4,921)
Inventories	**442,968**	(521,640)
Advance payments to suppliers	**41,109**	(54,923)
Prepaid expenses and other assets	**40,754**	6,169
Accounts payable	**(62,004)**	250,968
Advances received	**(42,285)**	5,637
Accrued expenses and other liabilities	**(59,028)**	4,908
Net cash provided by operating activities	**639,833**	98,401
Cash flows from investing activities:		
Payments for purchases of:		
Other investments	**(10,914)**	(12,636)
Property and equipment	**(86,007)**	(81,672)
Investments in associated companies	**(76,457)**	(111,741)
Businesses acquired, net of cash acquired	**(17,988)**	(245,887)
Proceeds from sales of:		
Available-for-sale investments	**9,317**	80
Other investments	**8,616**	38,560
Property and equipment	**5,455**	8,817
Increase in long-term receivables	**(89,532)**	(289,938)
Principal collections on long-term receivables	**188,870**	235,821
Net cash used in investing activities	**(68,640)**	(458,596)
Cash flows from financing activities:		
Decrease in commercial paper, net	**(77,762)**	(146,324)
(Decrease) increase in short-term notes payable	**(597,821)**	237,076
Issuance of long-term debt	**719,681**	329,064
(Decrease) increase in other long-term liabilities	**(35,392)**	10,815
Principal payments on long-term debt and other long-term liabilities	**(475,243)**	(197,430)
Distributions (to) from noncontrolling interests	**(39,276)**	29,883
Acquisitions of noncontrolling interests	**(11,749)**	—
Net cash (used in) provided by financing activities	**(517,562)**	263,084
Effect of changes in exchange rates on cash and cash equivalents	**11,367**	(8,630)
Net increase (decrease) in cash and cash equivalents	**64,998**	(105,741)
Cash and cash equivalents – beginning of year	**160,191**	265,932
Cash and cash equivalents – end of year	**$225,189**	$160,191
Supplemental cash flow information:		
Interest paid	**$ 76,676**	$ 85,746
Income taxes paid	**42,794**	165,642

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2010 and 2009 (In Thousands of Dollars)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Sumitomo Corporation of America (the Company) is an indirect, wholly owned subsidiary of Sumitomo Corporation, Japan (SC). In March 2009, SC transferred the direct ownership of the Company to Summit Global Management of America, Inc. (SGMA), which is also a wholly owned subsidiary of SC. SGMA owns certain of SC's investments in the United States.

The Company, which is headquartered in New York City, is an integrated global trading Company with diversified investments in businesses involved in manufacturing and marketing of consumer products, providing financing for customers and suppliers, coordination and operation of urban and industrial infrastructure products, providing transportation and logistics services, developing natural resources, distribution of steel and other products and developing and managing real estate. The Company's principal business activities are classified into the following reportable segments: Tubular products; Steel and nonferrous metal; Machinery, power and IT; Chemicals and electronics; Living-related business; Mineral resources and energy; and Treasury and corporate. The Company's target markets include North America, South America and Southeast Asia. A significant portion of the Company's transactions are with SC.

The Tubular products segment supplies a wide variety of high grade oil country tubular goods, line pipe and specialty tubing to companies in the oil, gas, petrochemical, automobile, and boiler manufacturing industries.

The Steel and nonferrous metal segment supplies carbon and specialty steel including a wide spectrum of steel products such as sheets, plates and bars.

The Machinery, power and IT segment activities include marketing aerospace and defense products and technologies to government agencies, airlines, and other industries, supplying parts to the automotive industry, providing financing for construction equipment, operating dealerships and distributorships for automobiles and construction equipment, investing in and operating electric generation assets and delivering and installing commuter rail cars and other transportation systems.

The Chemicals and electronics segment activities include trade dealings in petrochemicals, plastics, fine/specialty chemicals, functional chemicals and inorganic chemicals. The Chemicals segment includes The Hartz Mountain Corporation (Hartz), which manufactures, purchases and distributes pet supplies, treats and small animal edibles and accessories.

The Living-related business segment includes commodities, concepts and products with industrial, commercial, residential and consumer applications. The Living-related business segment includes commercial and residential real estate and TBC Corporation (TBC), an independent marketer of tires for the automotive replacement market.

The Mineral resources and energy segment includes trading and marketing activities of nonferrous metals, petroleum and carbon products, including precious metals, base metals, crude oil and natural gas.

The Treasury and corporate segment includes finance-related activities such as derivatives transactions and consumer and business financing and logistics services. Also included, are the Company's interests in Sumitomo Canada Limited, Sumitomo Corporation de Mexico and Sumitomo Corporation do Brazil.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation - The consolidated financial statements include the accounts of all wholly owned and majority-owned subsidiaries. All material intercompany profits, transactions and balances between the Company and its subsidiaries have been eliminated. The equity method of accounting is used for investments in associated companies in which the Company has an interest of 50% or less and has the ability to exercise significant influence over their financial and operating affairs.

In 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification (ASC) as the source of accounting principles generally accepted in the United States of America (GAAP) through the integration of the then current accounting standards from several sources into a single source. The codification did not affect the content or application of GAAP that was in effect and had no material impact on the Company's Consolidated Financial Statements. In these notes, relevant accounting principles are identified by ASC number.

As of April 1, 2009, the Company adopted certain provisions of ASC 810-*Consolidation* which require that noncontrolling interests (formerly known as minority interests) be displayed in the balance sheet as a separate component of equity and that net income attributable to the noncontrolling interests be identified and presented in the statement of income. In addition, changes in ownership interests where the parent retains a controlling interest are to be reported as transactions affecting equity. Previously, such transactions were reportable as additional investment purchases (potentially resulting in the recognition of additional other assets, including goodwill, or liabilities) or sales (potentially resulting in gains or losses). During 2009, the Company acquired certain noncontrolling interests in subsidiaries that resulted in a reduction to equity attributable to Sumitomo Corporation of America of approximately $11,749.

(b) Revenue Recognition - Revenues are recorded when the Company has (a) persuasive evidence of an arrangement, (b) the goods have been delivered or the services have been rendered to the customer, (c) the sales price is fixed or determinable and (d) collection is reasonably assured.

Revenues are generated through sales of a variety of products, including tubular products, steel, machinery, chemicals, plastics and mineral resources, and performance of services such as leasing, distribution, project management.

Gross profit on trading transactions consists of margins and commissions relating to various trading transactions where the Company is not the primary obligor. Manufacturing and other revenues include activities in which the Company (a) is the primary obligor responsible for fulfillment, (b) changes the product or performs part of the service, (c) takes title to the inventory and/or (d) assumes the risk and rewards of ownership, such as the risk of loss for collection, delivery or returns.

Additionally, the Company has presented gross trading volume parenthetically in the consolidated statements of income. Gross trading volume includes only those trading transactions in which the Company is not the primary obligor. For a substantial portion of the transactions in which the Company acts as principal, title to and payment for the goods pass through the Company without physical acquisition and delivery. Gross trading volume is not meant to represent sales or revenues in accordance with accounting principles generally accepted in the United States and should not be construed as equivalent to, or a substitute for, revenues, or as an indicator of liquidity or cash flows generated by operating, investing or financing activities. The Company has included gross trading volume because similar Japanese trading companies have historically used it as an industry benchmark. As such, the Company believes that it is a useful supplement to result of operations information as a measure of its performance.

