ANNUAL REPORT 2007

For the year ended March 31, 2007

SUMITOMO CORPORATION

CONTENTS

2 **The Strength of Sumitomo Corporation**
4 **Financial Highlights**
6 **To Our Stakeholders**
10 **Speaking with the President and CEO: Focusing on the GG Plan**
15 **Pursuing the Sumitomo Corporation Way**
17 Topic 1: Expanding Our Business Base
1. Metal Products Business, 2. Media Business, 3. Environmental Business
20 Topic 2: Advances in Sumitomo Corporation's Risk Management
1. Overview of Our Risk Management, 2. Eyeing the Future of Risk Management
23 **Overview of Operations**
24 At a Glance
26 Metal Products
28 Transportation & Construction Systems
30 Infrastructure
32 Media, Network & Lifestyle Retail
34 Chemical & Electronics
36 Mineral Resources & Energy
38 General Products & Real Estate
40 Financial & Logistics
42 Global Business Operations
44 Principal Subsidiaries and Associated Companies Contributing to Consolidated Results
45 **Corporate Governance**
46 Management Principles and Activity Guidelines
47 Corporate Governance System
49 Internal Control
50 Compliance
51 Communication with Shareholders and Other Investors
52 Human Resources Management
53 Environmental Initiatives
54 Philanthropy
55 Directors and Corporate Auditors
57 **Business Operating Structure**
58 Organization
59 Regional Business Units and Subsidiaries
60 Principal Subsidiaries and Associated Companies
66 Global Network
67 **Financial Section**
68 Six-Year Financial Summary
70 Management's Discussion and Analysis of Financial Condition and Results of Operations
84 Consolidated Financial Statements and Notes
131 Independent Auditors' Report
132 **Reference Information**
Risk Factors
136 **Corporate Information / Stock Information**

Cautionary Statement Concerning Forward-Looking Statements

This report includes forward-looking statements relating to our future plans, targets, objectives, expectations, and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events and, accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The management targets included in this report are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management strives to achieve through the successful implementation of the Company's business strategies. The Company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets.

The Company is under no obligation—and expressly disclaims any such obligation—to update or alter its forward-looking statements.

Toward Sustained Growth

We shifted our strategy

from the active expansion of our earnings base (AG Plan: FY2005–2006)

to the pursuit of “further improvement of quality” and

“expansion of scale” in a balanced manner (GG Plan: FY2007–2008)

The Strength of Sumitomo Corporation

Sumitomo Corporation is Innovative, Balanced and Trustworthy

Innovative: Quest for and Achievement of Management Based on the Risk-adjusted Return Approach

Ahead of its peers, Sumitomo Corporation introduced the “Risk-adjusted Return Ratio,” a management indicator in 1998, and has been implementing management reforms ever since.

The businesses of an integrated trading company are diverse and they all carry risks. The first step we took was to quantify individual risks. We then used the ratio of the returns on those quantified risks, the risk-adjusted return ratio, as a common company-wide yardstick to evaluate the profitability of all of our businesses.

We have worked this concept into our management activities, employing it as a standard for the selection of businesses. Since the implementation of the Reform Package started in 1999, we have steadily improved our earning power and profitability through the continuous selection and concentration of businesses and the replacement of assets. Under the AG Plan, ended in fiscal 2006, the risk-adjusted return ratio rose to 15.8%, having created greater value exceeding shareholders’ capital cost, namely a risk-adjusted return ratio of 7.5%.

Risk-adjusted Return Ratio (%) = Net income ÷ Risk-adjusted assets

Risk-adjusted Assets: The value of maximum losses that could be incurred if all the potential risks were actually to occur during the accounting period.

Balanced: Established a Stable Earnings Structure

Our business portfolio comprises 10 segments, which consist of eight Business Units and two regional segments covering domestic and overseas operations. Through steady growth by taking advantage of business opportunities in each field and region, we are cultivating core businesses in each segment.

Currently, our earnings structure has multiple pillars such as Metal Products, Transportation & Construction Systems, Mineral Resources & Energy and Overseas Subsidiaries and Branches. In geographical terms, 40% of our basic profit is from Japan and 60% from overseas. Thus, our business portfolio is well-balanced and not over-dependent on specific fields or regions.

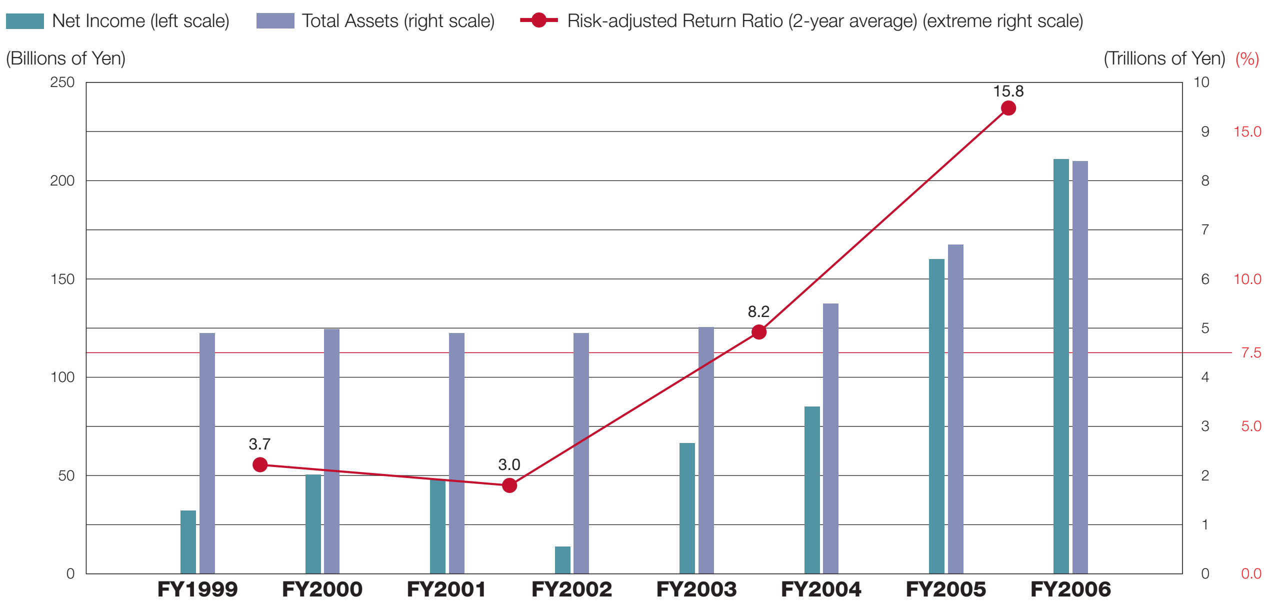
Even though the business environment may fluctuate, our earnings structure enables us to generate stable profits.

Trustworthy: The Principles of Our Business Activities

Underlying Sumitomo Corporation’s business activities is the “Sumitomo Business Spirit,” which is founded upon a respect of trust and has been cultivated and passed down over 400 years. Our Management Principles and Activity Guidelines were formulated by incorporating the Sumitomo Business Spirit to suit the business environment of today. These principles are shared and fully understood by all our officers and employees, and we intend to adhere to them in the future.

Pursuing profitability, growth, and stability, we will further enhance our relationship of mutual trust with our stakeholders by maximizing our corporate value through the achievement of the targets we have set.

Medium-Term Management Plans

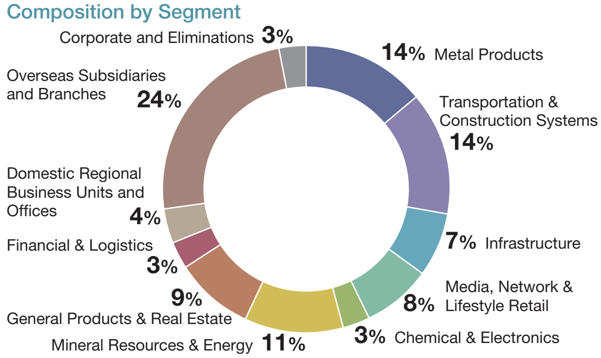


Reform Package	Step Up Plan	AA Plan	AG Plan
Enhanced corporate strength by selecting core businesses and withdrawing from non-core businesses	Increased profitability by replacing low return assets with potentially higher return assets	Strategic investments in assets with potential profitability	Strategic moves for further growth and development

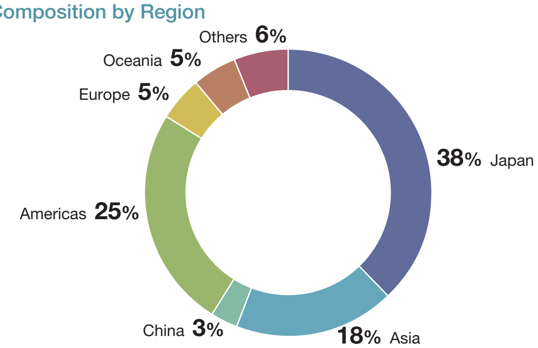
Basic Profit

FY2006 : **¥202.9** billion

Composition by Segment

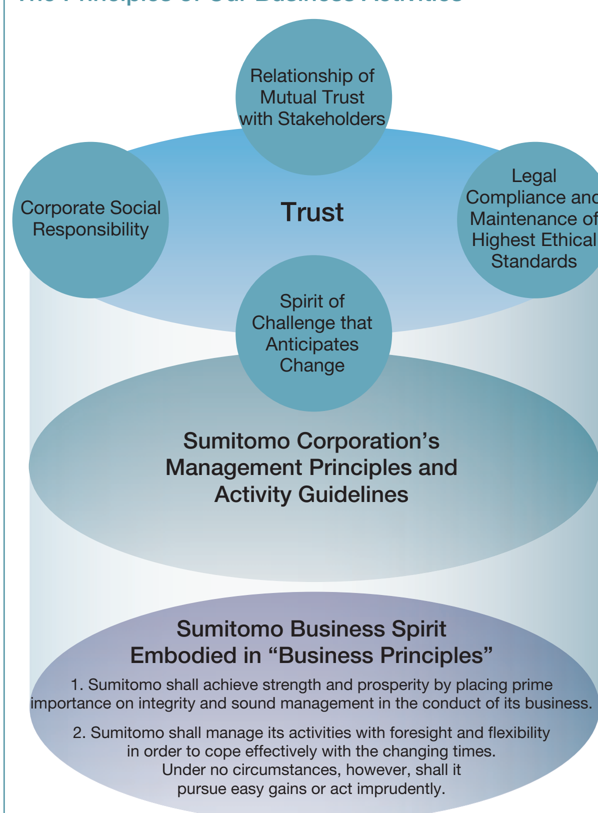


Composition by Region



Basic Profit = (Gross profit - Selling, general and administrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate) + Equity in earnings of associated companies, net [Tax rate: 41%]

The Principles of Our Business Activities

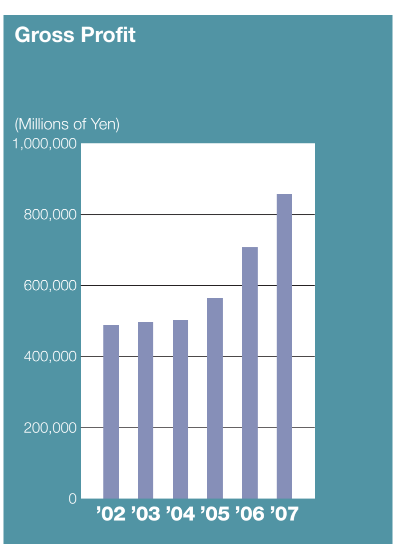


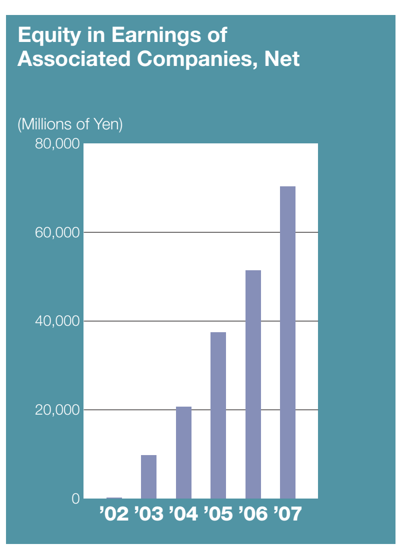
FINANCIAL HIGHLIGHTS

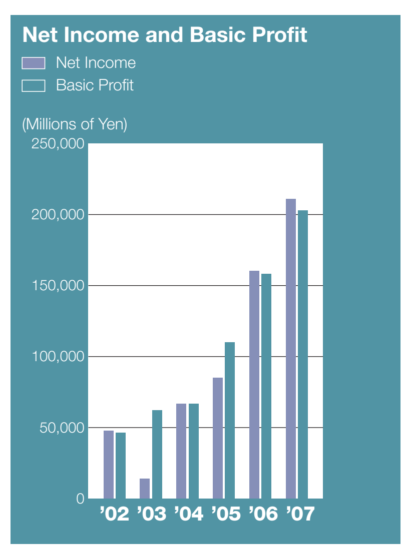
For the years ended March 31

	Millions of Yen					
	2007	2006	2005	2004	2003	2002
Results of Operations:						
Gross Profit	¥ 857,689	¥ 706,647	¥ 563,130	¥ 501,332	¥ 496,449	¥ 487,274
Net Financial Income	(22,991)	(9,530)	(2,259)	560	367	(7,099)
Interest Expense, net	(37,086)	(19,953)	(8,645)	(6,374)	(6,006)	(13,752)
Dividends	14,095	10,423	6,386	6,934	6,373	6,653
Equity in Earnings of Associated Companies, net	70,307	51,374	37,387	20,693	9,768	209
Net Income	211,004	160,237	85,073	66,621	13,874	47,730
Financial Position at Year End:						
Total Assets	8,430,477	6,711,894	5,533,127	5,012,465	4,856,157	4,860,155
Shareholders' Equity	1,473,128	1,303,975	934,891	730,848	618,712	657,967
Interest-Bearing Liabilities (net)	2,913,256	2,622,176	2,376,014	2,377,607	2,502,835	2,528,794
Cash Flows:						
Net Cash (Used in) Provided by Operating Activities	191,235	(62,752)	(20,831)	61,754	67,038	72,726
Net Cash (Used in) Provided by Investing Activities	(453,120)	(141,428)	(55,833)	57,929	(59,878)	(78,823)
Free Cash Flow	(261,885)	(204,180)	(76,664)	119,683	7,160	(6,097)
Net Cash Provided by (Used in) Financing Activities	176,106	262,145	115,825	(23,582)	43,011	26,651

Notes: 1. The Company and its subsidiaries have changed their accounting for deferred taxes related to investments in affiliates from the year ended March 31, 2004, and restated prior year consolidated financial statements. Consolidated balance sheets as of March 31, 2002 are not audited.





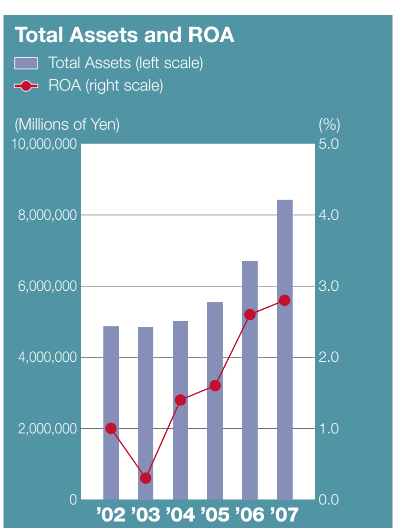


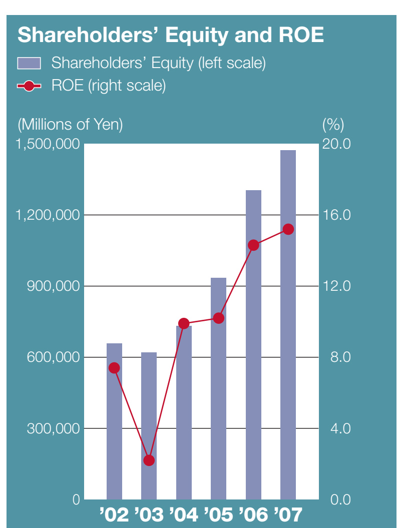
	Yen					
	2007	2006	2005	2004	2003	2002
Amounts per Share:						
Net Income: Basic	¥ 169.93	¥ 130.18	¥ 72.83	¥ 62.66	¥ 13.04	¥ 44.85
Diluted	169.90	130.17	72.82	61.31	13.00	43.89
Shareholders’ Equity	1,192.35	1,047.88	776.61	686.99	581.75	618.28
Cash Dividends Declared for the Year	33.00	25.00	11.00	8.00	8.00	8.00

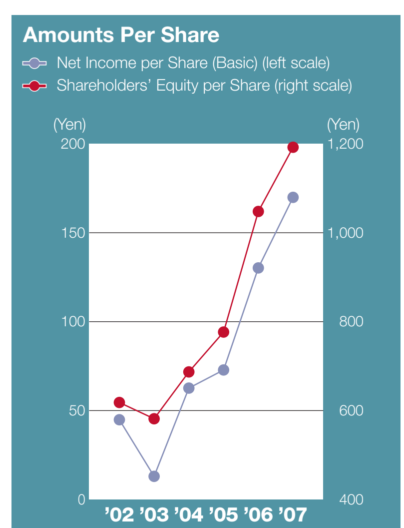
	%, Times					
Ratios:						
Shareholders’ Equity Ratio (%)	17.5	19.4	16.9	14.6	12.7	13.5
ROE (%)	15.2	14.3	10.2	9.9	2.2	7.4
ROA (%)	2.8	2.6	1.6	1.4	0.3	1.0
Debt-Equity Ratio (net) (times)	2.0	2.0	2.5	3.3	4.0	3.8

	Millions of Yen					
For Reference:						
Total Trading Transactions	¥10,528,277	¥10,336,265	¥9,898,598	¥9,197,882	¥9,229,576	¥9,645,379
Operating Income	239,748	176,133	112,385	70,950	89,286	88,368
Basic Profit	202,938	158,347	109,970	66,820	62,248	46,224

2. Cash dividends per share represents the cash dividends declared applicable to each respective year, including dividends paid after the year-end.
3. Total trading transactions and operating income are presented in a manner customarily used in Japan solely for Japanese investors’ purposes.
4. Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under accounting principles generally accepted in the United States of America (“U.S. GAAP”).
5. Basic Profit = (Gross profit - Selling, general and administrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate) + Equity in earnings of associated companies, net
(Tax rate was 42% for the years through fiscal year ended March 31, 2004 and 41% for fiscal year ended March 31, 2005 and after)







President and CEO Susumu Kato

Results for Fiscal 2006 and the AG Plan

Net income for fiscal 2006 (ended March 31, 2007) came to ¥211.0 billion, setting a new record for the fourth consecutive year.

Over the two years of the AG Plan, our medium-term management plan for fiscal 2005 and 2006, net income totaled ¥371.2 billion, far above the initial target of ¥230 billion, and our average risk-adjusted return ratio was 15.8%, also well above the target of 10.2%. The results show the effects of our drive to expand our earnings base under the AG Plan, in which we adopted a dynamic growth strategy to complement our ongoing efforts at selection and concentration.

We have set the dividend per share for fiscal 2006 at ¥33, up ¥8 from the previous year, based on the dividend payout ratio of around 20%.

The Principles of Our Business Activities: The Sumitomo Business Spirit and Our Corporate Mission Statement

The Sumitomo Corporation Group's vision is "to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society." The principles governing our business activities and the company we aim to become are set forth in the Sumitomo Business Spirit that we have built up over Sumitomo's 400-year history and in the Sumitomo Corporation Group's Management Principles and Activity Guidelines.