(c) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires

management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

(e) Investments in Equity Securities - The Company's investments in equity securities are classified as available-for-sale and are carried at fair value. Changes in unrealized gains and losses are recorded as a separate component of accumulated other comprehensive income (OCI). The Company accounts for realized gains and losses on the sale of investments under the specific-identification method. The equity security investments are reviewed periodically to determine whether a decline in fair value should be considered other-than-temporary. Marketable equity securities are those for which quoted market prices, broker quotations or estimates using present value or other valuation techniques are available. Nonmarketable equity securities are those which are not publicly traded and independently determined market values are not readily available. These investments are valued based on review of the underlying financial information and performance.

(f) Allowance for Doubtful Accounts and Finance Receivables - The Company maintains an allowance for doubtful accounts and finance receivables for estimated losses resulting from the inability of its customers to make required payments. The allowance is based on review of the overall condition of receivable balances and review of significant past-due accounts. Receivables determined to be uncollectible are charged against the allowance.

(g) Inventories - Inventories are stated at the lower of cost or market. Cost is determined using specific identification or average cost, using the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excess quantities and other factors in evaluating net realizable value.

(h) Property and Equipment - Property and equipment consist primarily of commercial office buildings and manufacturing, distribution and administrative facilities, which are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are determined by applying the straight-line method over the estimated useful lives of the related assets. The approximate range of estimated useful lives is as follows:

Buildings	40 years
Leasehold improvements	Lesser of useful life of asset or lease term
Machinery and equipment	2 – 15 years
Office fixtures and equipment	3 – 10 years
Automobiles and trucks	3 – 8 years

Property and equipment are evaluated for impairment when events or changes in circumstances indicate that the carrying value of the asset or asset group may not be recoverable. Upon the occurrence of a triggering event, the asset is reviewed to assess whether the estimated undiscounted cash flows expected from the use of the asset or asset group plus residual value from the ultimate disposal exceeds the carrying value. If the carrying value exceeds the estimated recoverable amounts, the asset is written down to its estimated fair value; generally, the estimated present value of the expected future cash flows from using the asset or asset group.

(i) Investments in Associated Companies - The equity method of accounting is used for the investments in associated companies as the Company possesses the ability to exercise significant influence, but not control, over the operating and financial policies of the investee. The ability to exercise significant influence is presumed when an investor owns more than 20% of the voting interests of the investee. This presumption can be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted. In addition, for equity investments in which the Company has less than a 20% ownership interest, the Company considers the ownership interests of SC and its subsidiaries in assessing the ability to exercise significant influence over the investee and accordingly applies the equity method of accounting for such investments.

(j) Goodwill and Other Intangible Assets - Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business acquisitions and is not amortized. Goodwill attributable to each of reporting unit is tested for impairment at least annually. The Company performs these impairment tests annually as of September 30 to permit adequate time to complete the impairment tests and related analyses prior to its fiscal year end. If a potential triggering event occurs after the September 30 test date, an additional impairment test may be required.

Evaluating goodwill for impairment involves a two-step process. The first step is to estimate the fair value of the reporting unit by (1) estimating the present value of the expected future cash flows of the reporting unit, (2) estimating the reporting unit value by applying market multiples of comparable public companies and/or (3) examining sales values of companies which are similar to the reporting unit. If the carrying value of the reporting unit, including goodwill, exceeds the estimated fair value, a second step is performed. Under the second step, the identifiable assets and liabilities of the reporting unit are estimated at fair value as of the testing date. The excess of the estimated fair value of the reporting unit over the estimated fair value of net assets establishes the implied value of goodwill. The excess of the recorded goodwill over the implied value is charged to earnings as an impairment loss. A significant amount of judgment is required in estimating the fair value of the reporting unit and performing goodwill impairment tests.

Other intangible assets of the Company with finite lives are amortized over their estimated useful lives and are evaluated for impairment annually or more frequently if events and circumstances indicate that their carrying value may not be recoverable.

(k) Income Taxes - The Company and eligible subsidiaries file a consolidated federal income tax return in the United States. Certain subsidiaries file separate federal income tax returns in the United States. In addition, the Company and subsidiaries also file income tax returns in state, local and foreign jurisdictions as applicable. Provisions for current income tax liabilities are calculated on income and expense amounts expected to be included in the income tax returns for the current year.

Deferred income taxes are calculated under the liability method. Deferred income tax assets and liabilities are calculated based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Changes in deferred tax assets and liabilities that are associated with components of OCI are charged or credited directly to OCI.

A valuation allowance is provided for certain deferred tax assets when, in

assessing the realization of the deferred tax assets, management considers it more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the more-likely-than-not threshold based on the technical merits of the positions. Estimated interest and penalties related to uncertain tax positions are included as a component of income tax expense.

(l) Derivative Financial Instruments - All derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in OCI and are recognized in the consolidated statements of income when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

The Company does not hold or issue any significant amount of derivative instruments for speculative purposes.

(m) Foreign Currency Translation - Financial statements of foreign subsidiaries are translated into U.S. dollars at current rates, except for revenues, costs and expenses, which are translated at average current rates during each reporting period. Gains and losses resulting from the translation of financial statements are excluded from the consolidated statements of income and are charged or credited to a separate component of OCI.

(n) Comprehensive Income - Comprehensive income includes net income, unrealized gains and losses on equity securities classified as available-for-sale, unrealized gains and losses on certain derivative transactions designated as cash flow hedges, minimum pension liability adjustments and foreign currency translation adjustments.

(o) Supplemental Cash Flow Information - Upon acquisition, the businesses acquired during the year ended March 31, 2010 resulted in an increase in the Company's consolidated balance sheet of $19,692 in noncash assets and an increase of $1,704 in accounts payable, long-term debt and other long-term liabilities. Upon acquisition, the businesses acquired during the year ended March 31, 2009 resulted in an increase in the Company's consolidated balance sheet of $467,185 in noncash assets and an increase of $221,298 in accounts payable, long-term debt and other long-term liabilities.

(p) Fair Value Measurements - As defined under GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or most advantageous market when no principal market exists. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not under duress. GAAP fair value hierarchy consists of three levels: Level 1 fair values are valuations based on quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access; Level 2 fair values are those valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and Level 3 fair values are valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

(q) Long-Term Business Contracts - Sales on long-term business contracts are recorded when products are shipped or customer acceptance has occurred and all other significant customer obligations have been met, per the terms of individual agreements. For contracts where relatively few deliverable units are produced over a period of more than two years, revenue and income are recognized at the completion of measurable tasks, rather than upon delivery of the individual units.

(r) Concentration of Credit Risk - The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Cash balances are held with financial institutions that have high credit ratings. The Company has not experienced any losses with respect to bank balances in excess of government-provided insurance.

(s) Operating Leases - Some of the Company's operating leases contain predetermined fixed escalations of the minimum rentals during the term of the lease. For these leases, the Company recognizes the related rental expense on a straight-line basis over the life of the lease.

(t) Advertising Expense - Advertising costs are charged to expense when incurred. Advertising expense recognized was $73,251 and $61,745 for the years ended March 31, 2010 and 2009, respectively.

(u) Defined Benefit Pension Plans - The Company is required to recognize the overfunded or underfunded status of its benefit plans, measured as the difference between the fair value of plan assets and the benefit obligation, as an asset or liability in its statement of financial position and to recognize changes in that funded status in OCI in the year in which the changes occur. The measurement date for plan assets and liabilities is required to coincide with the sponsor's year-end.

(v) Reclassifications - Certain amounts applicable to the prior year have been reclassified to conform to the classifications followed in the current year.

(w) Recently Adopted Accounting Standards - ASC 805 - *Business Combination*. In December 2007, the FASB issued revised guidance related to the accounting for business combinations. The revised guidance requires fair value measurement of all the assets acquired and liabilities assumed in a business combination, fair value measurement of consideration and contingent consideration, expense recognition for transaction and certain integration costs, recognition of the fair value of contingencies, and adjustments to income tax expense for changes in an acquirer's existing valuation allowances or uncertain tax positions that result from the business combination. For the Company, this revised guidance is applied prospectively to business combinations for which the acquisition occurred after March 31, 2009.

ASC 810 - *Consolidation*. Refer to note (2)(a) for a description of the effects for the Company.

ASC 815 - *Derivatives and Hedging*. In March 2008, the FASB amended and expanded disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedge items affect an entity's financial position, financial performance, and cash flows. The Company adopted the amendments of ASC 815 as of April 1, 2009.

(x) Subsequent Events - In May 2009, the FASB amended ASC 855 - *Subsequent Events* to set forth general accounting and disclosure requirements for events that occur subsequent to the balance sheet date but before the company's financial statements are issued. The Company has evaluated events that have occurred subsequent to March 31, 2010 as prescribed by the FASB.

3. ACQUISITIONS

During 2009, TBC acquired 22 former franchise locations and 9 retail store locations through asset purchases for approximately $16,084.

On April 3, 2009, a subsidiary of the Company acquired a distributor of stainless steel pipe, valves and fittings, as a means of establishing a west coast branch, for approximately $1,904.

On April 25, 2008, the Company acquired an office building with approximately 152,470 rentable square footage located in Washington, D.C. for approximately $76,000, including direct acquisition expenses of approximately $229, plus assumed other long-term liabilities of approximately $8,000.

On June 25, 2008, the Company acquired an office building with approximately 299,540 rentable square footage located in Tempe, AZ for approximately $91,000, including direct acquisition expenses of approximately $302.

On September 30, 2008, the Company acquired an office building with approximately 782,210 rentable square footage located in Miami, FL for approximately $75,000, including direct acquisition expenses of approximately $466, plus assumed long-term debt and other long-term liabilities of approximately $195,000.

During the year ended March 31, 2009, TBC acquired two wholesale warehouses, as well as, seven franchise locations and two lube centers through an asset purchase program for approximately $4,000.

The acquisitions by the Company fit the strategic objective of the Company to grow its business. The results of operations of the Company's business acquisitions have been included in the consolidated statements of income from their acquisition dates.

The determination of the purchase prices for the Company's business acquisitions were made on the basis of, among other things, the revenues, profitability and projected growth rates of the acquired companies. The Company is in the process of finalizing purchase price adjustments related to the current year acquisitions. The net purchase price of all of the Company's acquisitions during the years ended March 31, 2010 and 2009, including direct acquisition costs, was $17,988 and $245,887, respectively. The Company allocated these amounts as follows:

	2010	2009
Working capital (deficiency), other than cash	**$ 1,685**	$ (8,576)
Property and equipment acquired	**4,028**	401,502
Identifiable intangible assets	**1,730**	55,553
Goodwill	**10,921**	290
Other noncurrent assets	**104**	—
Long-term debt and other long-term liabilities	**(480)**	(202,882)
Purchase price, net of cash received	**$17,988**	$245,887

4. INVENTORIES

Inventories consist of the following:

	2010	2009
Finished goods	**$ 1,390,095**	$1,784,199
Raw materials	**44,258**	57,319
Work in process	**2,218**	5,713
Total	**$1,436,571**	$1,847,231

The Company reports inventories net of allowances for slow-moving and obsolete inventory of $15,185 and $21,493 at March 31, 2010 and 2009, respectively. In addition, the Company reduced inventory to the lower of cost or market by recording reductions in inventory values of $6,047 and $18,639 at March 31, 2010 and 2009, respectively.

5. FINANCE RECEIVABLES

Finance receivables, which include loans to public and private companies and consumer financing, consist of the following:

	2010	2009
Finance receivables	**$648,142**	$698,172
Allowance for bad debts	**(48,149)**	(12,017)
Less current portion	**(289,872)**	(276,672)
	$310,121	$409,483

Finance receivables generally mature in three to five years and accrue interest at fixed rates ranging from non-interest bearing to 16.0%. The finance receivables are primarily generated by two subsidiaries: an 80% owned subsidiary, based in the United States, which provides debt capital primarily to public and private healthcare companies; and 46.7% owned indirect subsidiary, based in Mexico, that provides loans to individuals and legal entities for the acquisition of vehicles.

The finance receivables from loans to healthcare companies were $253,691 and $319,628 of gross receivables at March 31, 2010 and 2009, respectively. The finance receivables related to vehicle loans were $338,934 and $312,872 of gross receivables at March 31, 2010 and 2009, respectively. In the year ended March 31, 2010, an additional allowance for bad debts of $36,863, related to the vehicle loan portfolio, was required.

Future minimum payments related to finance receivables in each of the five succeeding years are as follows:

Year ending March 31:	
2011	$ 289,872
2012	159,353
2013	99,770
2014	40,758
2015	9,918
Thereafter	322
	$ 599,993

6. INVESTMENTS IN EQUITY SECURITIES

Investments in equity securities as of March 31, 2010 and 2009 include the following:

	2010	2009
Marketable equity investments	**$13,455**	$ 9,778
Nonmarketable equity investments	**22,919**	22,940
	$36,374	$32,718

The cost basis of marketable equity securities amounted to $3,248 and $4,415 at March 31, 2010 and 2009, respectively. For the years ended March 31, 2010 and 2009, realized gains on marketable equity securities were $8,526 and $86, respectively. The Company recorded changes in unrealized gains (losses) on available-for-sale marketable equity securities for the years ended March 31, 2010 and 2009 were $2,906 and $(9,141), net of $(1,938) and $6,094 for income tax (expenses) benefits, respectively.

In addition, the Company has certain investments in nonmarketable securities, representing interests in companies which are not publicly traded and independently determined market values are not available. These investments are recorded at cost and are adjusted for any other-than-temporary impairment.

During the year ended March 31, 2010, the Company recorded other-than-temporary impairments on marketable equity securities of $4, net of income tax benefits of $3 and on nonmarketable equity securities of $1,412, net of income tax benefits of $1,149 and noncontrolling interest benefits of $328. During the year ended March 31, 2009, the Company recorded other-than-temporary impairments on marketable equity securities of $4,080, net of income tax benefits of $2,720 and on nonmarketable equity securities of $2,566, net of income tax benefits of $2,043 and noncontrolling interest benefits of $1,011.