Our prime mission is to implement the call set forth in our Management Principles "to achieve prosperity and realize dreams through sound business activities"; this is also the way for us to fulfill our corporate social responsibility. Our Corporate Mission Statement also expresses the basic posture and values that we must maintain consistently in every age as we do business, including the prime importance of integrity so as to win the trust of our stakeholders, strict compliance with laws and regulations, observance of high ethical standards, and the spirit of challenge in staying a step ahead of change.

All the officers and employees of the Sumitomo Corporation Group will strive to make this corporate vision come true by reconfirming these principles, internalizing them, and putting them into practice.

Launch of the GG Plan, the New Medium-Term Management Plan

The ongoing reform process

The Sumitomo Corporation Group has grown to an unprecedented level in terms of both earnings and asset scale. I believe that this is the fruit of the ongoing efforts we have devoted to the reform of our business thinking and structures, the expansion of our earnings base, and the reinforcement of our corporate strength.

Over the period after we launched the Reform Package as a medium-term management plan in 1999, we strove to reach a risk-adjusted return ratio of 7.5% to cover our shareholders' capital cost. In the first four years of the reform drive, we focused on reinforcing our corporate strength, distinguishing between core and non-core businesses, downsizing asset scale, and improving management efficiency. Over the subsequent four years, we took an offensive posture and actively worked to expand our earnings base, which we were able to do successfully in pace with the recovery trends in the Japanese and global economies. As a result, our net income has increased to ¥211.0 billion in fiscal 2006, and our risk-adjusted return ratio rose to an average of 15.8% over the two years of the AG Plan.

At the same time, a number of issues have come to light requiring attention as we seek to grow further. We have been performing well at the company-wide level, but when we look at the results at the level of individual divisions, departments, and Group companies, we find disparities in earning power. We need to further raise the value of the new businesses that we have acquired and of the existing core businesses that we have actively expanded. We must also further strengthen our systems of risk management and internal controls.

Our business performance is now good, and I believe that it is important for us to take advantage of this favorable environment to deal with these issues during the two years of the GG Plan, fiscal 2007 and 2008, so that we can ensure sustained growth.

Corporate Mission Statement

We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

Management Principles

- To achieve prosperity and realize dreams through sound business activities
- To place prime importance on integrity and sound management with utmost respect for the individual
- To foster a corporate culture full of vitality and conducive to innovation

Activity Guidelines

- To act with honesty and sincerity on the basis of Sumitomo Business Spirit and in keeping with the Management Principles
- To comply with laws and regulations while maintaining the highest ethical standards
- To set high value on transparency and openness
- To attach great importance to protecting the global environment
- To contribute to society as a good corporate citizen
- To achieve teamwork and integrated corporate strength through active communication
- To set clear objectives and achieve them with enthusiasm

Policy directions under the GG Plan

In drawing up the GG Plan, we decided to aim for the creation of an earnings structure with which we can consistently secure a risk-adjusted return ratio of 15% or more on a medium-to-long-term basis regardless of economic conditions.

As we set forth on the path toward further development, we have positioned the two years of the GG Plan as a time to firm up our footing, shifting from our earlier growth strategy based on the active expansion of our earnings base to the pursuit of further improvement of quality and expansion of scale in a balanced manner. Specifically, to achieve sustained growth, we will establish a truly solid earnings base by vigorously strengthening and expanding our core businesses and, at the same time, further improve our quality. To this end, we will pursue quality improvement in four areas: (1) Earnings Base, (2) Operations, (3) Group Management, and (4) Human Resources and Workstyles.

Replacement of assets and enhancement of core businesses

The most important issue for us in connection with the improvement of the quality of our earnings base is to be even more thorough in replacing existing assets and to enhance the value of our core businesses and businesses we have acquired. We have been making ongoing efforts with respect to replacement of assets, including the selection and concentration of core businesses and the review of small-scale Group companies, and with the launch of the GG Plan, we have moved to step up these efforts with the strengthening of our quantitative and qualitative standards for investment and the upgrading of an integrated monitoring process from entry to exit for each business in which we are involved. By boldly replacing assets and rigorously enhancing the value of our core businesses, we will establish a truly solid earnings base.

Quantitative targets under the GG Plan

As quantitative targets under the GG Plan, we are aiming for a two-year average risk-adjusted return ratio of 15% or more and annual net income of ¥235 billion, for a two-year total of ¥470 billion. We also plan to increase our total risk-adjusted assets by ¥280 billion over this period. By achieving the targets of the GG Plan without fail, I hope that we will be able to further strengthen the trust placed in the Sumitomo Corporation Group by all its stakeholders—shareholders, business counterparts, society, and ourselves as officers and employees.

GG Plan Basic Policy

Basic Policy
Pursuit of further improvement of quality heading for a new stage of growth
—Aiming to be a "Great & Growing Company"—

Focus of the GG Plan

Strengthen the accomplishments of the reform process since the Reform Package (FY1999–2000) and head for a new stage of growth

For Sustained Growth

- Pursue both the improvement of quality and the expansion of our earnings base in a balanced manner
- Steadily increase our returns exceeding the shareholders' capital cost

Build an earnings base which stably realizes a risk-adjusted return of 15% or more over the long term

GG Plan Quantitative & Qualitative Targets

Quantitative Targets

Risk-adjusted Return: **15**% or more (2-year average)

Net Income: **¥470** billion (2-year total)
(FY2007 **¥235** billion, FY2008 **¥235** billion)

Risk Assets Plan

Amount Increasing over Two Years: **¥280** billion (net)

Qualitative Targets

- Establish a truly solid earnings base through the rigorous strengthening and expansion of our core businesses
- Improve the management quality to pursue sustained growth

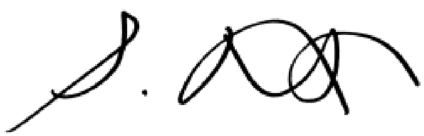
Accomplish by improving quality in four areas; "Earnings Base," "Operations," "Group Management," and "Human Resources and Workstyles"

Turn Changes into Chances and Chances into Growth

We have a solid business foundation, including our global network, global relations, integrity, and intellectual assets, based on which we have built a wide range of functions, including strengths in the delivery of financial services, logistics solutions, risk management, IT solutions, market intelligence and information gathering and analysis, and business development. Our ability to create and provide diversified values to meet customers' demands through the integration of this business foundation and these functions constitutes the core competence of the Sumitomo Corporation Group—our "integrated corporate strength."

The changes in the social and economic environment in which we operate are likely to become even more intensive in the period ahead. We intend to take these changes as chances and, by constantly honing our integrated corporate strength and leveraging it to the utmost, to use these chances as the basis for steady growth. Our aim is to have the Sumitomo Corporation Group achieve sustained growth and development, and thereby make even greater contributions to society.

I sincerely request your ongoing understanding and support.



Susumu Kato
President and CEO

July 2007

Integrated Corporate Strength: Sumitomo Corporation's Core Competence

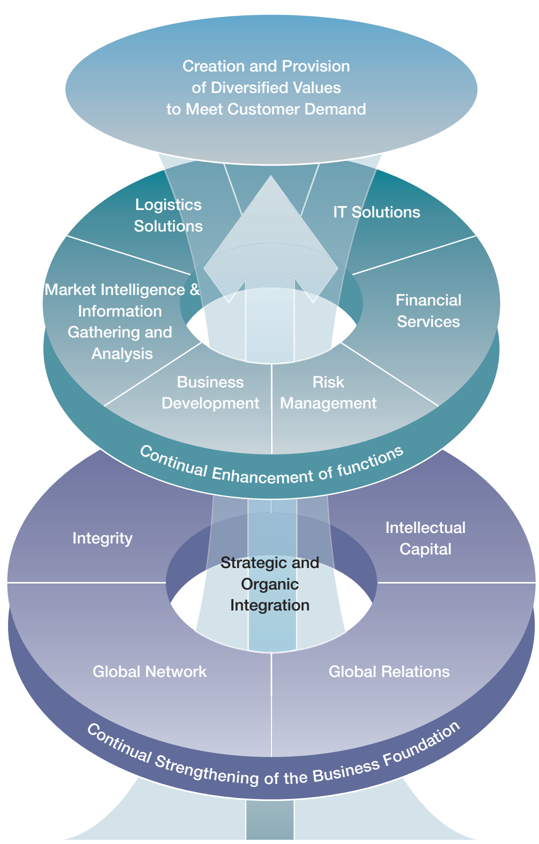
Logistics Solutions: In addition to the ability to provide a wide range of integrated logistic services, we also have the capacity to develop and deploy services to match demand and supply of cargo, trucks, and warehouse space.

Market Intelligence & Information Gathering and Analysis: Through our wide range of business activity, we gather information from every business segment and market. By engaging our deep experience and business know-how, we do comprehensive analysis of this market intelligence, and utilize it in our day to day business activity.

Business Development: We excel in business creation, which involves identifying promising new products, developing new markets and organizing appropriate business operations.

Integrity: Based on the Sumitomo Business Spirit, we have cultivated the trust of our customers over the years. This is the most fundamental and valuable asset of our business. It is important that our customers know they are entrusting their business to safe hands.

Global Network: With around 150 offices and over 800 subsidiaries and associated companies worldwide, our business network provides a basic platform for the prompt and secure transfer of goods, funds, and information.



IT Solutions: This involves the ability to build Supply Chain Management (SCM) systems and to support network business.

Financial Services: This includes fee collection/payment, the provision of capital, project financing, and advanced financing services, such as the securitization of assets.

Risk Management: Only an integrated trading company with decades of business experience can expertly manage the diverse risks associated with credit standing, markets, and enterprise operations.

Intellectual Capital: The wealth of know-how, experience, and information accumulated by our skilled personnel in diverse fields is also an important element of our solid business foundation.

Global Relations: Based on the integrity and global network we have created, our company has established close and multi-faceted relations with over 100,000 business partners around the world across all industries. Sumitomo Corporation is promoting cross-cultural communication and mutual understanding with our worldwide business partners based on direct person-to-person contact. These global relations are even more valuable assets now that the focus of the times is on information technology (IT).

Question 1

Four areas targeted for pursuing further quality improvement under the GG Plan, Sumitomo Corporation's current medium-term management plan

1 First of all, what are the specific measures for the improvement of the earnings base, which you have identified as the top priority?

In order to carry out the even more rigorous selection and concentration of our businesses and to promote the enhancement of the value of each business, we have upgraded our integrated monitoring process from entry to exit and strengthened our quantitative and qualitative criteria for investment.

At the entry and exit points, we have added the following four qualitative criteria to our existing quantitative criteria for making our investment decisions: (1) Does the business match the strategy of the Business Unit? (2) Is it possible to sketch a strategy for the future growth? (3) Is a proper set of internal controls in place? (4) Is the company managing itself autonomously?

On the quantitative side, we have raised the minimum requirement for the absolute level of profits, and we have introduced a new profitability criterion: any business with a risk-adjusted return ratio of less than 7.5% for three consecutive years becomes a candidate for withdrawal.

By steadily implementing the business monitoring process, checking on the issues at hand, and following the plan-do-see cycle, we will work to enhance the value of each business. For those Group companies that have a major impact on our consolidated results, we have also introduced what we call the "Value-Up Support System." This is a company-wide approach to supporting and monitoring the steady realization of the plans originally drawn up when the Group company was launched or when we invested in it. The system also extends to the design and implementation of measures for the achievement of the intended synergies.

❷ How about measures for the improvement of operational quality?

To pursue a higher level of soundness and efficiency, first of all we will be working on each of the front lines at what we may call the business basics: the improvement of asset efficiency, of operating cash flows, and of risk management, including credit exposure control.

In addition, along with even greater rigor in assuring legal compliance, we will be working at further improvement of the efficiency and quality of our business operation, centering on the Internal Control Program we introduced in 2005 to conduct regular, comprehensive checks of our internal controls on a global and consolidated basis; in this connection we will also take into account the internal control-related rules of the new Financial Instruments and Exchange Law. These efforts are an essential part of our drive to enhance the value of each of our businesses.

❸ What are the objectives you have set for improving the quality of Group management?

In view of the number of consolidated Group companies, nearly 900 as of March 31, 2007, the improvement of Group management is an urgent issue for us. We will energetically apply the same measures to Group companies as those we have adopted for the improvement of earnings base quality such as the implementation of business monitoring and selection and concentration, along with measures to improve operational quality. Through these efforts we will upgrade the quality of individual Group companies, further strengthen the coordination among the companies, and thereby enhance our corporate value as an entire Group.

❹ How about improvement in the area of human resources and workstyles?

Human resources are the key to the sustained growth of the Sumitomo Corporation Group, and improving the quality of human resources and workstyles is an issue of great importance.

We will strive to energize and promote the growth of each officer and employee of our Group, and we will devote even greater efforts than before to securing, developing, and utilizing talented human resources. Specifically, we will further strengthen our recruitment of new graduates and our mid-career hiring, combine the promotion of younger employees with the activation of senior employees, and expand our human resources development programs.

In addition, we will undertake the reform of workstyles. Along with thorough time management, we will actively promote measures aimed at the creation of leeway for employees and strive to achieve work-life balance. Individual fulfillment in life as a whole, including work, gives rise to vitality, serving as the motive force for the creation of new value. And I believe that this generates synergies with the growth and development of the Company, including the enhancement of productivity.

Further Quality Improvement

Earnings Base	• Rigorous and thorough selection and concentration • Improve risk-adjusted return to further exceed our shareholders' capital cost of 7.5%
Operations	• Improve capital efficiency and operating cash flows • Further strengthen internal controls
Group Management	• Improve the management quality of the Sumitomo Corporation Group
Human Resources and Workstyles	• Promote the growth and vitality of Group employees

Question 2

Investment activities being implemented under the GG Plan

❶ Please describe the plan of increasing risk-adjusted assets.

Under the GG Plan, we plan to increase risk-adjusted assets by ¥280.0 billion over a two-year period. We anticipate the gross amount of investments to be around ¥600.0 billion.

As our basic management policy, we have been paying attention to the balance between risk-adjusted assets and risk buffer. To achieve a higher level of soundness, we have introduced the new concept of core risk buffer instead of risk buffer. This core risk buffer excludes unrealized gains on equity securities and land from risk buffer.

During the GG Plan period, we will promote increasing profitable assets and pursue asset replacement, and enhance the value of core businesses, thus further improving the quality of our earnings base. By the conclusion of the GG Plan, we expect significant improvements in the quality of assets and are anticipating that risk-adjusted assets with a risk-adjusted return of more than 7.5% will comprise 80% of the total.

❷ In which area are you going to invest?

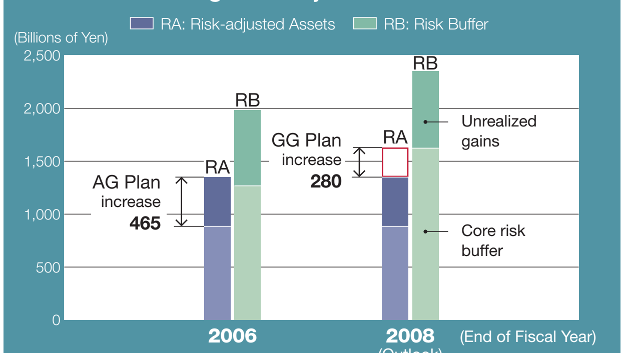
Aiming to expand our earnings base, we plan to increase profitable assets in core businesses and their surrounding fields in each business segment and will further bolster our well-balanced business portfolio, a particular strength to us.

Within each business segment, we will pursue specific strategies and investments.

1) **Metal Products:** We will selectively allocate management resources to energy- and automobile-related areas in which demand is expected to grow. We will reinforce tubular products supply chain management and steel service center operations, where we have been displaying strength.

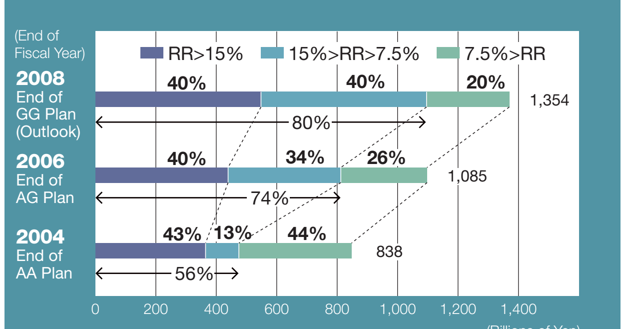
2) **Transportation & Construction Systems:** We will expand our value chain in fields where we hold competitive advantage, such as Sumisho Auto Leasing Corporation and our overseas automobile financing business. We will actively promote asset replacement and reallocation among existing businesses, such as automobile dealership businesses, and endeavor to improve the quality of our business portfolio.

Plan for Increasing Risk-adjusted Assets



Note: Core Risk Buffer: Common stock + Retained earnings + Foreign currency translation adjustments – Treasury stock, at cost

Risk-adjusted Assets by Risk-adjusted Return



Note: RR: Risk-adjusted return ratio
Risk-adjusted assets of Corporate Group are excluded

3) **Infrastructure:** We will further reinforce electric power businesses, including power generation business and plant construction, which are contributing to earnings. We will also cultivate such new core businesses as telecommunication- and water-related businesses.

4) **Media, Network & Lifestyle Retail:** We consolidated Jupiter Shop Channel (JSC), a TV shopping company, as a subsidiary. By positioning JSC as a core, we will merge the retail and media business and expand web retail operations with closer direct links with consumers.

5) **Chemical & Electronics:** We will strengthen and augment our value chain, which encompasses raw material supply in upstream operations through the electronics manufacturing services (EMS) business in downstream operations. Focusing on the EMS business, we will develop activities on a global scale, not only in Asia but also in Europe and the U.S.

6) **Mineral Resources & Energy:** We aim to acquire new interests in nickel and iron ore, among other minerals, as well as to strengthen the existing four mainstay minerals of copper, coal, oil and LNG. We will upgrade our balanced portfolio of upstream interests that does not place too much emphasis on specific regions and products.

7) **General Products & Real Estate:** We will expand our portfolio of real estate-related business, including office building operations, fund businesses, and commercial facilities leasing. In the general products field, we will reinforce core businesses encompassing tires, lumber, and building materials.

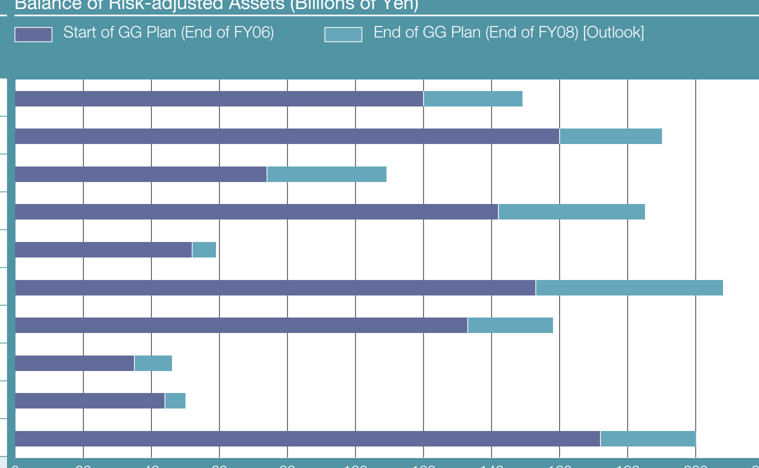
8) **Financial & Logistics:** In the financial service field, we aim at expanding the base of investment-related businesses by utilizing our extensive information capability, know-how, and network as an integrated trading company. In the logistics field, we will expand logistics networks in the ASEAN region and China and augment operations in overseas industrial park business.

Risk-adjusted Assets & Risk-adjusted Return by Segment

Risk-adjusted Return Ratio (%)

	AG Plan FY05-06 Results	GG Plan FY07-08 Outlook
Metal Products	22.4	19.8
Transportation & Construction Systems	16.8	17.7
Infrastructure	16.3	21.3
Media, Network & Lifestyle Retail	11.5	11.6
Chemical & Electronics	16.3	21.3
Mineral Resources & Energy	21.9	18.0
General Products & Real Estate	11.0	13.7
Financial & Logistics	20.8	17.4
Domestic Regional Business Units and Offices	12.1	18.3
Overseas Subsidiaries and Branches	25.0	23.1
Consolidated	15.8	15.6

Balance of Risk-adjusted Assets (Billions of Yen)



*Risk-adjusted return ratios are two-year averages.

Question 3

Looking to the future

What are your plans in the area of strategic moves for future earnings?

We have established a new Value Integration Committee, or VIC, integrating our existing Company-wide Project Promotion & Support System and New Technologies Support System. The VIC is operating on a company-wide, cross-divisional basis to create and foster new businesses to serve as pillars of future earnings. A concrete example is the promotion of web retail business.

Also, in order to further strengthen our earning power on a global basis, we have set up a Regional Initiative Support System. The objective is to promote even greater proactive initiative by regional organizations in developing locally based global businesses. Specifically, we will be providing support and aid for initiatives by regional organizations aimed at strengthening their earnings base, such as the multifaceted development of ties with leading local enterprises and the improvement of cooperation among regional organizations.

We are budgeting ¥5 billion a year, or ¥10 billion over the two years of the GG Plan, to aid such initiatives, and we will be actively promoting this endeavor on a company-wide basis.

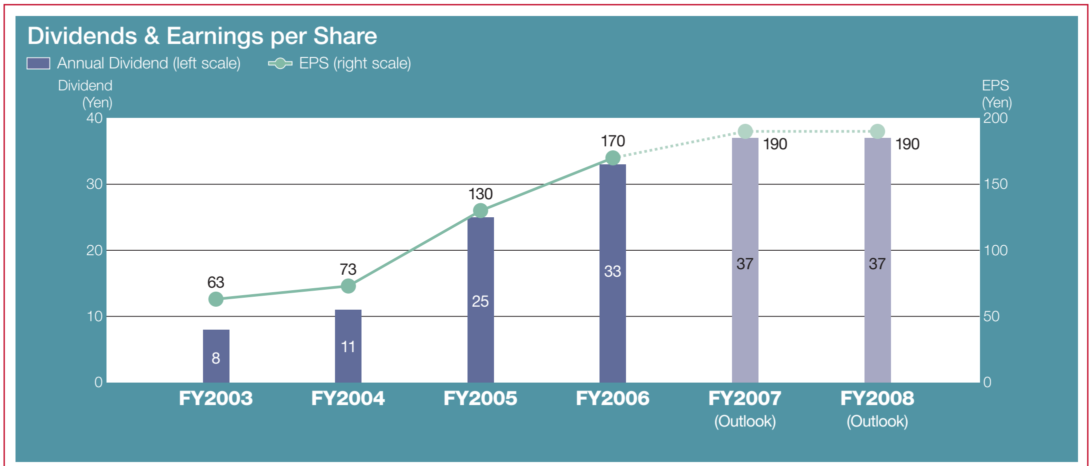
Question 4

Returns to our shareholders

Please explain your policies with regard to dividends and returning profits to shareholders.

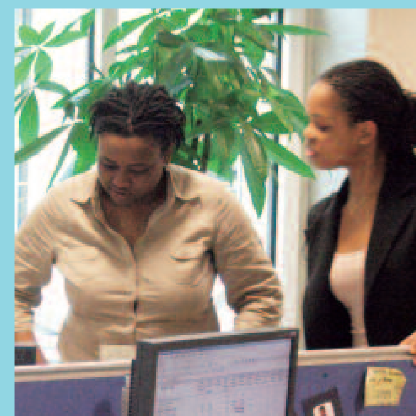
Sumitomo Corporation has been consistently maintaining a basic policy of ensuring stable dividends over the long-term. At the same time, we set the amount of dividends by comprehensively taking into account our consolidated financial results and other conditions.

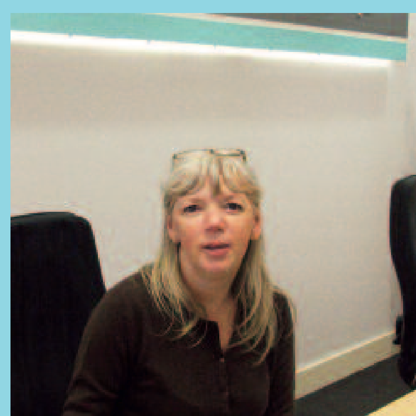
Aiming for sustained growth, the GG Plan is basically a stage of expanding the earnings base while further improving quality. After considering the need for balance between retained earnings for investment and dividend payment, we decided to continue maintaining the dividend payout ratio at around 20%. We will return the results of sustained profit growth to shareholders through dividends that reflect financial results. In the event of achieving the net income target of ¥235.0 billion for fiscal 2007, the annual dividend per share is expected to rise to ¥37, representing a ¥4 increase per share compared with fiscal 2006.



PURSUING THE SUMITOMO CORPORATION WAY









Sumitomo Corporation is pursuing the expansion of its business base as well as the advancement of risk management. Such "offensive" and "defensive" initiatives unique to Sumitomo Corporation are the source of our competitiveness.

Topic 1 : Expanding Our Business Base

We are fortifying and expanding our business base by implementing various measures in diverse business fields. Explained as follows, these measures are unique to an integrated trading company.

1. Upgrade operational functions and enhance the values in existing businesses
2. Expand our business fields to both upstream and downstream areas vertically and establish value chains
3. Apply business models established as core businesses in other business fields and geographical regions horizontally
4. Expand the business base by taking advantage of such opportunities as industry restructuring and effectively undertaking mergers and acquisitions

In the following section under Topic 1, we will present a close-up view of our Metal Products Business and Media Business, which have become our core businesses through the above measures.

We will also introduce our Environmental Business, in which we are optimally applying our multifaceted functions as an integrated trading company.

Topic 2 : Advances in Sumitomo Corporation's Risk Management

Sumitomo Corporation is expanding its business base with the aim of achieving long-term and stable growth. Our risk management functions are part of the indispensable infrastructure supporting this growth. We adapt our risk management approach in response to changes in the surrounding operating environment and the changing times, and our capabilities in risk management have become a source of competitiveness in our businesses.

Under Topic 2, we will provide the overview of Sumitomo Corporation's risk management.

1. Metal Products Business

In the past, trading companies' business operations centered on the procurement and sale of goods. Today, however, our functions and the ways we serve our customers are becoming ever more advanced. Particularly in metal products, such as steel sheets and tubular products, we have established a comprehensive supply chain management (SCM) system and offer high-value-added services.

Expanding Our Steel Service Centers Network

Situated in the proximity of production bases operated by automobile and home appliance manufacturers in Japan and overseas, we own steel service centers (SSCs), which are facilities for processing steel sheets. Based on customers' production schedules, SSCs operations cover procuring coiled steel sheets from steel manufacturers, controlling inventories, processing the steel sheets to customers' specifications, and providing just-in-time delivery. Since the 1977 launch of the first SSC in Singapore, we have expanded our SSC network mainly in Asia covering Malaysia, Indonesia, Thailand, Taiwan, and China as well as the Czech Republic, the United Arab Emirates, the U.S., and Mexico. Also, in Japan, we have reinforced our network through such means as mergers and acquisitions. As of June 2007, we were operating a total of 43 SSCs worldwide and boasted a total annual processing capacity of over six million tons, ranking among the top tier of trading companies.

We expect the steady growth of our SSC operations in accordance with the continuous expansion of demand in the automobile and home appliance industries. In such an environment, we will promote the expansion of the SSC network and the upgrading of our quality of service.

Reinforcing the Functions of Tubular Products SCM

Among the various types of tubular products, we excel particularly in the area of Oil Country Tubular Goods (OCTG) for crude oil drilling and natural gas extraction, where we utilize our Tubular Information Management System (TIMS), a proprietary SCM system. Our service covers managing and forecasting the use of and demand for pipes, ordering to manufacturers and providing maritime transportation, inventory control, and transportation to installation sites. We also provide pipe maintenance and storage services. As of June 2007, we are providing such services at 11 locations in 10 countries for oil and natural gas development projects.

We anticipate that oil and natural gas resources will be actively explored and developed on a global basis. However, future planned projects are facing severe drilling and extraction conditions and demand for high-end tubular products is expected to increase. The tubular products we supply are mainly such high-end products, and we also have an equity stake in V&M Star LP, a high-end tubular products manufacturer in the U.S.

Also, we are aggressively investing in other fields related to tubular products. In March 2007, we entered into an agreement with France-based Vallourec regarding investment in a premium pipe joint threading business that Vallourec has established in China. In China, many large-scale development projects are in progress, and the drilling environments for these projects are becoming increasingly severe. As a result, the demand for durable and premium pipe joints for oil well tubes to drill deeper is rapidly rising.

In December 2006, we invested in the HOWCO Group, which produces and markets metal components for oil well equipment manufacturers. Used in oil and natural gas wells, this equipment controls the drilling and extraction processes. The market for the materials and components used in such equipment is expanding.

Through these efforts, we are aiming to become a total service provider for oil and natural gas developers all over the world.

One of our steel service centers in Hanoi, Vietnam

A yard for tubular goods to be used in the oil fields of the North Sea

2. Media Business

Since the 1980s, the Sumitomo Corporation Group has carried out the media business in both the infrastructure and content domains, including cable television (CATV), multichannel programming and film-related businesses. We are broadening our business base by upgrading and expanding services and utilizing M&A. The media business has grown into one of our core businesses by leveraging the Group's comprehensive strengths.

Footprints of the Media Business

We entered the CATV business in the 1980s, eyeing the market's growth potential. In 1995, we established the CATV multiple system operator (MSO) Jupiter Telecommunications Co., Ltd. (J:COM) and have been promoting wide-area operations by establishing new operators and acquiring neighboring operators.* As of March 2007, J:COM provided services through 41 operators under 24 franchises with approximately 2.64 million households as subscribers and a 35% share of the Japanese CATV market, making it the largest MSO in Japan. J:COM has expanded its services from CATV to high-speed Internet, fixed-line telephony, and mobile telecommunications, and its one-stop services in four fields give it an advantage over competitors, including satellite broadcasting services.

We entered the multichannel programming business along with the start-up of our CATV business. In 1996, we established the multiple channel operator (MCO) Jupiter Programming Co., Ltd., renaming it Jupiter TV Co., Ltd. (JTV) in January 2006. JTV has continuously increased the number of programs it provides in such genres as movies, sports, documentaries, animation, and TV shopping and has been supplying these programs to J:COM and other CATV operators and satellite broadcasters. As of March 2007, JTV was the largest MCO in Japan, providing services through 17 channels under 12 franchises. JTV is also expanding its business through launching video-on-demand business for CATV and providing programs to IP broadcasters.

Among JTV's channels, Jupiter Shop Channel Co., Ltd. (JSC), Japan's No. 1 TV shopping channel, is continuing dynamic growth. JSC's strength lies in providing attractive and high-quality merchandise through 24-hour-a-day, year-round live broadcasting. JSC had sales of about ¥100 billion in 2006, and secured the industry-leading position by capturing a roughly 30% share of the market.

The Future Path of the Media Business

We decided to reorganize the businesses of J:COM and JTV in May 2007. We made JSC a subsidiary, while J:COM took over JTV's other operations.

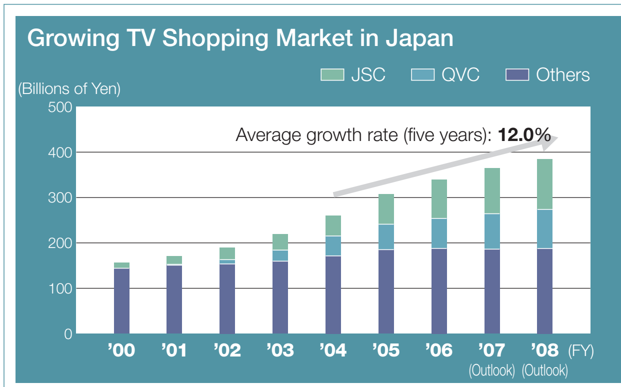
We anticipate further growth in TV shopping and intend to enhance the value of JSC through our direct initiatives. In addition, considering the increase of e-commerce (EC), we will expand our new consumer direct business (Web Retail Business), with JSC as a core player, by merging retail and media businesses. As a part of these efforts, we are promoting EC for various retail operations with actual stores.

J:COM, with the consolidation of JTV, has become an "integrated media company" and its business ranges from contents production and procurement to distribution. J:COM will reinforce both its CATV operations and programming services by providing viewer-oriented attractive programs and contents that match customer needs. J:COM will also aim to be a "community service provider," leveraging its strengths as a community-based media company and contributing to communities in various ways.

We aim to broaden our business base by upgrading services, strengthening wide-area operations and utilizing M&A.

* The most recent example is the September 2006 acquisition of Cable West Inc., the largest CATV operator in the Kansai region, with approximately 360 thousand households as subscribers.

Sakura Cable TV Co., Ltd., acquired by J:COM in April 2006



Source: Report by FUJI KEIZAI Co., Ltd. and data of Sumitomo Corporation

3. Environmental Business

We are promoting various environmental businesses utilizing our diversified functions as an integrated trading company. Through business activities, we are focusing on contributing to the improvement of environmental issues.

Greenhouse Gas Emissions Reduction Projects

Our activities are characterized by being involved from the incubation stage, including in the preparation of business proposals for our customers. Such an approach enables us not only to contribute to solving environmental problems in many countries but also to obtain emission credits, which helps Japan in achieving the emission reduction targets for greenhouse gases set under the Kyoto Protocol.

Our project in India was the first Clean Development Mechanism project registered at the United Nations (UN) by a Japanese corporation. This project collects and disposes of hydrofluorocarbon gases in India. This project is showing steady progress and the UN started to grant us emission credits from 2007. Also, in Indonesia, we are engaged in biogas (methane) power generation. We extract methane gas from wastewater discharged by a starch manufacturing plant and use this gas to generate electricity. We are currently developing the same type of business in Thailand and Vietnam. In addition, we are working on various projects in Asian, CIS, and African countries.

Renewable Energy Supply Projects

The potential of such clean renewable energy as wind power, solar power, and geothermal power is widely watched. We are pursuing wind power generation projects in Yamagata and Ibaraki prefectures while supplying solar power generation modules and promoting the solar cell materials business. Also, we are aggressively promoting geothermal power generation projects in Indonesia, the home of the world’s largest reserve of geothermal resources.

In Indonesia, we received four consecutive orders for geothermal power generation projects in collaboration with Fuji Electric Systems Co., Ltd., a leading manufacturer in this field. Upon their completion, our total geothermal power generation capacity in Indonesia will reach 500 megawatts, including that of plants already constructed. The Indonesian government is planning to increase the country’s geothermal power generation capacity to 6,000 megawatts by 2015. Our future focus will be placed on securing sustained orders in Indonesia and developing new projects in countries having geothermal resources such as New Zealand, the Philippines, Iceland, and countries in Central and South America.

Water Treatment Business

Many countries are currently confronting the need to construct water treatment systems due to their economic growth and urbanization. In Mexico, private-sector capital is being introduced to address the issue. We are actively developing sewage treatment projects together with Degrémont S.A., a French company that boasts the top market share in the Mexican water and sewage treatment industry. Together with Degrémont, we are operating three projects that process a total of 540,000 m^3 a day. These projects have newly brought sewage treatment service to approximately two million citizens. Treated water from the projects is reused for agricultural and industrial purposes and as cooling water at power plants.

In addition to Mexico and anticipating that Australia and countries in Asia and the Middle East will tap their respective private sectors for the development of water treatment systems, we are aiming to further expand our water treatment business on a global basis.

We are operating wind power generation in Kashima City, Ibaraki Prefecture

The San Luis Potosi Wastewater Treatment Plant we operate in Mexico

Topic 2 : Advances in Sumitomo Corporation's Risk Management

In response to changes in the business environment and changing times, our risk management approach has also been advancing. Until the early 1990s, we put priority on micro-perspective risk management, focusing to minimize unexpected losses arising from each transaction to prevent us from suffering losses and ensure that we achieve sustained growth. However, since the mid-1990s, following the collapse of Japan's economic bubble, the effective and efficient utilization of management resources has become key to enhancing corporate value. Responding to these changing times, our risk management approach also shifted its priority to macro-perspective risk management that sets priority on maximizing corporate value strictly in line with the management plan. For the purpose of coping with increasingly diversified risk issues in an effective manner, the advance in our risk management approach never ends.

Our Management Plans and Risk Management Initiatives

Medium-Term Management Plans	Risk Management Initiatives and Surrounding Operating Environments	
Before the Reform Package	• Back and middle office functions independent from front office functions • Hurdle rates on investments • Business assessment systems • Credit rating based on bankruptcy probability • Company-wide risk-adjusted asset quantification • Country risk management	Various deregulatory measures introduced worldwide since the mid-1980s has promoted the globalization of business. In response to this market transition, we began transforming our business model that only emphasized mid-stream business to include upstream and downstream businesses. This transformation led our investments to expand, diversifying the nature of the risks we take. Under such circumstances, our business faced severe events externally and internally through the 1990s. The collapse of bubble economy in Japan and the currency crisis in Asia adversely affected our performance. We also suffered substantial losses through an incident involving illegal copper trading. In response to these significant environmental changes, we have introduced a number of measures to cope with the diversified risks during this time, and this is the foundation of the risk management structure that we have today.
FY1999 to FY2000 Reform Package Enhanced corporate strength by selecting core businesses and withdrawing from non-core businesses **FY2001 to FY2002 Step Up Plan** Increased profitability by replacing low return assets with potentially higher return assets	• Managing the total quantified risks in specified fields • Managing the total quantity of funds • Exit Rule • Business risk assessments based on the Monte-Carlo DCF (MDCF) method • Database operation for loss-incurring events • Integrated Risk Management	To cope with tightened credit conditions in the overall financial market during the late 1990s to early 2000s, we introduced the company-wide risk management system to control the volume of risks we take. Since our risk-adjusted assets exceeded our buffer (shareholders' equity), we set the target to reduce risk-adjusted assets by ¥200 billion under the Reform Package by promoting withdrawal from the low-profit and non-core businesses. At the same time, the "Exit Rule," a continuous performance monitoring rule for Group companies, was introduced, in which the rule allows us to effectively withdraw from underperforming investments. We also established the Integrated Risk Management Promoting Team to counter non-quantifiable risks on a cross-divisional basis.
FY2003 to FY2004 AA Plan Strategic investments in assets with potential profitability **FY2005 to FY2006 AG Plan** Strategic moves for further growth and development	• Internal Control Program • Introduction and permeation of the "Business Line" concept • Risk-adjusted asset quantification based on MDCF method • Major projects monitoring/supporting systems • Management Resources Reallocation Task Force (reassessment of small-scale Group companies)	In the wake of a series of corporate accounting fraud cases in 2001 and 2002, the Sarbanes-Oxley Act was enacted in the U.S. Similarly, a number of illegal activities also were found at major corporations in Japan. Against this backdrop, we introduced the Internal Control Program for the purpose of comprehensive review of our internal control system and improvement of the quality of our business operations. We started to focus on increasing profitable assets from the AA Plan, and have aggressively engaged in large-scale business acquisitions using the new assessment methods. We started to fully utilize the MDCF method when making business profitability assessments and risk-adjusted asset quantification. At the same time, a system to monitor the progress of initial implementation on major investments was also put in place to ensure the planned increase in value.

1. Overview of Our Risk Management

(1) The Purpose of Risk Management

In response to the shift of our risk management focus from “probability of losses” to “probability of discrepancy between the budget plan and the actual result,” we have set the following three items as the purpose for our risk management activities.