7. INVESTMENTS IN ASSOCIATED COMPANIES AND RELATED PARTIES

(a) Investments in Associated Companies - The Company has investments in associated companies that are accounted for using the equity method of accounting. As of March 31, 2010 and 2009, the carrying amount of investments in associated companies amounted to $883,146 and $801,990, respectively. The Company's share of income from associated companies amounted to $42,295 and $109,003, for the years ended March 31, 2010 and 2009, respectively. For the years ended March 31, 2010 and 2009, the Company received dividends from affiliates of $54,883 and $73,891, respectively. At March 31, 2010 and 2009, accounts payable to related parties, net includes amounts payable to associated companies aggregating $20,460 and $13,728, respectively.

The summarized combined financial information of associated companies accounted for by the equity method as of and for the years ended March 31, 2010 and 2009 is presented below:

	2010	2009
Current assets	$3,916,703	$3,518,666
Noncurrent assets	3,043,864	1,911,243
Total assets	$6,960,567	$5,429,909
Current liabilities	$2,615,497	$ 2,463,561
Noncurrent liabilities	666,731	505,164
Total liabilities	3,282,228	2,968,725
Total stockholders' equity	3,678,339	2,461,184
Total liabilities and stockholder's equity	$6,960,567	$5,429,909

	2010	2009
Net sales	$8,814,010	$ 9,975,599
Gross profit	815,960	1,290,443
Net income	229,389	458,190

As of March 31, 2010 and 2009, the excess of cost over the Company's share of net assets of equity method investees amounted to $55,542 and $55,884, respectively. Such excess was allocated to underlying assets as follows:

	2010	2009
Property and equipment, net	$ 6,992	$ 8,769
Equity-method goodwill	32,453	27,619
Other intangible assets, net	16,097	19,496
Total	$55,542	$55,884

The ten major associated companies accounted for by the equity method, which are included in the above summarized combined financial information, are Eryngium Limited (ownership increased in December 2009 from 36% to 38.92%), Pacific Summit Energy LLC (30% owned), Perennial Power Holdings, Inc. (49.99% owned), Pyramid Tubular Products, L.P. (51.8% owned as limited partnership interests), SC Minerals America, Inc. (15.25% owned), SMS Construction and Mining Systems Inc. (21.84% owned), Stanton Wind Energy LLC (31.875% owned), Sumitomo Corporation Global Commodities Limited (15% owned), V&M Star Partnership (13.629% owned), and VAM USA LLC (11.1% owned beginning June 2009).

(b) Related Parties - The Company is involved in a significant number of sales and purchase transactions with SC and its affiliates. Included in total revenues are sales to SC and its affiliates for the years ended March 31, 2010 and 2009 of $1,003,413 and $1,324,167, respectively. The Company made approximately $902,854 and $1,260,992 in purchases from SC and its affiliates during the years ended March 31, 2010 and 2009, respectively.

As of March 31, 2010 and 2009, accounts payable to related parties, net consists of the following:

	2010	2009
Accounts receivable from:		
SC	$ 52,658	$ 43,851
SC subsidiaries	396,021	455,670
Associated companies of SC and the Company	17,473	17,985
Accounts payable to:		
SC	(326,813)	(387,689)
SC subsidiaries	(264,538)	(313,032)
Associated companies of SC and the Company	(24,139)	(25,925)
	$(149,338)	$(209,140)

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2010 and 2009:

	2010	2009
Land	$115,207	$115,704
Buildings and improvements	673,376	580,563
Machinery and equipment	368,429	370,194
Office furniture and fixtures	58,543	51,683
Automobiles and trucks	11,530	10,700
Construction in progress	11,088	25,800
	1,238,173	1,154,644
Less accumulated depreciation and amortization	(328,457)	(253,455)
	$909,716	$901,189

The Company had assets under capital leases with a cost basis of $11,678 and $11,671 at March 31, 2010 and 2009, respectively. The accumulated depreciation related to these assets amounted to $6,785 and $5,606 at March 31, 2010 and 2009, respectively. The assets under capital lease were substantially all classified as buildings and improvements.

Depreciation and amortization expense for property and equipment amounted to $82,032 and $72,130 for the years ended March 31, 2010 and 2009, respectively. For the year ended March 31, 2009, subsidiaries of the Company recorded noncash impairment losses of $1,227, which related to buildings and improvements and machinery and equipment.

The Company is a lessor of office space within buildings located in Arizona, California, Florida and Washington, D.C. and of railcars under long-term operating leases. Assets under these agreements are included in property and equipment as buildings and improvements with cost and accumulated depreciation of $380,470 and $30,474, respectively, and as machinery and equipment with cost and accumulated depreciation of $134,902 and $17,504, respectively, at March 31, 2010. The minimum annual rentals for the next five years and thereafter are as follows:

Year ending March 31:	
2011	$ 49,072
2012	42,450
2013	38,554
2014	34,600
2015	32,070
Thereafter	183,014
	$379,760

9. INTANGIBLE ASSETS AND GOODWILL

Intangible assets other than goodwill as of March 31, 2010 and 2009 consist of the following:

2010

	Useful lives – years	Gross	Accumulated amortization	Net
Tradenames	5 – 30	$333,722	$ (50,328)	$283,394
Customer relationships	3 – 18	136,670	(39,736)	96,934
Franchise agreements	18	94,134	(22,891)	71,243
Vendor relationships	9 – 15	15,704	(4,484)	11,220
Software	3 – 5	35,207	(28,113)	7,094
In-place leases	5 – 12	35,676	(10,660)	25,016
Above-market leases	5 – 18	33,164	(20,959)	12,205
Leasing commissions	5 – 8	15,713	(3,194)	12,519
Other	3 – 15	13,690	(7,319)	6,371
		$713,680	$(187,684)	$525,996

2009

	Useful lives – years	Gross	Accumulated amortization	Net
Tradenames	5 – 30	$335,122	$ (40,252)	$294,870
Customer relationships	3 – 18	138,360	(32,773)	105,587
Franchise agreements	18	94,000	(17,647)	76,353
Vendor relationships	9 – 15	38,306	(26,125)	12,181
Software	3 – 5	31,180	(23,883)	7,297
In-place leases	5 – 12	41,251	(9,449)	31,802
Above-market leases	5 – 18	27,982	(13,517)	14,465
Leasing commissions	5 – 8	13,241	(2,955)	10,286
Other	3 – 15	16,025	(9,031)	6,994
		$735,467	$(175,632)	$559,835

Amortization expense of intangible assets from continuing operations for the years ended March 31, 2010 and 2009 was $41,864 and $47,300, respectively. In addition, Hartz recorded a $15,443 impairment of intangible assets related to a vendor supply agreement in the year ended March 31, 2009.