1. **Stabilize Performance:** Minimize discrepancies between the budget plan and the actual results
2. **Strengthen Financial Base:** Maintain risk-adjusted assets within the buffer (shareholders’ equity)
3. **Maintain Corporate Reputation:** Fulfill CSR requirements and preserve corporate reputation

(2) Risk Management Basic Policy

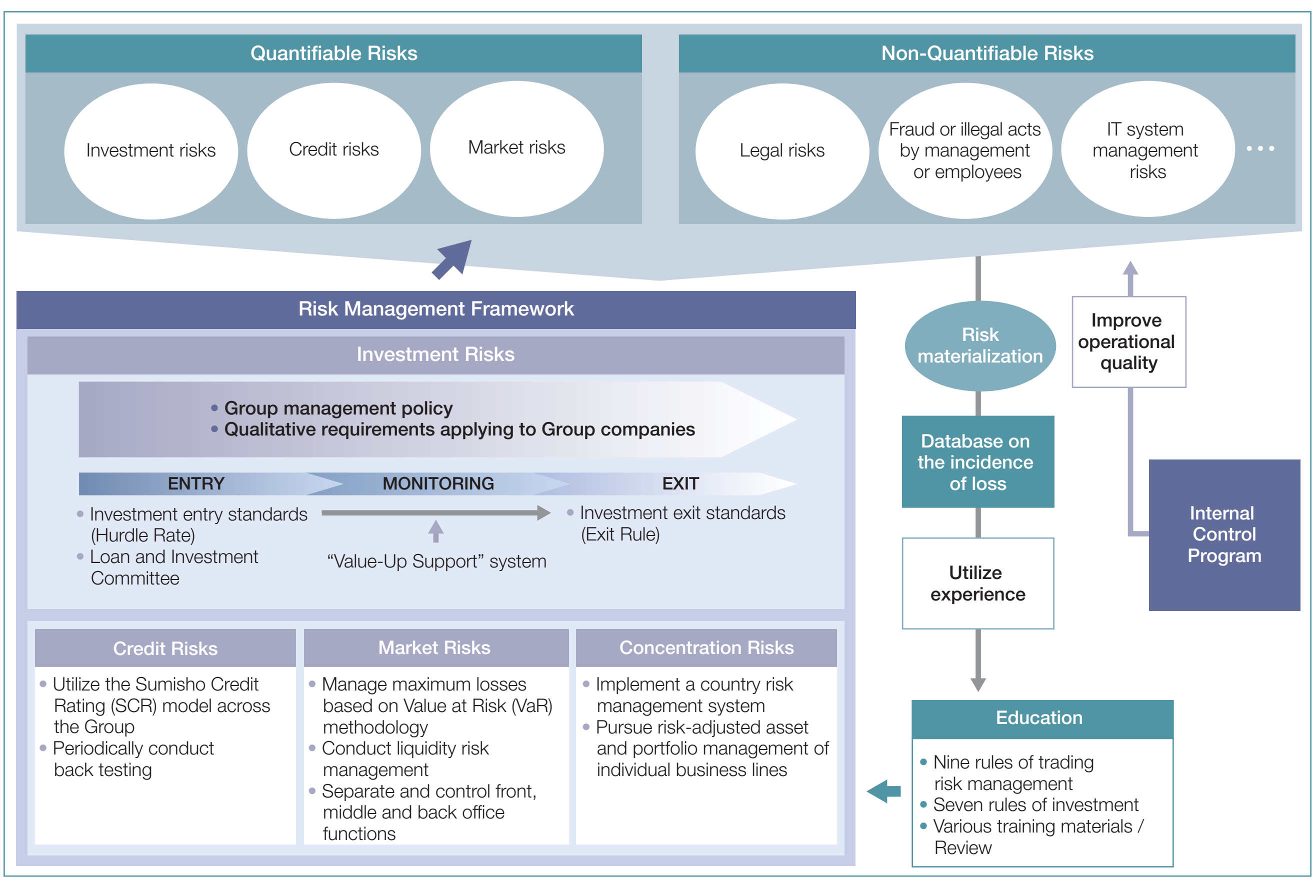
We classify our risks into two categories: Quantifiable risk and Non-quantifiable risk. Quantifiable risk is defined as “Value creating risk,” where we proactively take to gain the return. Our policy is to maximize the risk-adjusted return while maintaining risk-adjusted assets within our buffer. Non-quantifiable risk is defined as “Value breaking risk,” which only generates losses when it surfaces. We are building a framework that prevents or minimizes the probability of this risk to materialize.

(3) Risk Management Framework

Managing Quantifiable Risks

● Managing Investment Risks

Once an investment is made, it is often difficult to make a withdrawal decision and the loss impact of the withdrawal is usually significant in scale. To manage the investment risk, we have in place an integrated framework covering the entry process to the exit process. For the entry process, we have set a hurdle rate, an indicator that returns from the new investments must overcome. In case of new investments that are large-scale important projects, the case will be raised to the Loan and Investment Committee for thorough examinations. After making an investment, related business plans are thoroughly monitored. If the performance of an investment is below the standard set under the Exit Rule, the investment is placed as an “Investment required to withdraw.”



Managing Credit Risks

We have incorporated our original credit rating model, the Sumisho Credit Rating (SCR), to assess our customer's credit risk. The authority level to provide credit exposure to customers depends on the assigned credit rating, and the risk weight ranging from 1.5% to 50% is set for each rating criteria. Higher ranked officers' approval is required to provide credit to lower credit profile customers, with larger risk-adjusted assets being calculated. This provides each Business Unit an incentive to reduce credit extended to customers with lower credit ratings.

Managing Market Risks

We use Value at Risk (VaR) methodology to measure the potential losses related to any market traded products that we deal in. We set limits on trading positions as well as on the maximum losses (sums of the VaR amount and revaluation losses) for the interim and/or full year based on each product. In addition, we conduct liquidity risk management for each product and market in order to be prepared in the event that product dealing becomes difficult due to contracting liquidity. The Financial Resources Management Group undertakes both the back and middle office functions in order to completely separate those functions from the Business Units, thereby enabling us to maintain our sound internal checks.

Managing Concentration Risks

As we are operating globally and engaging in a variety of business fields, we need to ensure that the risks are not excessively concentrated in particular areas. In order to avoid overly concentrated exposure in certain countries and regions, we have in place a country risk management system. For the purpose of avoiding risk concentration in particular business fields and to create a balanced business portfolio, thorough asset allocation is deliberated at the Strategy Meeting, held between the President and heads of each Business Unit, and the Loan and Investment Committee.

Managing Non-Quantifiable Risks

Non-quantifiable risks are those that must be borne, but for which we cannot expect returns. These include litigation and other legal risks, operational risks such as clerical mistakes or fraud acts, and natural disaster risk. Some of these risks involve events that rarely occur but could have a significant negative impact on our operation once it arises. Our basic policy is to prevent or minimize the probability of these risks to materialize. We have built a framework to periodically and comprehensively assess the effectiveness of our internal control system over these risks through our Internal Control Program, which enables us to monitor the situation on a global and consolidated basis. Based on the assessment result, we continuously search for a more efficient and effective organizational structure and procedures to improve the quality of our business operations.

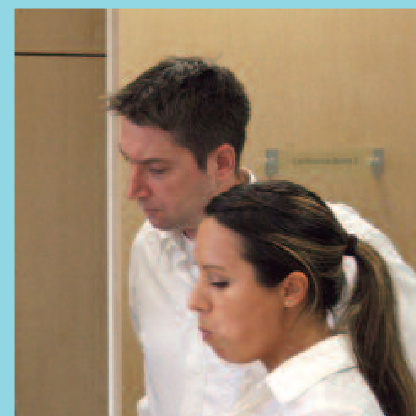
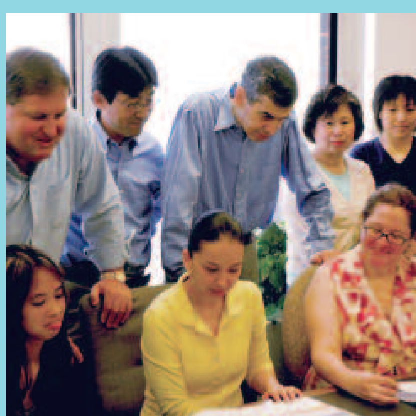
Embedding the Sense of Risk Management

Although we have been constructing the best possible risk management framework to cope with diversified risks, we cannot completely prevent the incurrence of loss in the course of business activities only by the framework itself. We are putting our efforts into implementing the initiatives that enable us to quickly identify the occurrence of losses in order to suppress loss accumulation and prevent the contagion effects that lead to secondary losses. These initiatives include devising ways to quickly identify the cause of losses and share such information among top management and related departments. We have compiled a database of such loss information that allows for the systematic analysis of the causes of loss-incurring events. These analyses are used as training materials for employees as part of various educational programs. Through this knowledge feedback process, individual employees can upgrade their risk management capabilities, supporting the prevention of the same kind of loss events.

2. Eyeing the Future of Risk Management

Over the past 10 years, Sumitomo Corporation has created a formidable risk management framework by studying advanced methods and processes. Our goal was to make advances toward best practice risk management that preemptively accommodates changes in the business environment. The surrounding environment is continually changing, however, and new business models that we could never have imagined are emerging on a daily basis. Responding to the changing circumstances in a timely and effective manner, we continually upgrade our risk management under the direction of the top management. We are convinced that the never-ending evolution of our risk management contributes to the improvement of operational quality on a global consolidated basis while simultaneously supporting us to maximize our corporate value.



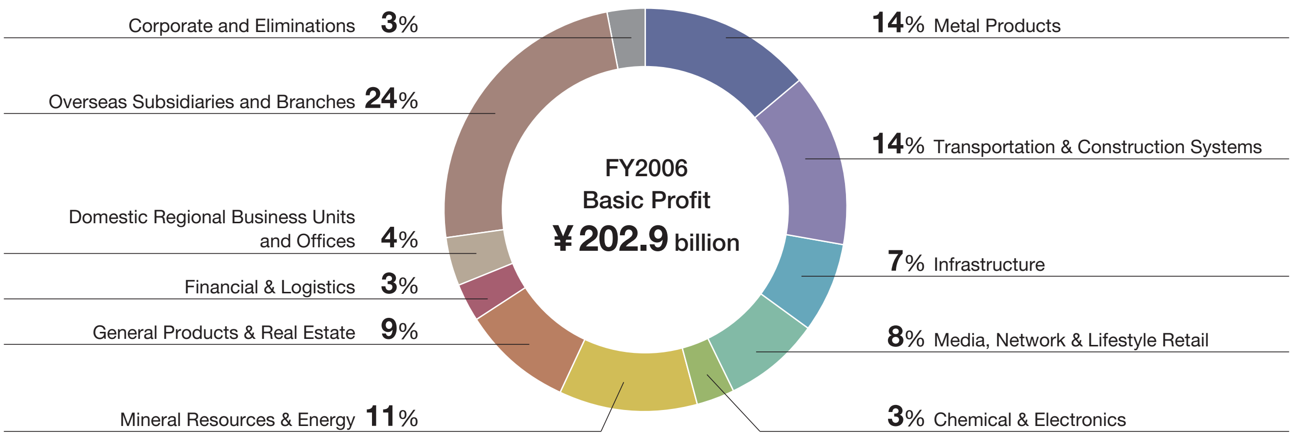






AT A GLANCE

Under the GG Plan, we will expand our earnings base by increasing profitable assets in core businesses and their surrounding fields in each segment. Through these initiatives, we will strengthen our well-balanced business portfolio.

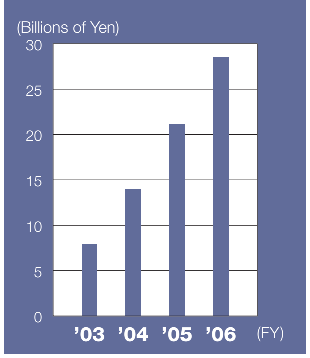
In April 2007, we reorganized our Business Units in order to strengthen the services and functions we offer to our customers by leveraging our integrated corporate strength and further expanding our earnings base. Our previous structure of nine Business Units has been reformed to a new organization comprising eight Business Units.



*Basic Profit = (Gross profit - Selling, general and administrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate) + Equity in earnings of associated companies, net (Tax rate was 42% for fiscal 2003, and 41% for fiscal 2004 and after)

METAL PRODUCTS

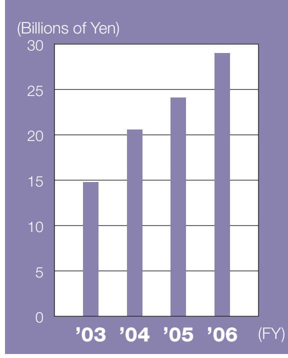
Basic Profit



Strategic Fields
- Steel service centers
- Tubular products SCM
- Primary aluminum
- Metal products for automotive use
- Tool steel processing & trading
- Stainless steel processing & trading in Japan

TRANSPORTATION & CONSTRUCTION SYSTEMS

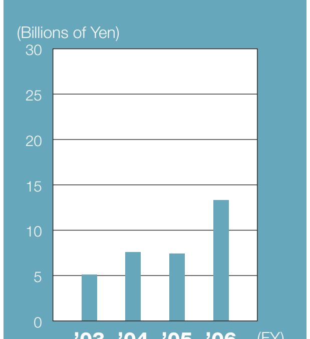
Basic Profit



Strategic Fields
- Automobile-related value chain
- Construction equipment value chain
- Ships value chain
- Aircraft & transportation leasing

INFRASTRUCTURE

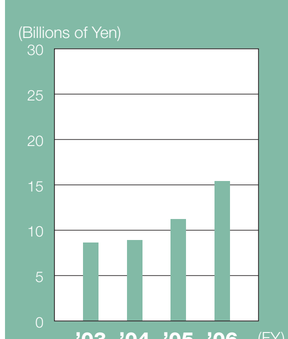
Basic Profit



Strategic Fields
- IPP/IWPP
- Power plant EPC
- Telecommunications
- Environmental business
- Industrial infrastructure

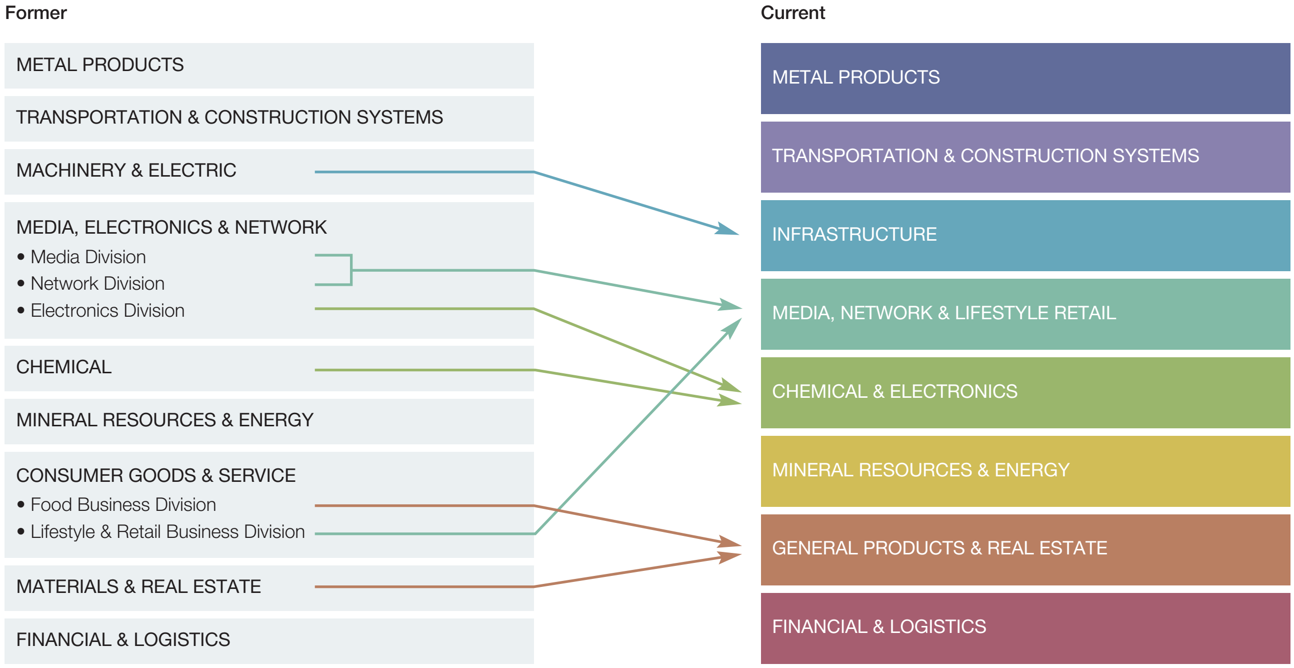
MEDIA, NETWORK & LIFESTYLE RETAIL

Basic Profit



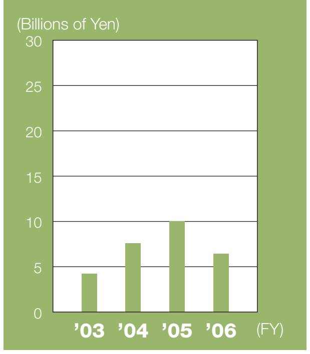
Strategic Fields
- Cable TV
- Programming & film-related business
- Mobile communications
- Web-related business
- IT solutions
- Food supermarket
- Drugstore
- Brand business
- Direct marketing

Reorganization of Business Units (April 1, 2007)



CHEMICAL & ELECTRONICS

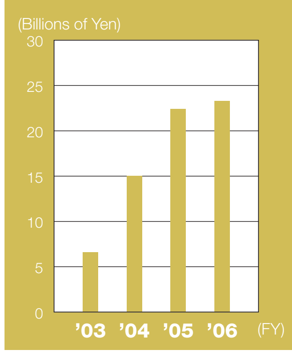
Basic Profit



Strategic Fields
- Plastics
- Organic chemicals
- Emission credits
- Inorganic chemicals
- Advanced technologies such as electronic chemicals and battery materials
- EMS
- High-value-added electronic materials
- Pharmaceuticals & medical care
- Agricultural chemicals
- Pet care

MINERAL RESOURCES & ENERGY

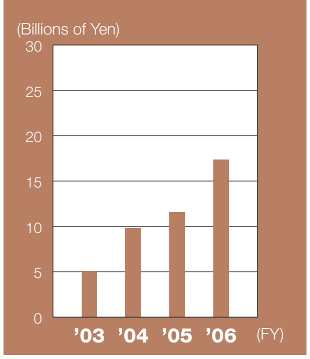
Basic Profit



Strategic Fields
- Copper & gold
- Coal
- Oil & gas
- LNG
- Zinc & silver
- Nickel
- Uranium
- Iron ore
- Carbon
- Biofuels
- Clean energy

GENERAL PRODUCTS & REAL ESTATE

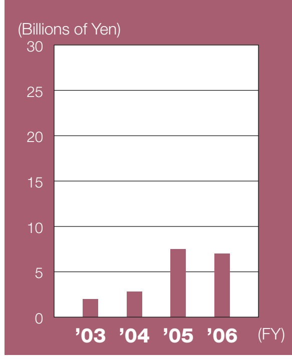
Basic Profit



Strategic Fields
- Fresh foods
- Fertilizer
- Tires
- Lumber & building materials
- Ready-mixed concretes
- Pulp & paper
- Office buildings & retail facilities leasing
- Condominium sales
- Real estate redevelopment
- Real estate funds

FINANCIAL & LOGISTICS

Basic Profit



Strategic Fields
- Asset management
- Commodity trading
- Direct investments
- Value-added logistics network
- Overseas industrial parks
- Insurance

METAL PRODUCTS

Kenzo Okubo
General Manager
Metal Products Business Unit

Developing a Broad Value Chain as a Comprehensive Solutions Provider

Our business covers a broad range of steel products, including sheets and tubular products, and such non-ferrous metals as aluminum and titanium. In each field of operations, we are expanding our value chain by utilizing our innovative services to respond to the diverse needs of customers worldwide. In Japan and overseas, we are leveraging our steel service center network to provide supply chain management (SCM) services, including steel sheet processing and storage, mainly to automobile and home appliance manufacturers. We also supply tubular products to leading oil and gas companies through our Tubular Information Management System (TIMS), a proprietary SCM system, while expanding our global network as a total service provider.

GG Plan Policies and Strategies

In the steel and aluminum industries, we anticipate firm demand worldwide, especially for such energy-related items as tubular products, the market for which has been stimulated by high crude oil and gas prices. We also expect robust exports of high-quality steel sheets from Japan, driven by growth in the automobile and home appliance industries in China and the ASEAN region. Nevertheless, we are paying attention to supply and demand trends in iron and steel, particularly for general-purpose items in China, as well as to shifts in raw material and energy prices.

In line with the GG Plan, we are strengthening not only metal product trading and SCM operations but also processing and manufacturing activities. As a provider of highly functional solutions, we are further expanding our value chain, and upgrading Group management to secure sustained growth.

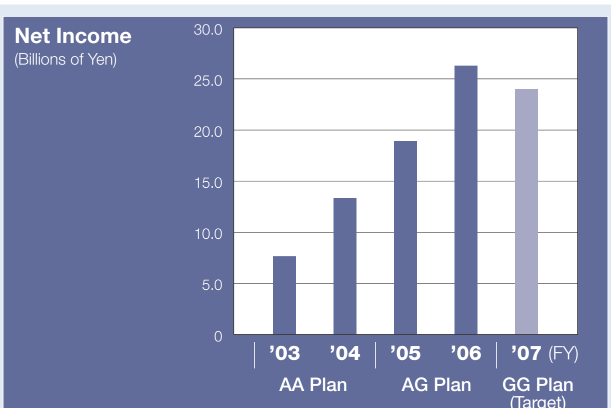
We will further allocate management resources and increase risk-adjusted assets in the energy- and automobile-related fields where high demand is expected to continue.

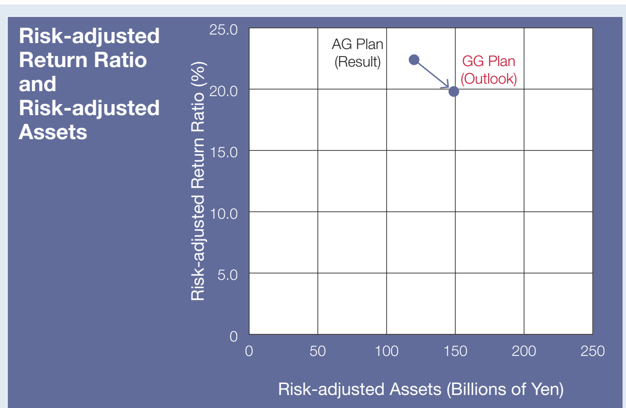
In tubular products, we will reinforce our tubular product value chains, which encompass 11 locations in 10 countries.

In steel sheets, we are expanding steel service center operations, which offer processing capacity that places us among the top trading companies, while cultivating the automotive parts manufacturing businesses. Domestically, the focus is on reinforcing our stainless steel processing and trading businesses and tool steel service center operations.

In nonferrous metals, we are expanding the value chain of our aluminum business. We aim to acquire equity stakes in aluminum smelters and increase equity metal trading volumes. We will also broaden our aluminum products trading in midstream fields.

Reflecting these efforts, we plan to increase risk-adjusted assets ¥29.0 billion, to ¥149.0 billion, by the fiscal 2008 year-end. We anticipate an average risk-adjusted return ratio of 19.8% during the GG Plan term.





Summit Showa Aluminum is producing aluminum alloys in four factories at Chiba, Ibaraki, Aichi, and Shiga. The alloys are mainly used for casting and die casting products in various fields, including automobile parts, construction materials, and electric appliances. Expectations remain high for persistent strong demand in the future.

Sumitomo Corporation concluded a long-term contract with a subsidiary of Royal Dutch Shell for the supply of oil country tubular goods. The contract covers the Sakhalin II oil and natural gas project in Russia and includes SCM services. Under the contract, we established a stockyard at Kholmsk, Sakhalin Island, and are providing stock management services and deliveries to the project site.

Results under the AG Plan

Under the AG Plan, we have increased risk-adjusted assets aggressively and broadened our earnings base.

In steel sheets, we expanded our steel service center network worldwide. Domestically, we acquired Tanimoto Steel Corporation and set up KS Summit Steel Co., Ltd., a joint venture with Kobe Steel, Ltd. Overseas, we opened new centers in Dubai (the United Arab Emirates) and Danang (Vietnam) as well as Dalian and Nanjing (China). In steel sheet construction materials, we also acquired Sofuku Co., Ltd.

In tubular products, we concluded a five-year, long-term contract that includes SCM services with a Royal Dutch Shell subsidiary for Oil Country Tubular Goods (OCTG) for the Sakhalin II project, a major Russian oil and natural gas development. In addition, we obtained a large order for large-diameter welded tubular products for an undersea gas pipeline serving an LNG plant in Qatar.

In the aluminum market, we integrated our aluminum alloy operations with Showa Denko K.K. and established Summit Showa Aluminum Ltd. The new company operates four production facilities and boasts a top-class production capacity in Japan.

With respect to stainless steel, we reorganized and consolidated our U.S. stainless steel wholesale operations. We acquired KG Specialty Steel Inc., North America's largest stainless steel wholesaler, from Kanematsu USA Inc. in September 2005 and integrated its operations into our wholly owned U.S. stainless steel subsidiary in 2006. Operations at the newly established company, Summit Stainless Steel LLC, are now on stream.

To capture emerging demand for automobile parts and other demand in China, we established tool steel processing and sales operations in Foshan (Guangdong Province) and Dalian that complement existing operations in Shanghai. Furthermore, in Poland, we launched a company manufacturing and selling forged metal parts for automobile engine drives and engines.

Performance Highlights

(Billions of Yen)

	FY03 (Results)	FY04 (Results)	FY05 (Results)	FY06 (Results)	FY07 (Targets)
Gross Profit	42.0	49.9	65.4	77.6	78.0
Equity in Earnings of Associated Companies	0.6	3.3	4.1	7.4	—
Net Income	7.6	13.3	18.9	26.3	24.0
Basic Profit	7.9	14.0	21.2	28.5	—
Total Assets	390.4	472.6	662.8	799.2	—

	AG Plan (Results)	GG Plan (Outlook)
Risk-adjusted Assets (at end of FY06 and FY08)	120.0	149.0
Risk-adjusted Return Ratio (two-year average)	22.4%	19.8%

Kazuo Ohmori
General Manager
Transportation & Construction Systems Business Unit

Expanding Upstream and Downstream Operations for Stable Growth

Aiming to expand operations both upstream and downstream in addition to midstream, our Business Unit's focus includes automobiles, ships, aircraft, railways, and construction equipment. In automotive operations, our global value chain covers parts manufacturing, dealerships, and finance. In the ship business sector, we are the only Japanese trading company to hold an equity stake in a shipbuilding company, Oshima Shipbuilding Co., Ltd. We are also engaged in the ship-owning and operating business. Regarding construction equipment, we are the leading Japanese trading company having a unique group of diversified operations worldwide.

In the aircraft business, we mainly operate a lease business but also have investments in the aerospace area. In the railway car business, we promote railway projects and rolling stock exports business.

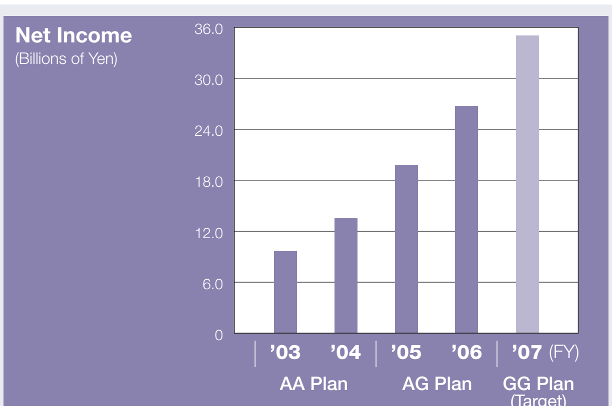
GG Plan Policies and Strategies

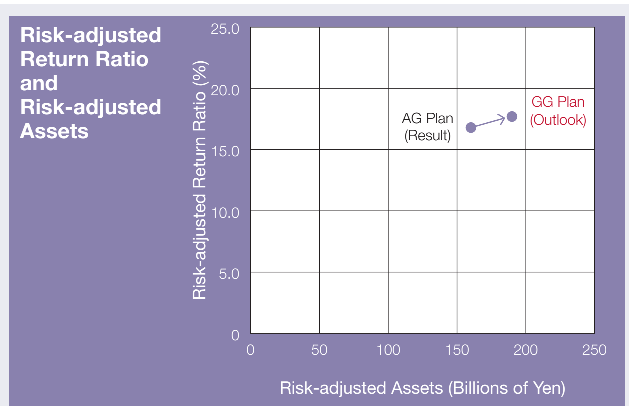
Demand for construction equipment backed up by robust natural resource development and global infrastructure development is expected to grow in the mainstay Japanese, U.S., and European markets and newly emerging industrializing areas such as China and Russia. New ship building demand is anticipated to remain firm, supported by economic growth across Asia and a strong freight market. In contrast, the automobile consumer finance and airline industries are confronting keen competition. Striving "to solidify our foothold as the basis for stable growth" in accordance with the GG Plan, we will improve the quality of our business portfolio through the continuous selection and replacement of operations and acceleration of our entry into new business areas.

In downstream automotive operations (retail sales, consumer finance) Sumisho Auto Leasing Corporation and SMBC Auto Leasing Co., Ltd. will merge in October 2007 and strive to make the new company the No. 1 auto leasing business in Japan. In addition, we launched a lease finance management team to concentrate on reinforcing management, mainly in automobile consumer finance, and to support value realization through strategic M&A and business withdrawal. Upstream, the automotive parts manufacturing business is positioned as a strategic core activity. KIRIU Corporation, a consolidated subsidiary that manufactures casting components, is the nucleus of our overseas business development. We also reinforce such activities in China through Fujiwa Machinery Industry (Kunshan) Co., Ltd., in which we invested in December 2006.

In our ship-owning and freight railcar lease businesses, we are further bolstering our earnings base. Within the construction equipment business, we will allocate management resources to local downstream operations and seek to enter various peripheral businesses covering the complete industry value chain.

As a result, we plan to increase risk-adjusted assets ¥30.0 billion, to ¥190.0 billion, by the end of fiscal 2008 and anticipate an average risk-adjusted return ratio of 17.7% during the GG Plan term.





In addition to its aircraft leasing business, Sumitomo Corporation mediates wet leases, which include aircraft, crews and equipment. As an agent for U.S.-based ABX Air, Inc., we concluded a wet lease agreement with All Nippon Airways Co., Ltd. in March 2007, the first such contract in Japan.

An automobile dealer of Shanghai Baosteel Group Corporation, in which Sumitomo Corporation took an equity stake in January 2007. This is the first joint venture between a state-owned enterprise and foreign company in a car dealership offering a variety of automobile brands in China.

Results under the AG Plan

The AG Plan yielded favorable results, with steady growth in downstream automotive operations. The pending merger of Sumisho Auto Leasing and SMBC Auto Leasing will bring our fleet to an estimated 500,000 leased automobiles (estimation as of March 31, 2007), helping us to target the leading market position.

In China, a joint venture started operations following our investment in an automobile retail sales company, a member of the Shanghai Baosteel Group, with which we have a 20-year business relationship. In Indonesia, P.T. Summit Oto Finance, a consolidated subsidiary of motorcycle consumer financing, is capturing increased demand and broadening its earnings base.

In the railway passenger car field, we received an additional order for 50 double-decker coach cars from Virginia Railway Express in alliance with Nippon Sharyo Ltd. Also, from the Northern Indiana Commuter Transportation District, we received an additional order for 14 double-decker electric railcars. In the ship-related sector, we increased our own fleet by adding pure car carriers and bulk carriers to our fleet in order to reinforce businesses through long-term owned vessels. In addition, through a joint venture company with Mitsui O.S.K. Lines, Ltd. and LNG Japan Corporation, we concluded a long-term charter contract with Luxembourg-based Suez LNG Trading S.A. that enables us to enter into LNG carrier operations. Moreover, in fiscal 2006, the number of new building contracts we were involved in reached a record high.

During fiscal 2006, we upgraded our aircraft leasing fleet through proactive replacement. In addition to aircraft, we expanded the scope of our business to include engines, components, and wet leases.* We were also the first trading company to participate in the leasing of engines for private-sector aircraft.

In the construction equipment field, we expanded our Komatsu product distribution network into Finland, the three Baltic states, and Poland, thereby both strengthening and expanding our business base.

* A wet lease is a type of aircraft leasing under which the lessor provides crews, ground support equipment, and fuel, etc.

Performance Highlights
(Billions of Yen)

	FY03 (Results)	FY04 (Results)	FY05 (Results)	FY06 (Results)	FY07 (Targets)
Gross Profit	98.6	113.3	127.5	134.6	151.0
Equity in Earnings of Associated Companies	2.9	3.8	4.0	5.0	—
Net Income	9.6	13.5	19.8	26.7	35.0
Basic Profit	14.8	20.6	24.1	29.0	—
Total Assets	793.0	871.5	1,037.0	1,140.7	—

	AG Plan (Results)	GG Plan (Outlook)
Risk-adjusted Assets (at end of FY06 and FY08)	160.0	190.0
Risk-adjusted Return Ratio (two-year average)	16.8%	17.7%

Takahiro Moriyama
General Manager
Infrastructure Business Unit

Strengthening the Electric Power Field and Establishing New Core Businesses

"Our mission is to contribute to society through infrastructure enhancement, adding our own value to it." Based on this mission, we strive to ensure the sustainable expansion of our earnings base through the optimal business combination of trade and investment in the fields of IPP/IWPP,* power plant EPC,** telecommunications, eco and energy-saving businesses, and social and industrial infrastructure. In the electric power field, we boast particularly excellent capabilities in project organization and execution, including finance and risk management. In power plant EPC, the total power generation capacity we have handled to date is nearly 43,000 megawatts, placing us in the top tier among trading companies. Our retained power generation capacity was approximately 2,700 megawatts as of March 2007.

GG Plan Policies and Strategies

We will pursue both quality improvements and the expansion of our earnings base by reinforcing competitive core businesses and cultivating new core businesses.

Reflecting economic growth, demand for electric power is particularly robust in emerging and developing countries. Such countries are increasing their utilization of private enterprises for power supply. Although close attention to country risks and construction risks is required, the business environment is favorable. Accordingly, we will further strengthen our IPP/IWPP businesses and power plant EPC projects. Specifically, we are aiming to increase IPP/IWPP projects in Asia, the Middle East, and the U.S. and to raise our retained power generation capacity to 6,300 megawatts by 2010. At the same time, we are working to secure sustained orders for power plant EPC projects, mainly in Asia and the Middle East.

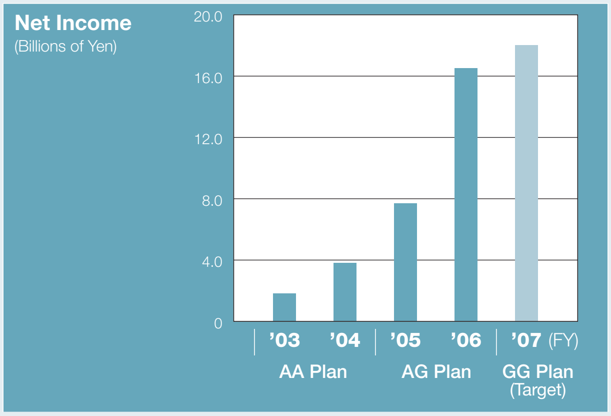
We will allocate our resources especially in telecommunications and water-related business fields to nurture them as core businesses on par with electric power businesses. In the telecommunications field, the broadband and mobile phone markets continue to expand. We have identified the mobile phone, mobile phone-related and mobile handset distribution and retailing businesses as three core growth areas and are striving for business development in the U.S., Southeast Asia, and Russia and other CIS countries. At the same time, we aim to expand our water-related businesses in Latin America and the Middle East.

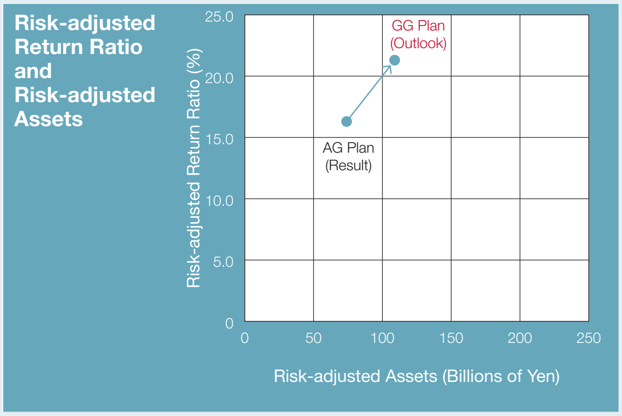
In the industrial infrastructure, telecommunication projects, and energy solutions businesses, we are working to strengthen and stabilize our earnings base.

In the eco and energy-saving field, regulations are becoming stricter and subsidy programs are increasing. We will leverage new technologies and establish businesses that contribute to environment.

Based on the above factors, we plan to increase risk-adjusted assets ¥35 billion, to ¥109 billion, by the fiscal 2008 year-end. We anticipate an average risk-adjusted return ratio of 21.3% during the GG Plan period.

* IPP: Independent Power Producer
IWPP: Independent Water and Power Producer
** EPC: Engineering, Procurement and Construction





Tanjung Jati-B coal-fired thermal power plant (1,320MW) located in the Tanjung Jati district in Central Java. Completed in 2006, the plant provides an important source of electric power supply and is currently leased to the Indonesia's state electricity corporation (PLN).

The Wayang Windu Geothermal Power Station in Indonesia. We received orders from the independent power producer Magma Nusantara Limited for Phase 1 (110MW) completed in 2000, and for phase 2 (117MW) in 2007. From an environmental perspective, geothermal power stations deliver added value due to the low emission of CO_2.

Results under the AG Plan

In the electric power business, we completed the Tanjung Jati B (TJB) coal-fired thermal power plant in Indonesia, the construction of which was interrupted by the Asian Currency Crisis. We commenced leasing the plant in the second half of 2006, and the leasing period is 23 years. In addition, we have acquired operating rights for various large-scale IPP/IWPP projects, including the Hidd IWPP project in Bahrain, the Birecik hydropower plant in Turkey, and the CBK hydropower plant in the Philippines, all of which are contributing to financial results.

In the EPC area, we received orders for a 700 megawatt combined-cycle power plant in Thailand and blast-furnace-gas (BFG) fired gas turbine combined-cycle (GTCC) power generation units for Ukraine iron and steel works. In addition, we received orders for geothermal power stations in Indonesia and New Zealand. Particularly in Indonesia, the world's largest source of geothermal energy, geothermal power generation is expected to increase to meet enormous power demand, and we received four orders in succession. In Japan, we commenced operation of a wind power generation project in Ibaraki Prefecture that is the largest in the Kanto region. As these examples demonstrate, we are proactively engaged in eco-friendly electric power projects utilizing wind power and geothermal heat both in Japan and overseas. In the eco and energy-saving field, we launched an energy service business that efficiently provides electric power and heat to Hiroshima Elpida Memory, Inc. while promoting the PET bottle recycling business through the installation of Reverse Vending Machines (RVMs).