Annual amortization expense, which is based on the values of intangibles and their useful lives, for the next five years, is expected to be as follows:

Year ending March 31:	
2011	$39,709
2012	38,704
2013	37,218
2014	35,565
2015	31,736

Goodwill changed during the years ended March 31, 2010 and 2009 as follows:

	2010	2009
Balance at April 1	**$547,274**	$571,526
TBC acquisitions – adjustment of purchase price allocation	**2,821**	(17,709)
Hartz impairment	**—**	(35,439)
Acquisition earnout	**—**	28,448
TBC acquisitions–franchise and retail locations	**10,921**	—
Other net changes	**438**	448
Balance at March 31	**$561,454**	$547,274

In the year ended March 31, 2009, Hartz performed its annual step-one goodwill impairment test, which indicated that the carrying value of Hartz exceeded its estimated fair value. After completing the fair value estimates required under step two of the goodwill test procedures, Hartz recorded an impairment related to its goodwill in the amount of $35,439.

As part of an acquisition made by the Company and SC in 2006, an interest purchase agreement was entered into which contained a contingent earnout payment that was based on annual earnings through March 31, 2009. Due to the performance of the acquired Company during the year ended March 31, 2009, an earnout liability, and corresponding increase in goodwill, was recorded in the amount of $28,448.

10. COMMERCIAL PAPER AND NOTES PAYABLE

Commercial paper borrowings outstanding at March 31, 2010 and 2009 had weighted average maturities of 61 and 25 days and interest rates averaging 0.39% and 1.19%, respectively. Under a support agreement between SC and the Company, so long as any of the commercial paper is outstanding and unpaid, SC has agreed to advance the sums in the form of capital contributions such that the Company's shareholders equity shall not fall below a specified amount.

Interest rates on notes payable (which averaged approximately 0.51% and 1.40% at March 31, 2010 and 2009, respectively) fluctuate based upon certain Eurodollar rates. At March 31, 2010, the Company has a $150,000 note payable, with an interest rate of 0.575% to SC. At March 31, 2009, the Company has $250,000 in notes payable, with interest rates of 4.39% and 1.11%, to SC and $100,000 in notes payable, with an interest rate of 0.85%, to its affiliate, Sumitomo Corporation Europe Limited.

11. LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

(a) Long-Term Debt

Included in long-term liabilities is long-term debt as follows:

	2010	2009
Loans payable:		
Due to SC – floating and fixed, principally from 0.67% to 5.19% and 2.21% to 5.19% at March 31, 2010 and 2009, respectively	**$1,110,000**	$ 850,000
Third party – floating and fixed, principally from 0.40% to 9.45% and 1.40% to 5.14% at March 31, 2010 and 2009, respectively	**798,459**	780,119
Medium term notes – floating and fixed, principally from 0.49% to 5.11% and 1.72% to 5.21% at March 31, 2010 and 2009, respectively	**212,750**	242,997
	2,121,209	1,873,116
Less current portion:		
Due to SC	**(300,000)**	(100,000)
Third party	**(203,957)**	(330,883)
	$1,617,252	$1,442,233

Principal payments on long-term debt for the fiscal years subsequent to March 31, 2010 are as follows:

	Loans payable - SC	Loans payable - third party	Medium – term loans
Year ending March 31:			
2011	$ 300,000	$113,889	$ 90,069
2012	250,000	157,441	26,480
2013	510,000	185,009	23,834
2014	—	131,553	8,367
2015	50,000	131,631	64,000
Thereafter	—	78,936	—
	$1,110,000	$798,459	$212,750

The Company has Japanese-yen-denominated liabilities, which are included in long-term debt (U.S. dollar equivalent of $175,950 and $370,640 at March 31, 2010 and 2009, respectively). The Company has entered into foreign currency and interest rate swap agreements in order to economically hedge its currency and interest-rate risks.

The Company participates in the Euro Medium Term Note Programme (the Programme) along with three related parties. Funds borrowed under the Programme are included in medium term loans. The total borrowing limit under the Programme is $3,000,000, of which approximately $1,089,000 is outstanding as of March 31, 2010. The Programme is updated and renewed annually in September. Payment of the borrowings under the Programme is guaranteed by SC.

At March 31, 2010, the Company was contingently liable on unused letters of credit in the amount of $181,065.

At March 31, 2010, the Company was in compliance with all covenants.

(b) Other Long-Term Liabilities

Other long-term liabilities include the derivative liability related to interest rate and currency swaps, rent abatement liabilities, deferred revenues related to favorable leases of real estate acquired, and accrued pension and other long-term compensation liabilities.

12. INCOME TAXES

Income before income taxes, which includes income before income taxes on the consolidated statements of income and pretax amounts included in equity in earnings of affiliates and noncontrolling interests, is summarized by region for the years ended March 31, 2010 and 2009 is as follows:

	2010	2009
United States	**$102,740**	$294,537
Foreign	**33,922**	72,329
	$136,662	$366,866

The components of the tax provision, which includes income taxes on the consolidated statements of income and income tax amounts included in equity in earnings of affiliates and noncontrolling interests, for the years ended March 31, 2010 and 2009, are as follows:

	2010	2009
Current:		
Federal	**$26,546**	$124,055
State	**5,244**	14,341
Foreign	**9,902**	20,039
	41,692	158,435
Deferred:		
Federal	**14,495**	(16,027)
State	**1,439**	(406)
Foreign	**(1,144)**	(250)
	14,790	(16,683)
Total	**$56,482**	$141,752

The reconciliations between the U.S. federal statutory tax rate and the Company's effective tax rate for the years ended March 31, 2010 and 2009 are as follows:

	2010	2009
Statutory U.S. federal income tax rate	**35.0%**	35.0%
State and local income taxes, net of federal income tax benefit	**3.2**	2.5
Other, net	**3.1**	1.1
Effective income tax rate	**41.3%**	38.6%

Deferred tax assets (liabilities) as of March 31, 2010 and 2009 consist of the following:

	2010	2009
Current:		
Inventory adjustments	**$ 6,824**	$ 16,669
Accruals and reserves	**27,448**	34,906
Federal benefit, state taxes	**6,476**	5,147
Other	**15,159**	21,089
Total current deferred tax assets	**55,907**	77,811
Long-term:		
Acquired intangibles	**(152,540)**	(154,863)
Fixed assets	**(93,505)**	(81,660)
Postretirement obligations	**12,634**	11,314
Other comprehensive income	**5,372**	5,972
Tax loss and other carryforwards	**47,518**	48,864
Unremitted earnings	**(14,084)**	(16,497)
Other	**(5,310)**	(6,471)
Net long-term deferred tax liabilities before valuation allowance	**(199,915)**	(193,341)
Valuation allowance	**(2,355)**	(5,614)
Net long-term deferred tax liabilities	**(202,270)**	(198,955)
Net deferred tax liabilities	**$(146,363)**	$(121,144)

A valuation allowance of $2,355 and $5,614 at March 31, 2010 and 2009, respectively, has been recorded for carryforward tax benefits related to state and foreign net operating losses (NOLs), charitable contributions and capital losses, because management believes that it is more likely than not that some portion of the related deferred tax asset will not be realized.

At March 31, 2010, the Company and a subsidiary, which is not included in the Company's consolidated tax returns, have federal and state NOL carryforwards of approximately $168,676, which begin to expire in 2018, if unused, and fully expire through 2029. These NOL carryforwards are available to offset future federal and state taxable income. The Company has determined that it is likely that the federal and most state NOL carryforwards will be utilized before expiration. No state NOLs expired during the years ended March 31, 2010 and 2009.