In the telecommunication field, we participated in various businesses, including mobile phone, wireless broadband, and mobile phone content distribution operations in Russia. We also invested in Pacific Telecom Inc., the largest telecommunications operator in the North Mariana Islands. Pacific Telecom provides such services as mobile phone, ISP, and fixed-line services and is promoting new business development.

Performance Highlights

(Billions of Yen)

	FY03 (Results)	FY04 (Results)	FY05 (Results)	FY06 (Results)	FY07 (Targets)
Gross Profit	28.2	32.2	29.1	38.3	44.0
Equity in Earnings of Associated Companies	1.0	1.3	4.1	5.2	—
Net Income	1.8	3.8	7.7	16.5	18.0
Basic Profit	5.1	7.6	7.4	13.3	—
Total Assets	435.7	457.4	466.2	472.6	—

	AG Plan (Results)	GG Plan (Outlook)
Risk-adjusted Assets (at end of FY06 and FY08)	74.0	109.0
Risk-adjusted Return Ratio (two-year average)	16.3%	21.3%

MEDIA, NETWORK & LIFESTYLE RETAIL

Shingo Yoshii
General Manager
Media, Network & Lifestyle Retail Business Unit

Creating and Providing New Value by Integrating Media, IT, and Retail Services

Amid the ongoing fusion and collaboration between communications and broadcasting, as well as the increasing diversification of consumer spending, the Media, Network & Lifestyle Retail Business Unit was established in April 2007 to create and provide new values to consumers with diversified lifestyles. In the media field, we provide both infrastructure and content services, primarily in cable TV (CATV), multichannel television programming and film-related businesses. In the network field, our business activities center on IT solutions and mobile communication. In the lifestyle and retail fields, our mainstay operations are food supermarket, drugstore, and brand-related businesses.

GG Plan Policies and Strategies

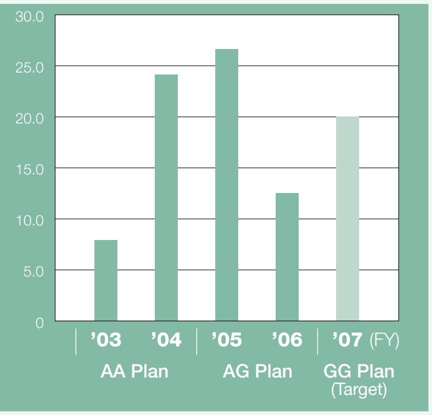
In the media field, we are enhancing our comprehensive CATV services through the merger of Jupiter Telecommunications Co., Ltd. (J:COM), a CATV industry leader, and Jupiter TV Co., Ltd. (JTV), a multichannel TV programming and content provider. We are integrating infrastructure and content services while strengthening community-based services and wide-area operations through M&A. In addition, we consolidated Jupiter Shop Channel Co., Ltd. (JSC), a former JTV group company, as our subsidiary. Leveraging these mergers, we will expand our retail operations through multiple sales channels, including TV and the Internet. In the film-related business, United Cinemas Co., Ltd. (UC) will work on both expanding its business size and improving operational efficiency through strategic alliances.

In the network field, MS Communications Co., Ltd. (MSCOM) will strengthen its earnings base in the mobile communication business through M&A and improvements in management efficiency. In the IT solution business, Sumisho Computer Systems Corporation (SCS) will concentrate its management resources in growth areas and focus on broadening its earnings base through M&A to reinforce its stable earnings base.

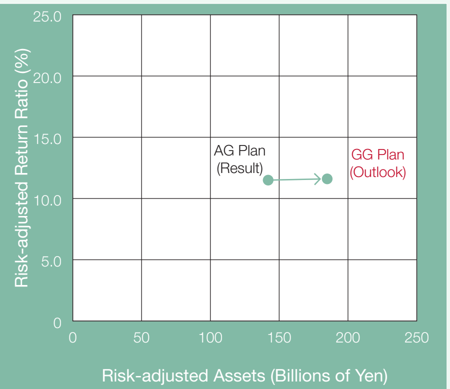
In the lifestyle and retail field, with JSC at the core, we will promote our comprehensive retail operations by integrating retail shops, media and the Internet. Summit, Inc., a major food supermarket chain, and Sumisho Drugstores Inc., a dispensing pharmacy/drugstore operator, will both work to increase market share through organic growth and strategic alliances. In the brand-related business, we will promote broadening our earnings base and pioneering new business fields in the three core areas of fashion apparel, bags and accessories, and home furnishings by leveraging Barneys Japan Co., Ltd.'s operations.

Implementing the plans noted above, we plan to increase risk-adjusted assets ¥43 billion, to ¥185 billion, by the fiscal 2008 year-end. We anticipate our average risk-adjusted return ratio will be 11.6% during the GG Plan period.

Net Income
(Billions of Yen)



Risk-adjusted Return Ratio and Risk-adjusted Assets



JSC broadcasts a 24-hour, real-time TV shopping program supported by Japan's largest call center, with 320 operators' desks on a single floor. On average, the call center receives between 50,000 and 60,000 requests, orders and inquiries a day. Utilizing information brought by the customer calls, JSC is producing interactive programs and promoting a new business model combining media and retail operations.

In August 2006, Sumitomo Corporation acquired Barneys Japan, a company that sells apparel and sundry goods under the Barneys New York brand and other luxury import brands. In addition to Shinjuku, Yokohama, and Ginza, we plan to expand operations outside the Tokyo Metropolitan area and to realize synergies with a variety of fashion and brand businesses.

Results under the AG Plan

In the media field, J:COM furthered its wide-area operations by acquiring neighboring CATV operators, including Cable West Inc., Japan's third largest CATV operator, and Odakyu Telecommunication Services Co., Ltd. (Odakyu Cable Vision). Also, J:COM increased the number of digital broadcasting service subscribers, broadened its high definition TV program lineup, and introduced and promoted other new services. As a result, the number of total subscribers as of March 31, 2007 rose to 2.64 million, an increase of approximately 37% over the past two years. TV shopping channel JSC increased sales and contributed to earnings growth, expanding e-commerce operations, logistics centers, and call centers. In the film-related business, we worked to establish our future earnings base. We consolidated Asmik Ace Entertainment Inc., a film producer and distributor, as our subsidiary and enhanced our value chain. Further, UC became the third largest cinema complex in the industry with the acquisition of Japan AMC Theatres, Inc. and the opening of new sites.

In the network field, SCS merged with Sumisho Electronics Co., Ltd. (SSE) to integrate SCS's distinguished software development resources with SSE's skilled hardware sales. Now SCS provides powerful one-stop service in the IT solution business and has improved its profitability. Furthermore, MSCOM acquired Calsonic Communication Co., Ltd., making it the largest mobile phone distributor in the industry.

In the retail business, we sold shares in Coach Japan, Inc. for value realization purpose while acquiring Barneys Japan to position it as the core player of our future brand-related businesses. In the drugstore business, we acquired Kouei Drug Co., Ltd., a dispensing pharmacy/drugstore operator focusing on individual consultation service, which greatly augmented the drugstore retail chain operated by Sumisho Drugstores.

In December 2006, we established the Web Business Planning Department, aiming to expand our business base by promoting the fusion of retail and web-related operations. This department will function as a cross-divisional and strategic organization.

Performance Highlights

(Billions of Yen)

	FY03 (Results)	FY04 (Results)	FY05 (Results)	FY06 (Results)	FY07 (Targets)
Gross Profit	95.2	102.0	104.1	126.1	163.0
Equity in Earnings of Associated Companies	4.2	5.4	10.5	12.7	—
Net Income	7.9	24.1	26.6	12.5	20.0
Basic Profit	8.6	8.9	11.2	15.4	—
Total Assets	449.9	445.6	505.1	513.9	—

	AG Plan (Results)	GG Plan (Outlook)
Risk-adjusted Assets (at end of FY06 and FY08)	142.0	185.0
Risk-adjusted Return Ratio (two-year average)	11.5%	11.6%

CHEMICAL & ELECTRONICS

Yoshiyuki Matsuoka
General Manager
Chemical & Electronics Business Unit

Accelerating the Selection and Concentration of Assets and Improvement of Quality

The Chemical & Electronics Business Unit was established in April 2007 to maximize our integrated corporate strengths and synergies through the expansion of chemical-related businesses and the consolidation of electronics-related businesses. In the basic, electronic, and performance chemical fields, we handle an extensive range of products, including raw materials for plastics, plastic products, organic and inorganic chemicals, and electronic chemicals. In the electronics field, we handle such cutting-edge electronic materials as silicon wafers and blue LEDs. We are also actively operating EMS* mainly in Asia. In addition, our life science business is active in pharmaceuticals, medical care, agricultural chemicals, antibiotics and pet supplies.

* EMS: Electronics Manufacturing Services, providing electronics devices manufacturing services on a contract basis.

GG Plan Policies and Strategies

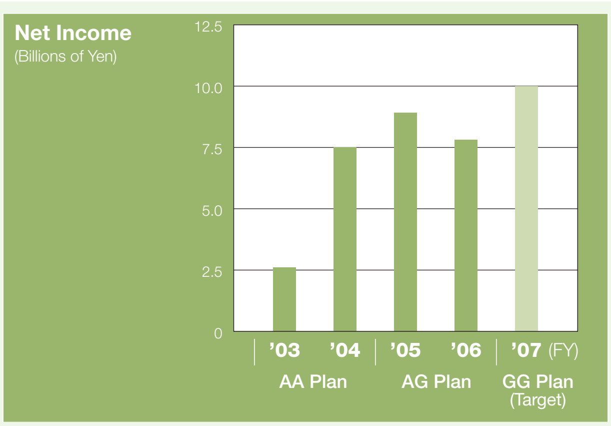
We will improve the quality of our earnings base and group management by further strengthening our subsidiaries and associated companies and creating added value in electronics-related businesses from raw materials supply through EMS operation.

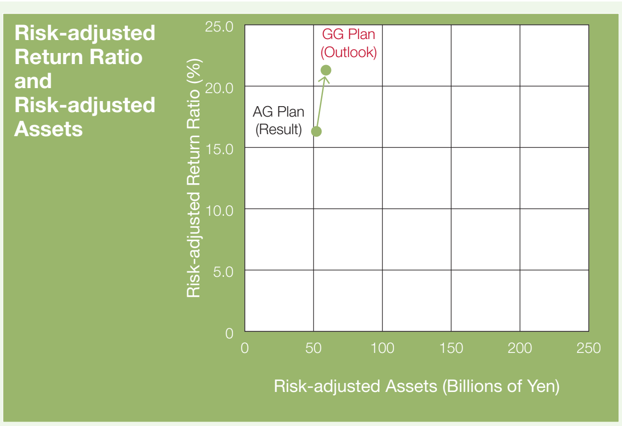
In basic, electronic, and performance chemicals, Cantex Inc., which focuses on plastics, will expand its production of general-purpose pipes and sales of lightweight pipes. In organic and inorganic chemicals, we will diversify the global distribution of such core products as olefin, phenol, sulfuric acid, and sulfur. In industrial performance materials, we will focus on expanding our earnings base in such glass raw materials as soda ash and the emissions credits business. In electronic chemicals, we will pursue business synergies in electronics-related businesses, using Sumitomo Shoji Chemicals Co., Ltd. as a core while focusing on fuel cell and other new technology businesses.

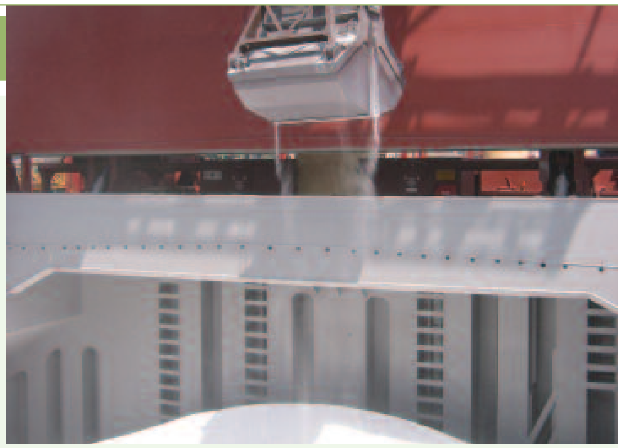
In electronics, we will upgrade Sumitronics Corporation's EMS, mainly in flat-screen LCD TVs and compact LCDs, while expanding operations from Asia to North America and Europe. As for electronic materials, we will fortify our core businesses, including the silicon wafer and blue LED business, while focusing on developing such new materials as carbon nanotubes and silicon carbide (SiC) wafers.

In the life science field, we will expand pharmaceutical raw material supply operations while augmenting the clinical development of in-house products and the manufacturing and marketing of generic drugs, business mainly handled by Summit Pharmaceuticals International Corporation, Medisa Shinyaku Inc., and Henan Topfond Pharmaceutical Co., Ltd. In addition, mainstay Summit Agro International, Ltd. will augment its agricultural chemical product lineup and extend its global sales network, while The Hartz Mountain Corporation (Hartz) will expand the pet supply business.

Under the GG Plan, we plan to increase risk-adjusted assets ¥7.0 billion, to ¥59.0 billion, by the end of fiscal 2008, for an average risk-adjusted return ratio of 21.3%.







Sumitomo Corporation first commenced the import of natural soda ash from the U.S. in 1983. Since then, we have continuously supplied glass, chemical, detergent and other manufacturers with the material and today trade 160,000 tons annually. In April 2007, we fully acquired Asahi Glass Co., Ltd.'s remaining interest in Soda Ash Japan, making it a wholly owned subsidiary.

A joint venture plant for PCB mounting operation established in North America in March 2007. As TV manufacturers augment their overseas production of such flat-panel TVs as LCDs, Sumitomo Corporation is providing component procurement, inventory management, PCB mounting and other services (EMS) to those assembly plants.

Results under the AG Plan

In basic, electronic, and performance chemicals, in October 2005, we consolidated Sumitomo Shoji Chemicals, Sumitomo Shoji Plastics Co., Ltd. and Sumisho Chemicals & Plastics Nagoya Co., Ltd. to form the new Sumitomo Shoji Chemicals Co., Ltd. This move aims to upgrade management efficiency and further expand our earnings base by integrating plastic, organic chemical, electronic and performance chemical, and other operations. Overseas, Cantex decided to construct a new plant to increase its production capacity. In addition, we acquired a petrochemical trading company to reinforce our global network and made Soda Ash Japan Co., Ltd., which imports and markets soda ash from the U.S., a wholly owned subsidiary to strengthen our glass raw materials business. We also revitalized the management at Interacid Trading S.A., the world's top trader in sulfuric acid, for further business expansion. In electronic materials, we enlarged our raw material supply operations serving the overseas bases of Japanese semiconductor and printed circuit board (PCB) manufacturers.

In the electronics field, Sumitronics expanded its PCB mounting operation for flat-panel TVs into the North American market. In addition, we expanded sales of silicon wafers, blue LEDs, HDD-related components, and other leading-edge electronics material technology products.

In life science, we consolidated Summit Pharmaceuticals International Corporation and Summit Medi-Chem, Ltd. to form the new Summit Pharmaceuticals International Corporation, strengthening our medical science-related business. In addition, we invested in Medisa Shinyaku, a subsidiary of Sawai Pharmaceutical Co., Ltd., to enter the generic anti-cancer drug development business. We also acquired equity in Henan Topfond, a pharmaceutical manufacturer and marketer, and advanced into the medicine manufacturing business in China. As for the agricultural science business, we strengthened our value chain and expanded sales networks by augmenting our in-house product line and entering end-user sales in Mexico. As for the pet supply business, Hartz won a large-scale contract from a major customer thanks to its development of high-value-added products, succeeded in transferring raw material price fluctuations to product prices, and improved its financial results.

Performance Highlights

(Billions of Yen)

	FY03 (Results)	FY04 (Results)	FY05 (Results)	FY06 (Results)	FY07 (Targets)
Gross Profit	33.1	41.5	48.3	47.9	58.0
Equity in Earnings of Associated Companies	1.1	0.7	0.9	0.1	—
Net Income	2.6	7.5	8.9	7.8	10.0
Basic Profit	4.2	7.6	10.0	6.4	—
Total Assets	259.1	311.5	356.2	390.5	—

	AG Plan (Results)	GG Plan (Outlook)
Risk-adjusted Assets (at end of FY06 and FY08)	52.0	59.0
Risk-adjusted Return Ratio (two-year average)	16.3%	21.3%

Iwao Okamoto
General Manager
Mineral Resources & Energy Business Unit

Reinforcing Our Well-Balanced Mineral Resource Portfolio

Our balanced portfolio comprises upstream mineral and energy resource interests in four mainstay areas: copper, coal, oil, and liquefied natural gas (LNG). While maximizing the value of these existing interests, we acquired interests in such new areas as zinc, nickel, uranium, and iron ore through strategic alliances with overseas mining companies and defended against market fluctuations. We hold interests in Australian coal mines with rich deposits of high-quality coking coal and long minelife. Our equity production capacity in copper is 120 thousand tons per year, which is the largest among our peers. We are also the only trading company with equity interest in a gold mine. In the midstream and downstream areas, our subsidiary LNG Japan Corporation handles approximately 30% of the annual LNG contractual import volume to Japan.

GG Plan Policies and Strategies

Economic growth in the BRICs, particularly in China, has resulted in a global tightening of supply and demand for such key mineral resources as coal, iron ore, and copper as well as a surge in non-ferrous metal prices. As the value of resource interests rises, investment in new upstream projects is becoming difficult. A trend toward resource nationalization also requires attention.

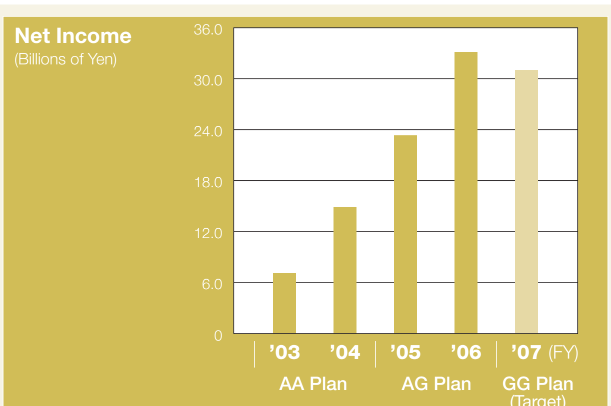
In this severe business environment, we will reallocate assets and further broaden our earnings base under the GG Plan.

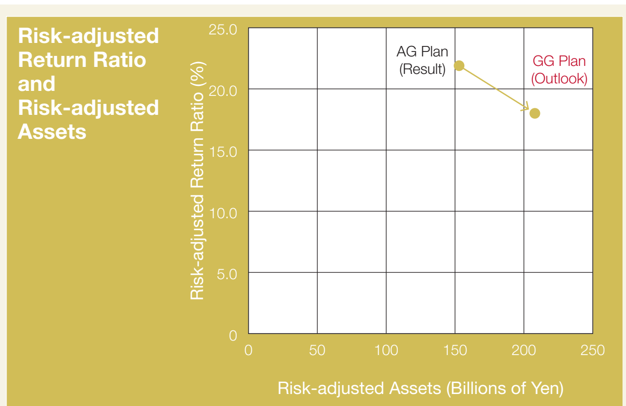
In upstream operations, we are maximizing the value of existing resource equity interests while steadily progressing with new project development, including a silver-zinc-lead mine in Bolivia. We are aiming to further strengthen our mineral resource portfolio by acquiring new interests and establishing another pillar of profits in addition to the four mainstay areas. With regard to existing resources, we are developing new ore deposits at Australian and U.S. copper mines, reinforcing our top-class position in equity copper and copper concentrate production.

In coal, taking full advantage of our existing interests in Australian mines, which boast rich deposits of high-quality coking coal and long minelife, we will concentrate on projects that are cost-competitive. In oil, where an influx of speculative funds is causing prices to rise, we are shifting our focus from the acquisition of producing wells to the acquisition of discovered but undeveloped interests as well as the maximization of production and reserves of our existing interests.

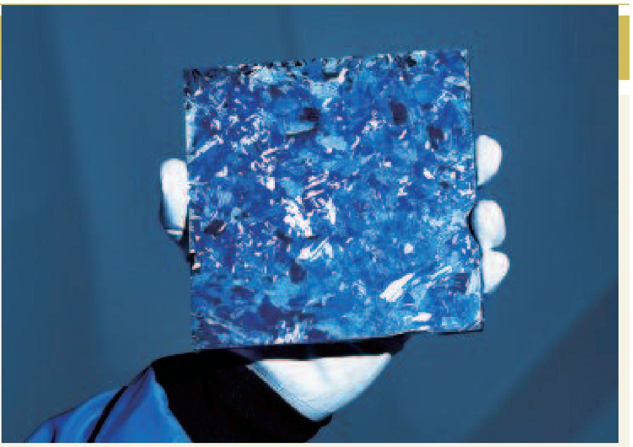
We will also upgrade our functions in midstream and downstream businesses while channeling management resources into the clean energy and new energy areas toward future growth.

Reflecting the above, we plan to increase risk-adjusted assets ¥55 billion to ¥208 billion, by the fiscal 2008 year-end. We anticipate an average risk-adjusted return ratio of 18.0% during the GG Plan period.





The San Cristobal silver-zinc-lead mining project in the Andes Mountains in Bolivia is expected to be one of the world's largest mining developments over the next five years. Production will start in the second half of 2007, and this mine is expected to be a stable source of silver, zinc, and lead, for which demand is rising globally.



Sumitomo Corporation entered into a long-term strategic partnership with a leading global manufacturer of raw materials for solar cells. We provide such raw materials as silicon wafers (pictured) to major solar cell manufacturers worldwide. Utilizing a robust industry network, we are steadily expanding business at each stage of the value chain.

Results under the AG Plan

In upstream areas, we made new entries in as well as further advanced overseas large-scale non-ferrous metal mine development projects. In Bolivia, we participated in one of the world's largest silver-zinc-lead mine projects, which is under development by Apex Silver Mines Limited. Simultaneously, we entered into a strategic alliance with Apex Silver, securing a first priority right of negotiation for participation in its other mine developing projects. In the Ambatovy Nikel Project, a joint venture with a Canadian mining company in the Republic of Madagascar, the project further advanced toward the development stage as a South Korean government-run overseas mineral resources development and investment company and a Canadian engineering company joined this project. In South Africa, we acquired an equity stake in the iron ore and manganese mining company, Assmang Limited, securing another resource that is indispensable in steelmaking to our portfolio.

In LNG, the construction of production bases at Indonesia's Tangguh project, in which LNG Japan Corporation participiates, has proceeded steadily. Looking ahead, we are aiming to take part in a new project in Nigeria.

In clean energy, we have signed a long-term large-scale procurement agreement for multicrystalline silicon wafers with the world's largest manufacturer, Norway's REC Scanwafer AS. We will supply them to solar cell manufacturers, including the global leader, Sharp Corporation.

Other projects under development also showed progress. At Peru's Cerro Verde copper mine, the development of sulfide ore has proceeded and the first shipment was completed. In Kazakhstan, we established a joint-venture company to develop uranium mines with the local government-run nuclear fuel company and Kansai Electric Power Co., Inc. Furthermore, Alaska's Pogo gold mine has commenced commercial gold production.

Performance Highlights

(Billions of Yen)

	FY03 (Results)	FY04 (Results)	FY05 (Results)	FY06 (Results)	FY07 (Targets)
Gross Profit	27.1	35.2	48.9	48.1	50.0
Equity in Earnings of Associated Companies	6.0	10.1	11.8	16.2	—
Net Income	7.1	14.9	23.3	33.1	31.0
Basic Profit	6.6	15.0	22.4	23.3	—
Total Assets	345.7	497.1	627.4	726.4	—

	AG Plan (Results)	GG Plan (Outlook)
Risk-adjusted Assets (at end of FY06 and FY08)	153.0	208.0
Risk-adjusted Return Ratio (two-year average)	21.9%	18.0%

Takashi Kano
General Manager
General Products & Real Estate Business Unit

Further Reinforcing Competitive Businesses

Our Business Unit's three main businesses are food, materials and supplies, and construction and real estate. In the food area, we have an integrated business model encompassing production, sales, and quality control with top priority placed on safety and reliability. In the materials and supplies area, we are the industry leader in multiple fields, including tires, ready-mixed concrete, lumber and building materials, woodchips, and used paper. In real estate, our core operations are the leasing and operation of office buildings and retail facilities, housing development and sales, and the real estate investment fund business along with a focus on large-scale mixed-use development projects.

GG Plan Policies and Strategies

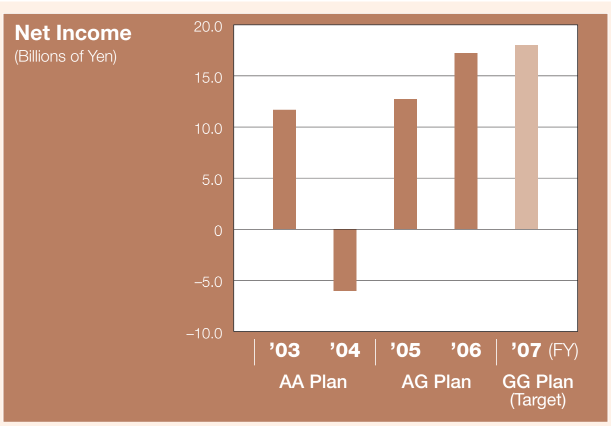
Our Business Unit's mission is to meet customer demands through the provision of safe and reliable materials, living environments, and services.

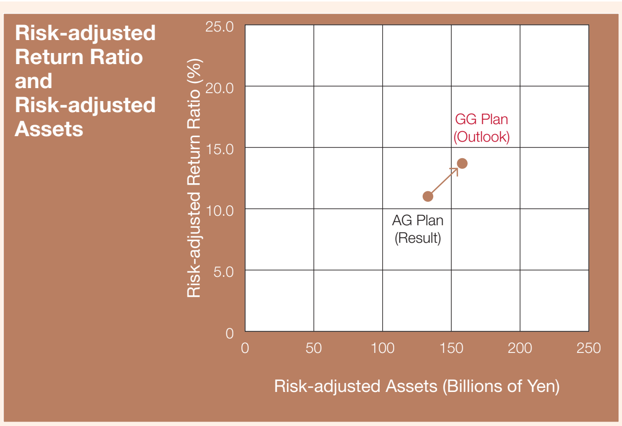
In our food operations, we will focus on strengthening the businesses of fruit and other fresh foods, fertilizer, and sugar. In fresh fruit, with regard to the banana business we will reinforce direct sales to domestic general merchandise stores with the aim of becoming the leading supplier both in quality and quantity. In addition, we are proactively expanding overseas sales, particularly in the Middle East and China. In the fertilizer business, we will strengthen domestic sales by expanding the operations of Summit Agri-Business Corporation and enhance our overseas earnings bases in Australia, China, and Malaysia. As for the sugar business, we are striving to expand domestic sales by strengthening ties with Nissin Sugar Manufacturing Co., Ltd.

In materials and supplies, we are expanding the U.S. replacement tire marketer TBC Corporation (TBC)'s retail channels while entering neighboring markets. In lumber and building materials, we will establish environmentally responsive businesses through the marketing of Russian lumber with Forest Stewardship Council (FSC) certification. We are also streamlining the management of SEVEN INDUSTRIES CO., LTD., a manufacturer of laminated lumber, and IG Kogyo Co., Ltd., a manufacturer of insulated metal panels, in Japan. In the pulp and paper sector, we reinforced our domestic foundations in the paperboard field through a strategic alliance with Rengo Co., Ltd. and Nippon Paper Group, Inc. In ready-mixed concrete, we aim to develop new business as well as to further expand the business base of S.C. Cement (Kyushu) Co., Ltd.

In real estate, we are increasing the profitability of existing buildings while acquiring new buildings and expanding building sales and subleasing. In the housing business, we will continue to supply superior large-scale mixed-use development projects. We are also working to enhance our real estate investment fund business, establish new business models and promote overseas business development.

As a result, we plan to increase risk-adjusted assets ¥25 billion to ¥158 billion by the end of fiscal 2008. We anticipate an average risk-adjusted return ratio of 13.7% during the GG Plan period.





Forest owned by OAO Terneyles in Maritime Province, Russia. The company owns 2.4 million hectares of forest and is one of Russia's biggest suppliers of forest products. Practicing environment-conscious and sustainable forest management, the company has acquired FSC certification and provides environment-friendly products.

A large-scale commercial facility in the Shonan district of Kanagawa Prefecture. The Shonan district is known for its rich nature, lifestyle, and culture, and this complex will be a new urban-type project having both suburban and urban lifestyle convenience. The complex will be composed of approximately 200 stores with total floor space of 80,000 square meters.

Results under the AG Plan

In the food business, we reinforced our integrated supply system for bananas, expanding plantations and investing in loading facilities in the Philippines. In addition, we reinforced sales and logistics channels and streamlined operations through the merger of SC Foods Co., Ltd., which handles processed foods and Sumisho Fresh Meat Co., Ltd., forming a new SC Foods Co., Ltd. In the fertilizer business, we merged Nittoh Bion Co., Ltd., and Sumisho Nosan Kaisha, Ltd., to establish Japan's leading fertilizer manufacturing and sales company, Summit Agri-Business Corporation. Also, we increased our equity in Nissin Sugar Manufacturing to 20% and jointly invested with Kato Sangyo Co., Ltd. in Guangzhou Walsin (Group) Trade Ltd., Southern China's largest wholesale agrifood company, thereby securing a foothold in China.

In materials and supplies, after acquiring TBC, we established the tire sales company Dunlop Tire (Thailand) Co., Ltd. jointly with Sumitomo Rubber Industries, Ltd. and a local partner, thereby strengthening our earnings base. In pulp and paper, we made a strategic alliance with Rengo and Nippon Paper Group to facilitate raw material procurement and overseas business development. In addition, we increased our share in and consolidated OAO Terneyles, the first forest product company to acquire FSC certification in Russia.

In real estate, a group led by Sumitomo Corporation was selected as a business contractor to redevelop the area Osaka's Senri-Chuo railway station faces as well as to participate in the Hanshin Mikage Development Project in Kobe and to undertake a large-scale retail facility development in front of Tsujido station in Fujisawa. We also signed a joint business agreement with GIC Real Estate Pte Ltd., the real estate investment company of the Government of Singapore Investment Corporation Pte Ltd., covering investment in and the development and operation of retail facilities in Japan. The condominium sales business enjoyed robust demand for THE TOKYO TOWERS 1,981-unit high-rise condominium in Kachidoki, Tokyo, and condominiums in Shanghai. Meanwhile, we aggressively promoted asset replacement, including the sale of leased buildings.

Performance Highlights
(Billions of Yen)

	FY03 (Results)	FY04 (Results)	FY05 (Results)	FY06 (Results)	FY07 (Targets)
Gross Profit	73.6	66.7	83.6	118.1	129.0
Equity in Earnings of Associated Companies	0.1	0.8	0.5	2.4	—
Net Income	11.7	(6.0)	12.7	17.2	18.0
Basic Profit	5.1	9.8	11.6	17.4	—
Total Assets	760.6	766.4	772.0	741.7	—

	AG Plan (Results)	GG Plan (Outlook)
Risk-adjusted Assets (at end of FY06 and FY08)	133.0	158.0
Risk-adjusted Return Ratio (two-year average)	11.0%	13.7%

Makoto Shibahara
General Manager
Financial & Logistics Business Unit

Providing High-Value-Added Services by Leveraging Our Capabilities

We are distinguished by various high-value-added services. Our strengths are based on superb access to information, expertise, and skills as well as a global network that we have built as an integrated trading company in many fields. In the financial services field, we are positioned in the top tier of Japanese commodities trading powerhouses handling derivatives, and are fully utilizing our sophisticated business acumen nurtured through that business and expanding our customer-oriented asset management business. In the logistics field, our mainstay player Sumisho Global Logistics Co., Ltd. provides comprehensive global logistics functions to our customers. Also, we are deploying a series of industrial parks in Vietnam, Indonesia, and the Philippines.

GG Plan Policies and Strategies

In the commodities trading business, we will continue to focus on providing various risk management services to commercial customers. In addition to such traditional commodities as precious metals, non-ferrous metals and energy products, in which we have expertise, we will seek opportunities in such emerging products as greenhouse gas emission credits. Geographically speaking, apart from our full-fledged headquarters in Tokyo, we have established London-based Sumitomo Corporation Global Commodities Limited, through which we will pioneer business in the U.S. and European markets.

In the investment advisory business, which has become one of our core businesses in the financial services field, we will increase assets under management in the area of alternative investments, including hedge funds and commodities, taking advantage of our functions as an integrated trading company.

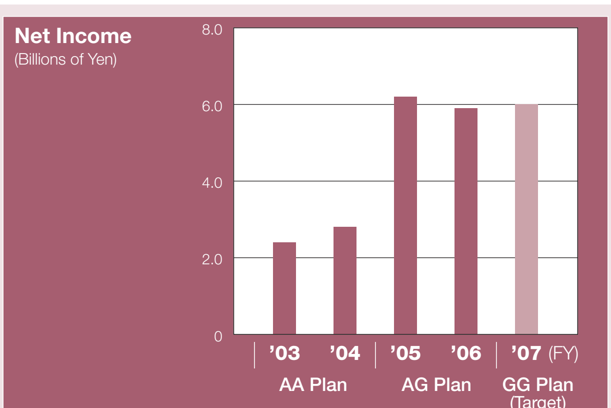
In the direct investment and fund investment businesses, we will aggressively create new business value by grasping investment opportunities generated by industrial, social, and corporate restructuring.

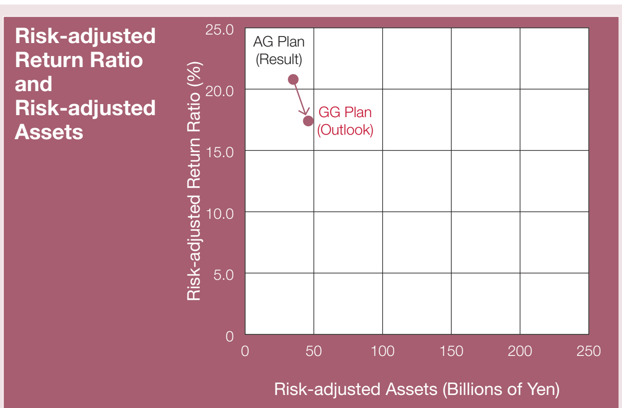
In the logistics field, the market is expanding rapidly, particularly in the raw material, component, and consumer goods distribution areas and especially in Southeast Asia and China. In response, with these regions as the sites of key operational bases, we are reinforcing our global logistics network, offering comprehensive component procurement and distribution services. These activities will facilitate improved logistics service quality and a greater diversity of functions.

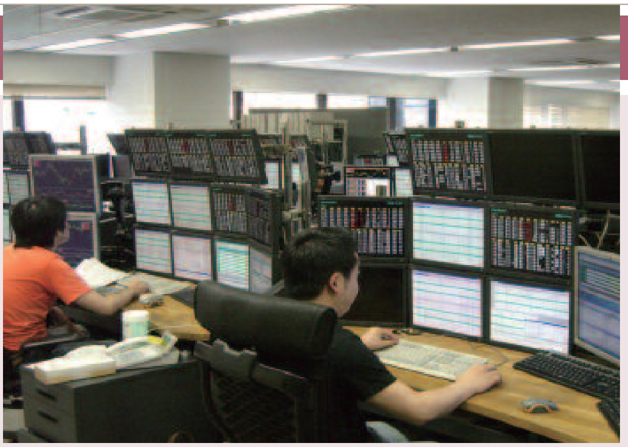
In the overseas industrial park business, we provide tenants with extensive services, utilizing our integrated corporate strengths to reinforce our market presence while contributing to local economic growth.

Similarly, in the insurance field, we aim to expand our earnings base. To this end, we are promoting our Rent-a-Captive business, which provides services through our overseas reinsurance companies, as well as our political risk insurance business.

Taking into account the aforementioned initiatives, we plan to increase risk-adjusted assets ¥11 billion, to ¥46 billion by the fiscal 2008 year-end. We anticipate an average risk-adjusted return ratio of 17.4% during the GG Plan period.







A dealing room operated by Sumisho ElecTrade. The company started dealing operations in October 2006, and today has an about 10% share in the Japanese commodity futures market. In May 2007, it commenced domestic financial futures trading and plans to enter overseas futures markets in Europe and the U.S. Although Sumisho ElecTrade is now handling only its own trading account, the company plans to advance into dealer nurturing business in the future.

The Akanehama Logistics Centers operated by Sumisho Global Logistics. During the period from August 2006 through March 2007, the company started operations of 2 centers, with a total floor space of 90,000 square meters. The centers provide B2B and B2C logistics services mainly dealing in TV/Internet/mobile shopping goods, brand/apparel goods, and dental/medical equipment.

Results under the AG Plan

In the financial field, our ability to respond to an ever changing market environment has led to favorable results in commodities trading. Our responsiveness is being enhanced by the establishment of a new company in London, together with which we cover the market 24 hours a day. Amid the accelerating digitization of financial product futures trading, we have established Sumisho ElecTrade Ltd., specializing in electronic trading. Sumisho ElecTrade uses its own capital to deal in commodities and financial futures while providing professional dealer training programs.

In the investment advisory business, we have steadily increased assets under management, launching a hedge fund and developing a commodity index fund in cooperation with the Daiwa Securities Group. In the direct and fund investment businesses, we used our extensive market and corporate management know-how to reinforce our portfolio through investment in promising growth businesses in Japan and elsewhere in Asia.

In the logistics field, we opened advanced, large-scale logistics centers in Chiba, Japan, and in Shanghai, while meeting increased demand for B2C and other logistics services through such activities as TV shopping and e-commerce. Also, Sumisho Global Logistics Co., Ltd. was formed through the consolidation and integration of three existing logistics subsidiaries' long-nurtured logistics functions, thereby improving the quality of our domestic and international logistics services and enabling us to offer one-stop, high-value-added services while strengthening our competitiveness.

As for the industrial park business in Vietnam, where the economy is showing high growth, lot sales in connection with the expansion phase of Thang Long Industrial Park are anticipated to be robust before completion. Therefore, we started developing the Thang Long Industrial Park II, which is scheduled for completion in 2009. The new industrial park will boast a total area of 220 ha, 80% of the size of the existing park.

Performance Highlights

(Billions of Yen)

	FY03 (Results)	FY04 (Results)	FY05 (Results)	FY06 (Results)	FY07 (Targets)
Gross Profit	15.7	17.0	25.0	29.2	31.0
Equity in Earnings of Associated Companies	1.1	1.5	2.3	1.4	—
Net Income	2.4	2.8	6.2	5.9	6.0
Basic Profit	2.0	2.8	7.5	7.0	—
Total Assets	193.5	232.8	470.8	430.1	—

	AG Plan (Results)	GG Plan (Outlook)
Risk-adjusted Assets (at end of FY06 and FY08)	35.0	46.0
Risk-adjusted Return Ratio (two-year average)	20.8%	17.4%

Expanding Our Global Reach

One of the important business foundations of Sumitomo Corporation is the global network, consisting of approximately 150 offices and about 900 consolidated subsidiaries and associated companies worldwide. Eight Business Units, covering various business domains and regional organizations in Japan and overseas are fulfilling their capabilities and strengthening cooperation to capture growth opportunities on a global basis and steadily broadening the earnings base.