Taxes on approximately $84,641 of undistributed earnings of foreign subsidiaries have not been provided for at March 31, 2010. The Company only remits current earnings that can be repatriated without a material impact on the provision for income taxes and are considered to be in excess of the reasonably anticipated working capital needs of the foreign subsidiaries. Any remaining undistributed earnings are considered permanently invested in the operations of such subsidiaries. It is not practical to determine the amount of income taxes payable in the event all undistributed foreign earnings were repatriated.

The Company accrues interest and penalties related to unrecognized tax benefits as components of the income tax provision. The liability for such unrecognized tax benefits, including interest and penalties, is recorded in accrued expenses and other current liabilities on the consolidated balance sheet.

The following table summarizes the activity related to the Company's unrecognized tax benefits (exclusive of interest):

	2010	2009
Balance at April 1	**$4,715**	$6,445
Additions based on tax positions related to the current year	—	139
Additions (reductions) for tax positions of prior years	**2,409**	(1,869)
Settlements	**(100)**	—
Unrecognized tax benefits balance at March 31	**$7,024**	$4,715

As of March 31, 2010, the Company had $7,024 of the unrecognized tax benefits, of which $5,178 represents the amount that, if recognized, would impact the Company's effective tax rate in future periods. As of March 31, 2010 and 2009, the Company had $812 and $2,066 of accrued interest, net of tax benefit, related to unrecognized tax benefits.

13. EMPLOYEE BENEFIT PLANS

(a) TBC – Defined Benefit Pension Plans - TBC provides unfunded supplemental retirement plans for certain of its key executives to provide benefits in excess of amounts permitted to be paid by its other retirement plans under current tax law. Expenses recorded for supplemental retirement benefits totaled $1,000 and $1,800 for the years ended March 31, 2010 and 2009, respectively. As of March 31, 2010 and 2009, TBC had recorded an accumulated benefit obligation of $9,700 and $5,200, respectively, based upon a measurement date of March 31, 2009 and December 31, 2007, respectively, computed using a 6.0% and 4.75% - 5.5% discount rate, respectively, depending on the plan, and 5.0% expected increase in future compensation. During the year ended March 31, 2009, a key executive retired and the executive's plan benefit was settled from the respective supplemental retirement plan for approximately $4,800.

(b) Savings Plans - The Company and certain of its subsidiaries also sponsor defined contribution 401(k) savings plans (the Savings Plans) for eligible employees. The Company at its discretion matches employees' contributions up to specific limitations. For the years ended March 31, 2010 and 2009, employer contributions to the Savings Plans amounted to approximately $6,279 and $5,642, respectively.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

For the Company's financial instruments classified as current in the consolidated balance sheets (cash and cash equivalents, accounts receivable, finance receivables, commercial paper, notes payable, current portion of long-term debt and accounts payable), the carrying values approximate fair value based on the relatively short period of time between the origination of the instruments, their expected realization or the frequent repricing of the instrument to market price. The fair value of long-term receivables and long-term debt is estimated using discounted cash flow analyses at interest rates currently being offered for similar instruments to lenders/borrowers with comparable credit ratings.

A significant portion of the estimated fair value of long term receivables represent Level 3 measurements based on the amount of unobservable inputs utilized in their determination. Changes in the market interest rates affect the fair value of the Company's fixed rate notes, but do not affect the Company's financial position, results of operations or cash flows related to these instruments.

The following table presents the carrying amounts and estimated fair values of the Company's long-term receivables and long-term debt at March 31, 2010 and 2009:

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets - Long-term receivables	**$503,465**	**$510,680**	$578,710	$574,122
Financial liabilities - Long-term debt	**$1,617,252**	**$1,588,022**	$1,442,233	$1,456,941

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions.

The fair values of the financial instruments shown in the above table as of March 31, 2010 and 2009 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

15. RISK MANAGEMENT INSTRUMENTS

In the normal course of business, the Company is exposed to foreign exchange rate fluctuation risks due to transactions originally denominated in foreign currencies. To manage these risks, the Company routinely enters into foreign currency forward contracts, but has not designated such contracts as hedges for accounting purposes. The change in fair value of these foreign currency forward contracts is recorded as income (loss) in the Company's consolidated statements of income.

The Company enters into cross-currency and interest swaps in order to convert its fixed-rate debt, which is denominated primarily in Japanese Yen, to a United States dollar floating rate basis. The Company designates these derivatives as fair value hedges. Gains and losses resulting from changes in the fair market value of these derivatives were recorded as income (loss) in the Company's consolidated statements of income. In addition, the Company enters into interest rate swap agreements that effectively convert fixed and variable rate debt denominated in Japanese Yen to a United States dollar fixed rate. The Company designates these derivatives as cash flow hedges. These swaps, which are used to manage interest rate and cross-currency exposures, are recorded in the consolidated balance sheets at their fair values. For the years ended March 31, 2010 and 2009, there was no significant hedge ineffectiveness. As of March 31, 2010 and 2009, respectively, the Company held certain cross-currency swaps and cross-currency interest rate swaps that did not qualify as hedges for accounting purposes. These swaps, which are used to manage interest rate and foreign currency exposures, were recorded in the consolidated balance sheets at their fair values. Gains and losses for changes in the fair value of these derivatives, which were recorded as income (loss) in the Company's consolidated statements of income, were not significant.

The Company enters, from time to time, into various hydrocarbon swap agreements in order to manage its exposure to future commodity price fluctuations for anticipated demand. The Company designates these derivatives as cash flow hedges. Gains and losses related to qualifying hedges of anticipated transactions are deferred and recorded as a component of OCI until the hedged transactions occur, when they are then reclassified to the consolidated statements of income. For the years ended March 31, 2010 and 2009, there was no significant impact to earnings due to hedge ineffectiveness. The remaining gains included in accumulated OCI at March 31, 2010 will be reclassified to earnings over the next twelve months, corresponding to the timing of recognition of the income statement impact of the hedged risk. Reclassifications to earnings are not significant for the years ended March 31, 2010 and 2009.

By using derivative financial instruments to hedge exposure to changes in interest rates and commodity prices, the Company is exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, the Company is not exposed to the counterparty's credit risk. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with highly rated counterparties and through netting arrangements with its counterparties.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates, currency exchange rates, or commodity prices. The market risk associated with interest-rate and commodity-price contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The following table presents the Company's outstanding derivative contracts at March 31, 2010 and 2009:

	2010		2009	
	Notional amount	Carrying amount at fair value	Notional amount	Carrying amount at fair value
Derivative assets:				
Cross-currency and interest rate swaps	**$214,605**	**$ 51,643**	$451,436	$ 65,692
Other derivatives	**195,805**	**2,534**	245,288	10,379
Derivative liabilities:				
Cross-currency and interest rate swaps	**$149,099**	**$(19,053)**	$ 70,048	$(21,244)
Other derivatives	**214,351**	**(12,309)**	86,566	(1,232)

The current and long-term portions of derivative assets are recorded in accounts receivable and long-term receivables, respectively, and the current and long-term portions liabilities are recorded in accrued expenses and other current liabilities and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. Gains and losses are included in gross profit and interest expense in the accompanying consolidated statements of income.

16. SEGMENT AND RELATED INFORMATION

The Company's reportable business segments are organized in a manner that reflects how management views those business activities. Accordingly, the Company reports for each segment a measure of segment profit or loss, certain specific revenue and expense items and segment assets. The Company's principal business activities, as described in note 1, have been classified into the following reportable segments: Tubular products; Steel and nonferrous metal; Machinery, power and IT; Chemicals and electronics; Living-related business; Mineral resources and energy; and Treasury and corporate. The Steel and nonferrous metal, Machinery, power and IT, Chemicals and electronics, Living-related business and Treasury and corporate segments include segment information of the Company's foreign subsidiaries.

The Company evaluates segment performance based on net income attributable to the Company. Information on the Company's reportable segments as of and for the years ended March 31, 2010 and 2009, respectively, is as follows:

March 31, 2010	Tubular Products	Steel & Non-Ferrous Metal	Machinery, Power & IT	Chemicals & Electronics	Living-Related Business	Mineral Resources & Energy	Treasury & Corporate	Inter-Segment Eliminations	Total
Revenues	$1,487,220	$377,325	$173,955	$520,103	$2,631,403	$7,183	$295,533	$(26,175)	$5,466,547
Gross profit	81,036	43,968	74,245	159,940	1,007,438	4,879	93,650	(2,394)	1,462,762
Net income	23,371	8,850	8,014	5,823	18,579	2,383	13,940	—	80,960
Segment assets	1,566,299	555,404	1,044,340	638,582	2,679,686	100,422	1,900,575	(2,051,168)	6,434,140

March 31, 2009	Tubular Products	Steel & Non-Ferrous Metal	Machinery, Power & IT	Chemicals & Electronics	Living-Related Business	Mineral Resources & Energy	Treasury & Corporate	Inter-Segment Eliminations	Total
Revenues	$2,347,270	$528,897	$305,978	$536,458	$2,447,590	$8,397	$431,715	$(18,967)	$6,587,338
Gross profit	371,078	59,921	78,503	127,521	929,804	5,528	142,489	83	1,714,927
Net income (loss)	187,541	20,546	18,514	(42,624)	(13,185)	(336)	54,370	—	224,826
Segment assets	1,552,676	577,200	855,844	667,952	2,459,875	105,915	3,031,659	(2,393,467)	6,857,654

Changes in the carrying amount of goodwill for the years ended March 31, 2010 and 2009 are as follows:

	Tubular Products	Steel & Non-Ferrous Metal	Machinery, Power & IT	Chemicals & Electronics	Living-Related Business	Mineral Resources & Energy	Treasury & Corporate	Inter-Segment Eliminations	Total
April 1, 2008	$6,531	$2,719	$3,027	$125,101	$428,663	$ —	$5,485	$ —	$571,526
Goodwill acquired during the year	28,448	—	—	—	—	—	—	—	28,448
Impairment	—	—	—	(35,439)	—	—	—	—	(35,439)
Purchase price adjustment	—	—	—	—	(17,709)	—	—	—	(17,709)
Other net changes	—	—	158	—	290	—	—	—	448
March 31, 2009	34,979	2,719	3,185	89,662	411,244	—	5,485	—	547,274
Goodwill acquired during the year	—	—	—	—	10,921	—	—	—	10,921
Purchase price adjustment	—	—	—	—	2,821	—	—	—	2,821
Other net changes	—	20	418	—	—	—	—	—	438
March 31, 2010	$34,979	$2,739	$3,603	$89,662	$424,986	$ —	$5,485	$ —	$561,454

Interest expense is allocated to each segment based on an internal borrowing rate applied to the net assets of each segment.

The following table provides geographic information related to gross trading volume and manufacturing and other revenues, which is based on the location of each customer:

	2010	2009
United States	**$6,231,462**	$7,531,952
Japan	**785,768**	1,022,655
Other foreign countries	**764,159**	1,172,965
Total	**$7,781,389**	$9,727,572

17. COMPREHENSIVE (LOSS) INCOME

The changes in accumulated other comprehensive income (loss) are as follows:

Balance – March 31, 2008, net of taxes of $3,610	$21,459
Unrealized depreciation on securities available for sale, net of taxes of $5,979	(10,814)
Unrealized gains on derivatives, net of taxes of $663	1,129
Minimum pension liability adjustment, net of taxes of $912	1,369
Foreign currency translation adjustment, net of taxes of $14,168	(50,830)
Balance – March 31, 2009, net of taxes of $14,962	(37,687)
Unrealized appreciation of securities available for sale, net of taxes of $1,346	3,022
Unrealized gains on derivatives, net of taxes of $2,247	3,232
Minimum pension liability adjustment	(311)
Foreign currency translation adjustment, net of taxes of $6,356	38,192
Balance – March 31, 2010, net of taxes of $5,013	$ 6,448

At March 31, 2010, the balance of accumulated OCI includes foreign currency translation gains of $2,822, unrealized appreciation on securities of $4,653 and minimum pension liability adjustments of $467, partially offset by unrealized losses on derivatives of $1,494. At March 31, 2009, the balance of accumulated OCI includes foreign currency translation losses of $35,370 and unrealized losses on derivatives of $4,726, partially offset by unrealized appreciation on securities of $1,631 and minimum pension liability adjustments of $778.

18. COMMITMENTS AND CONTINGENCIES

(a) Operating Leases - The Company rents various facilities and office space under long-term leases. Certain lease agreements include escalation clauses and, as such, these increases have been factored into the Company's straight line rent calculation. Future minimum annual rental payments (net of noncancelable sublease pay ments) under these leases are as follows:

Year ending March 31:	
2011	$ 138,086
2012	129,937
2013	119,145
2014	109,822
2015	95,742
Thereafter	738,024
	$1,330,756

Notes to Consolidated Financial Statements *(continued)*

March 31, 2010 and 2009 (In Thousands of Dollars)

The Company has contracted for future sublease rentals of $37,430, which range from $6,803 to $5,438 over the next five years.

Rent expense for continuing operations for the years ended March 31, 2010 and 2009 was $154,562 and $147,844, respectively.

(b) Indemnification and Guarantee Agreements **-** The Company has entered into the following indemnification and guarantee agreements associated with its continuing operations.

As of March 31, 2008, the Company had recorded estimated liabilities of $22,768 for losses under a contract of one of its wholly owned subsidiaries. During 2009, the Company was released from a performance guarantee issued in conjunction with the contract. In exchange for such release, the Company made a payment of approximately $4,400, transferred the assets and operations of the subsidiary to the customer and reversed the remaining estimated loss liabilities.

The Company also has outstanding guarantees for credit facilities of certain associated companies for up to $1,770,259, of which $79,898 of liabilities were outstanding at March 31, 2010.

In connection with certain dispositions of assets and/or businesses, the Company has incurred certain customary indemnification obligations to the purchaser. In general, the Company has agreed to indemnify the other party for certain losses relating to the assets or businesses that the Company sold. Certain portions of the Company's indemnification obligations are capped at the applicable purchase price, while other arrangements are not subject to such a limit. At times, these indemnification obligations survive termination of the underlying agreement.

In the normal course of business, the Company secures certain obligations with Performance and Labor, and Material Bonds (performance bonds). In certain situations, the ability to obtain performance bonds is directly related to the Company's credit rating. As such, the Company may arrange for issuance of performance bonds through third parties. As of March 31, 2010 and 2009, the Company had $525,000 and $582,000, respectively, of such performance bonds outstanding, of which $37,350 and $58,000, respectively, were at risk in ongoing projects. These amounts are expected to decrease over time as the Company completes the work in process or transfers ownership to other companies.

The Company believes that it is not reasonably likely that it will be required to perform under the performance bonds or that any performance requirement would have a material impact on its consolidated financial statements. As a result, the estimated fair value of these agreements is considered to be immaterial to the consolidated financial statements.

(c) Litigation - The Company is a defendant in several lawsuits incidental to its business. In the opinion of management, the outcome of the litigation facing the Company will not have a material adverse effect on the financial position, cash flows or operating results of the Company.

(d) SC Dividend Guideline - SC implemented a dividend guideline for overseas subsidiaries that may require the Company to pay a dividend to SGMA beginning in 2010. The Company may be required to pay a dividend based on 50% of prior year net income attributable to the Company. The ultimate dividend amount will be subject to adjustment depending on the effects of taxation as well as equity and asset levels.

(e) TBC Construction Agreement - TBC entered into a contract with a developer to construct a 1.1 million square foot warehouse in Charleston, South Carolina. The completion date of this warehouse is expected by January 2011.

Independent Auditors' Report

To the Board of Directors and Stockholder of Sumitomo Corporation of America

We have audited the accompanying consolidated balance sheets of Sumitomo Corporation of America (an indirect wholly owned subsidiary of Sumitomo Corporation) and subsidiaries (collectively, the Company) as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity and comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Corporation of America and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note (2)(a) to the consolidated financial statements, the Company changed its method of accounting for noncontrolling interest as of April 1, 2009.

KPMG LLP

New York, NY
June 18, 2010

Major Businesses

Services

SCOA provides North American clients with a unique suite of services. We assist our clients in the implementation of their strategic domestic and international growth plans. Demonstrated core competencies are:

- **Domestic and International Trade**
- **Import and Export Expertise**
- **Supply-Chain Management, Logistics and Insurance**
- **Investments and Joint Ventures**
- **Financing Capabilities**
- **Project Management**
- **Distribution**
- **Research and Marketing**
- **Technology Transfer**
- **Leasing**

Business Groups	Major Subsidiaries and Affiliated Companies	
Chemicals and Electronics	Diversified CPC International, Inc. Channahon, IL	Cantex, Inc. Fort Worth, TX
	The Hartz Mountain Corporation Secaucus, NJ	
Living-Related Business	TBC Corporation Palm Beach Gardens, FL	Atlantic Hills Corporation Atlanta, GA
	SCOA Residential, LLC New York, NY	201 Biscayne, LLC Miami, FL
	1750 K Street LLC Washington, D.C.	HF Lakeside II LLC Tempe, AZ
	123 Mission, LLC San Francisco, CA	
Machinery & Power	Summit Motor Management, Inc. Costa Mesa, CA	SMS International Corporation Rosemont, IL
	Perennial Power Holdings, Inc. New York, NY	SMS Construction and Mining Systems, Inc. Mississauga, ON
	Stanton Wind Energy, LLC Chicago, IL	Wolverine Assemblies, LLC Wixom, MI
Mineral Resources & Energy	Pacific Summit Energy LLC The Woodlands, TX	SC Minerals America, Inc. Denver, CO
	Summit Discovery Resources, LLC Houston, TX	Summit Discovery Resources II, LLC Houston, TX
Steel and Non-Ferrous Metal	SteelSummit Holdings Inc. Nashville, TN	Servilamina Summit Mexicana, S.A. de C.V. Querétaro, QRO, Mexico
	SteelSummit International, Inc. New York, NY	Arkansas Steel Associates, LLC Newport, AR
	Summit Stainless Steel, LLC North Brunswick, NJ	International Crankshaft, Inc. Georgetown, KY
	Katana Summit, LLC Columbus, NE	SMI Crankshaft, LLC Fostoria, OH
	Leavitt Tube Company, LLC Chicago, IL	AMTB Summit, S. de R.L. de C.V. Silao Guanajuato, Mexico
Tubular Products	Global Stainless Supply, Inc. Houston, TX	Tubular Solutions Alaska, LLC Anchorage, AK
	Pipeco Services, Inc. Houston, TX	Unique Machine, LLC Anchorage, AK
	Premier Pipe, LLC Houston, TX	V&M Star, LP Houston, TX
	Eryngium Limited (HOWCO Group) Glasgow, Scotland	
Other Businesses	Sumisho Global Logistics (USA) New Hyde Park, NY	Sumitomo Canada Limited Toronto, Ontario
	Oxford Finance Corporation Alexandria, VA	Sumitomo Corporation de Mexico S.A. de C.V. Mexico City, Mexico

Corporate Data

Founded

1952

Web: www.sumitomocorp.com

Offices

New York (headquarters)
Sumitomo Corporation of America
600 Third Avenue
New York, NY 10016-2026
Tel: 212. 207-0700
Fax: 212. 207-0456

(Shared Service Center)
Lake Success
Sumitomo Corporation of America
1999 Marcus Avenue
Suite 220
Lake Success, NY 11042-1020
Tel: 516. 358-5700
Fax: 516. 358-0894

Atlanta
Sumitomo Corporation of America
Six Concourse Parkway NE
Suite 2150
Atlanta, GA 30328-6184
Tel: 770. 399-3160
Fax: 770. 399-4690

Chicago
Sumitomo Corporation of America
Riverway I
6133 North River Road
Suite 700
Rosemont, IL 60018-5174
Tel: 847. 384-5200
Fax: 847. 384-0560

Denver
Sumitomo Corporation of America
8055 E. Tufts Avenue
Suite 720
Denver, CO 80237-2858
Tel: 303. 999-3577
Fax: 303. 339-3160

Detroit
Sumitomo Corporation of America
27777 Franklin Road
Suite 1450
Southfield, MI 48034-8211
Tel: 248. 353-2320
Fax: 248. 553-8661

Houston
Sumitomo Corporation of America
840 Gessner Road
Suite 1000
Houston, TX 77024-4155
Tel: 713. 653-8400
Fax: 713. 653-8436

Los Angeles
Sumitomo Corporation of America
444 South Flower Street
Suite 1600
Los Angeles, CA 90071-2975
Tel: 213. 627-4783
Fax: 213. 489-0300

Pittsburgh
Sumitomo Corporation of America
5000 U.S. Steel Tower
600 Grant Street
Suite 5000
Pittsburgh, PA 15219-2702
Tel: 412. 391-1892
Fax: 412. 765-2623

Portland
Sumitomo Corporation of America
2 Centerpointe Drive
Suite 550
Lake Oswego, OR 97035-8687
Tel: 503. 684.7870
Fax: 503. 684.7905

Washington, D.C.
Sumitomo Corporation of America
800 Connecticut Avenue NW
Suite 1000
Washington, D.C. 20006-2737
Tel: 202. 785-9210
Fax: 202. 861-0690

Printed on recycled paper.