Principal Businesses by Region

Through its global network, Sumitomo Corporation is developing its operations in various regions. The graph presented below, "Basic Profit by Region," shows how each region has expanded its business base in a well-balanced manner.

Looking at principal businesses by region, in Japan, Jupiter Telecommunications, a cable TV operator, Jupiter Shop Channel, a TV shopping channel, and Sumisho Lease and Sumisho Auto Leasing, which are scheduled to form joint businesses with the Sumitomo Mitsui Financial Group, are strengthening their leading market positions and expanding their businesses. In addition, our condominium sales business and such retail businesses as supermarket operations have grown into stable earnings bases

In Asia, our extended network of steel service centers, the electronics manufacturing services (EMS) business, and electric power projects as well as the automobile finance business and copper and gold mining business in Indonesia are providing strong earnings bases and have become pillars of profits.

In the Americas, which include North America, Central America, and South America, the metal products business centered on supply chain management (SCM) services for tubular products and the construction equipment business are performing steadily and expanding earnings. At the same time, TBC Corporation, a U.S.-based tire marketer that we acquired in 2005, and our copper mining business in Peru, which increased production, are developing as new earnings bases.

In Europe, oil field operations in the North Sea, the SCM business for tubular products, the multiregional automobile dealership business, and the construction equipment business constitute the backbone of the earnings.

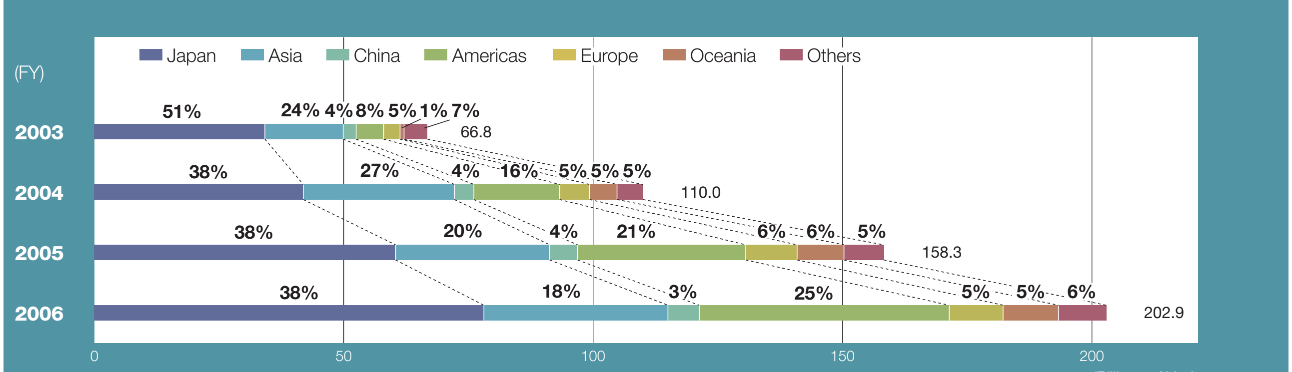
In Oceania, the coal business in Australia is showing strong performance. In Others, the electric power and water businesses and metal products trading in the Middle East, and the automobile business in Africa are steadily expanding.

Further Strengthening of Global Network

Under the GG Plan, Sumitomo Corporation has introduced a Regional Initiative Support System to allow regional organizations to proactively promote and expand their locally based global businesses.

The system provides support and aid for regional organizations' initiatives aimed at expanding multifaceted ties with existing leading local partners, developing new partnerships with potential leading local enterprises, and reinforcing cooperation among regional organizations for such multifaceted activities. Through this system, we will further reinforce our global network and bolster our earning power.

Basic Profit by Region

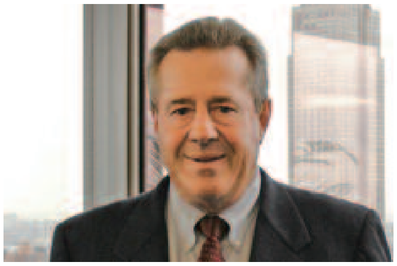


Notes: 1. Basic Profit = (Gross profit - Selling, general and administrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate) + Equity in earnings of associated companies, net (Tax rate was 42% for fiscal 2003, and 41% for fiscal 2004 and after)
2. Profits of affiliated companies are allocated by their locations. Profits of Sumitomo Corporation (parent) are allocated by customers' locations.

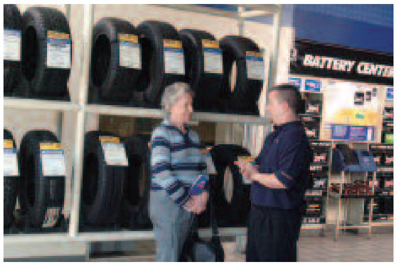
Locally Oriented Businesses

In bolstering the scope and capability of its global network, while maximizing synergies and the expertise gained in each region, Sumitomo Corporation is expanding locally oriented businesses worldwide. Prime examples of those businesses are TBC Corporation, the largest tire marketer in North America, and the Oto Group, which is engaged in auto financing in Indonesia. A brief overview for each company is provided as follows.

TBC Corporation



Lawrence C. Day, President & CEO



One of the company owned retail stores, NTB

TBC Corporation, based in the U.S., is the largest marketer and distributor of private label tires in the North American replacement market, selling about 26 million tires annually. Our focus is on three core businesses: wholesale and distribution, franchised retail stores, and company owned retail stores.

We will expand our wholesale distribution businesses by offering complete lines of tires on an exclusive basis to regional wholesalers and selected retailers. Aggressive growth will be focused on our subsidiary Carroll Tire. To enhance the business, we consolidated Treadways Corporation, which was a subsidiary of Sumitomo Corporation in October 2006. Continued growth of the franchised store chain will come from new franchisees. We will focus on increasing the number of stores, which are now 550. We also operate 650 company owned retail stores. This retail group will expand the number of stores to over 1,000 by building new locations and through the acquisition of strong regional chains.

Demand for consumer tires is expected to grow steadily on a long term basis due to the increasing number of vehicles and annual miles driven. We will increase our sales and profits through market share growth and by capitalizing on these market trends. We will also leverage our competitive advantage and continuous improvement by fully utilizing the integrated strength and competencies of Sumitomo Corporation.

The Oto Group: P.T. Oto Multiartha and P.T. Summit Oto Finance

Djohan Marzuki, President & CEO

Commuter scene in Jakarta

The Oto group, based in Indonesia, traces its origin to the establishment of P.T. Oto Multiartha, an independent auto financing company, in 1994. The group has continued to secure a significant presence in the domestic market, managing about 140,000 active four-wheel vehicle customers as of December 31, 2006. Based on our automobile financing skills and business model, we established P.T. Summit Oto Finance (SOF), an independent motorcycle financing company, in 2003. SOF has substantially expanded its business network to more than 70 outlets and currently manages about 700,000 active motorcycle customers.

This ability to steadily expand its business is attributed to the Oto Group's key success factor: 3M+1T (Man (human resources), Money (financial resources), Management and Technology). Our achievement is a result of a synergy between Sumitomo Corporation and local human resources and management. Since qualified human resources are our engine for growth, we always put top priority on human resource development and training. Our Learning Centre facility in West Java is the industry's largest and most comprehensive and caters to a workforce that has burgeoned to more than 8,000 employees.

Looking ahead, we will continue to forge a leading position within the industry, leveraging our relationship with manufacturers as well as our fund procurement capabilities, which are supported by Sumitomo Corporation.

PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES CONTRIBUTING TO CONSOLIDATED RESULTS

	Shares in equity (End of FY2006) (%)	Main Business	Equity in earnings (FY2005) (100 million yen)	Equity in earnings (FY2006) (100 million yen)
METAL PRODUCTS				
SC Pipe Services Inc.	100.00	Investment in pipe manufacturing and sales company in the U.S.	20.3	30.2
Sumisho Metalex Corporation	*100.00	Sale of non-ferrous metal products, materials for home heat solution	7.8	16.6
National Pipe Company, Ltd.	16.00	Pipe manufacturing and sales company in Saudi Arabia	3.0	9.7
Asian Steel Company Ltd.	100.00	Shearing, slitting, and sale of steel plates in Southeast Asia	7.9	6.9
TRANSPORTATION & CONSTRUCTION SYSTEMS				
Sumisho Auto Leasing Corporation *5	100.00	Leasing of motor vehicles [Shares in equity April to July 2005: 52.90%; From August 2005: 100%]	43.3	50.4
P.T. Oto Multiartha	96.34	Financing of motor vehicles in Indonesia	17.2	16.3
P.T. Summit Oto Finance	*99.59	Financing of motor vehicles in Indonesia [Shares in equity (End of FY2005): 99.70%]	8.6	15.3
Sumisho Aircraft Asset Management B.V.	*100.00	Aircraft leasing	6.6	2.0
INFRASTRUCTURE				
MobiCom Corporation	33.98	Integrated telecommunication service in Mongolia [Shares in equity (End of FY2005): 30.00%]	11.2	14.9
Perennial Power Holdings Inc.	*100.00	Development, ownership and management of power plant in the U.S.	13.3	11.5
MEDIA, NETWORK & LIFESTYLE RETAIL				
Jupiter Telecommunications Co., Ltd.	25.74	Operation of multiple cable TV stations (MSO) [Shares in equity (End of FY2005): 25.93%]	52.8	66.2
Jupiter TV Co., Ltd.	50.00	Management and operation of programming services	29.9	40.0
MS Communications Co., Ltd.	*50.00	Sales of telephone circuits and equipment	20.7	26.2
Summit, Inc.	100.00	Supermarket chain	21.4	26.2
Sumisho Computer Systems Corporation *2	56.98	System integration; data processing services; development and sale of computer software and hardware [Shares in equity (End of FY2005): 55.73%]	8.4	24.7
Montrive Corporation	*100.00	Sole import, designing and sales of the luxury line of chenille fabrics, “FEILER” [Shares in equity (End of FY2005): 99.00%]	10.6	11.3
Sumisho Drugstores Inc.	100.00	Drugstore chain	5.3	3.0
CHEMICAL & ELECTRONICS				
Sumitronics Corporation	*100.00	Electronics Manufacturing Service and sale of electronics products and parts	25.4	25.8
Cantex Inc.	*100.00	Manufacture and sales of polyvinyl chloride pipes	44.0	17.5
Sumitomo Shoji Chemicals Co., Ltd. *3	*100.00	Sales and trade of chemicals and plastics	20.8	11.5
Summit Agro Europe Ltd.	*100.00	Investment in agricultural chemicals in Europe	6.5	7.1
The Hartz Mountain Corporation	*96.30	Manufacturing, distribution, and sales of pet care products in the U.S.	(30.8)	4.6
MINERAL RESOURCES & ENERGY				
Sumisho Coal Australia Pty. Ltd.	100.00	Investment in coal mines in Australia	105.2	98.0
SC Minerals America, Inc.	*100.00	Investment in the Morenci copper mine, the Pogo gold mine in the U.S. and the Candelaria & Ojos del Salado copper mines in Chile	13.9	48.0
Nusa Tenggara Mining Corporation	74.28	Investment in and financing of the Batu Hijau copper/ gold mine development project in Indonesia	48.7	34.0
LNG Japan Corporation	50.00	Trading of LNG, investment and financing related to LNG business	15.0	19.3
Petro Summit Pte. Ltd.	*100.00	International trade of crude oil and petroleum products	6.8	16.6
Petro Summit Investment Corporation	100.00	Exploration, development, production and sale of and investment in oil and natural gas etc.; investment in and financing business of the same kind	23.6	(56.0)
GENERAL PRODUCTS & REAL ESTATE				
TBC Corporation	*100.00	Retail and wholesale of tires in the U.S.	12.3	36.0
Sumifru Corporation *4	—	Import and sales of fruits and vegetables	6.0	11.6
S.C. Cement Co., Ltd.	100.00	Sales of cement, ready-mixed concrete and concrete products	7.2	7.4
Sumisho & Mitsuibussan Kenzai Co., Ltd.	50.00	Sales of building materials	3.6	4.8
FINANCIAL & LOGISTICS				
Bluewell Corporation	100.00	Agent for casualty insurance and life insurance	6.5	7.2
Thang Long Industrial Park Corporation	58.00	Development, sales, and operation of industrial estate in Vietnam	5.8	4.6
OVERSEAS SUBSIDIARIES				
Sumitomo Corporation of America	100.00	Export, import, investment	134.9	235.6
Sumitomo Corporation Europe Holding Ltd.	100.00	Export, import, investment	34.0	53.2
Sumitomo Corporation (Singapore) Pte. Ltd.	100.00	Export, import, investment	31.3	43.0
Total 9 subsidiaries in China	—	Export, import, investment	26.5	31.5
Sumitomo Australia Limited	100.00	Export, import, investment	11.0	12.9
Sumitomo Corporation Taiwan Ltd.	100.00	Export, import, investment	8.0	8.3
OTHERS				
Sumisho Lease Co., Ltd. *5	*96.73	Leasing [Shares in equity (End of FY2005): 36.21%]	61.8	100.6

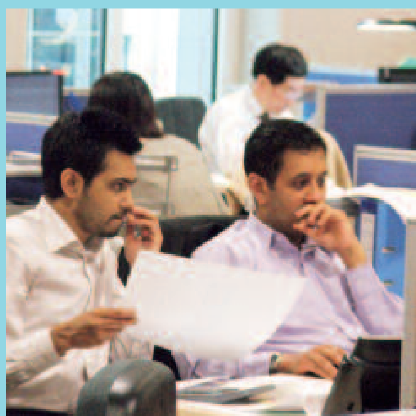
*1. Shares in equity and equity in earnings for companies marked with an asterisk are the percentage shares and equity amounts company-wide including other segments.

*2. On August 1, 2005, Sumisho Computer Systems Corporation and Sumisho Electronics Co., Ltd. merged with Sumisho Computer Systems Corporation as the surviving concern and Sumisho Electronics Co., Ltd. dissolved. Equity in earnings of Sumisho Electronics Co., Ltd. has been included in figures for Sumisho Computer Systems Corporation for the previous fiscal year.

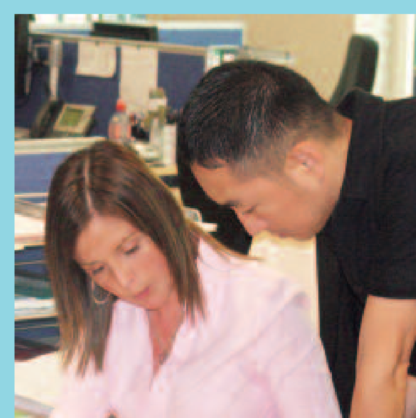
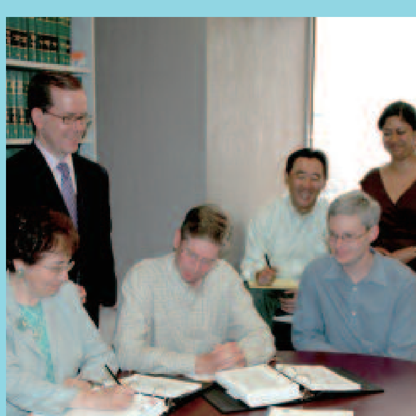
*3. On October 1, 2005, Sumitomo Shoji Plastics Co., Ltd., Sumitomo Shoji Chemicals Co., Ltd. and Sumisho Chemicals & Plastics Nagoya Co., Ltd. merged with Sumitomo Shoji Plastics Co., Ltd. as the surviving concern and Sumitomo Shoji Chemicals Co., Ltd. and Sumisho Chemicals & Plastics Nagoya Co., Ltd. dissolved. Sumitomo Shoji Plastics Co., Ltd. changed its name to Sumitomo Shoji Chemicals Co., Ltd. The total of equity in earnings in each of the three companies prior to the merger have been included in figures for Sumitomo Shoji Chemicals Co., Ltd. for the previous fiscal year.

*4. Equity in earnings of Sumifru Corporation for the previous fiscal year and the fiscal year under review include those of related companies.

*5. On October 13, 2006, the Sumitomo Corporation Group and the Sumitomo Mitsui Financial Group reached a basic agreement to pursue strategic joint businesses in leasing and auto leasing. This basic agreement encompasses Sumitomo Corporation, Sumisho Lease Co., Ltd. and Sumisho Auto Leasing Corporation from the Sumitomo Corporation Group and Sumitomo Mitsui Financial Group, Inc., SMBC Leasing Company, Limited and SMBC Auto Leasing Company, Limited from the Sumitomo Mitsui Financial Group. In line with the basic agreement, plans are in place for the merger of SMBC Leasing Company, Limited, Sumisho Auto Leasing Corporation and SMBC Auto Leasing Company, Limited around October 2007.





MANAGEMENT PRINCIPLES AND ACTIVITY GUIDELINES

The "Sumitomo Business Spirit" underlies Sumitomo Corporation's Management Principles and Activity Guidelines. The Sumitomo Business Spirit is the basis of our business operations and advocates such universal values as "integrity and sound management," "never pursue easy gains," and "a spirit of challenge that anticipates change."

Management Principles and Activity Guidelines

Based on the Sumitomo Business Spirit, Sumitomo Corporation formulated its Corporate Mission Statement in 1998. This statement is presented in today's terms, rewording the original spirit statement and incorporating phrases more suitable to a company operating globally. Our Management Principles describe our corporate mission "to achieve prosperity and realize dreams through sound business activities" as well as our fundamental management policies "to place prime importance on integrity and sound management with utmost respect for the individual," while we are working "to foster a corporate culture full of vitality and conducive to innovation." The Activity Guidelines apply to everyday operations and are based on the Management Principles.

We are working to further share the Management Principles and Activity Guidelines among all Group officers and employees. Through these endeavors, we aim to be a global organization that contributes broadly to society.

SC VALUES

To ensure that all officers and employees share and practice the values advocated in the Management Principles and Activity Guidelines, we also drafted the SC VALUES. The SC VALUES consist of nine values, including Integrity and Sound Management, Integrated Corporate Strength, Vision, Change and Innovation, Commitment, Enthusiasm, Speed, Human Development, and Professionalism. These values are respected in human resource development, work performance evaluation, and our multidimensional assessment system (job performance assessment of supervisors by their subordinates).

Sumitomo Business Spirit Embodied in "Business Principles" (Formulated in 1891)

Article 1: Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2: Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

Corporate Mission Statement

We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

Management Principles

- To achieve prosperity and realize dreams through sound business activities
- To place prime importance on integrity and sound management with utmost respect for the individual
- To foster a corporate culture full of vitality and conducive to innovation

Activity Guidelines

- To act with honesty and sincerity on the basis of the Sumitomo Business Spirit and in keeping with the Management Principles
- To comply with laws and regulations while maintaining the highest ethical standards
- To set high value on transparency and openness
- To attach great importance to protecting the global environment
- To contribute to society as a good corporate citizen
- To achieve teamwork and integrated corporate strength through active communication
- To set clear objectives and achieve them with enthusiasm

SC VALUES

1. **Integrity and Sound Management:**
   To comply with laws and regulations while maintaining the highest ethical standards
2. **Integrated Corporate Strength:**
   To create no boundaries within the organization; always to act with a company-wide perspective
3. **Vision:**
   To create a clear vision of the future, and to communicate to share it within the organization
4. **Change and Innovation:**
   To accept and integrate diversity in values and behavior, and to embrace change as an opportunity for action
5. **Commitment:**
   To initiate, own, and achieve organizational objectives
6. **Enthusiasm:**
   To act with enthusiasm and confidence, and to motivate others through such action
7. **Speed:**
   To make quick decisions and act promptly
8. **Human Development:**
   To fully support the development of others' potential
9. **Professionalism:**
   To achieve and maintain high levels of expertise and skills

Our corporate governance is embodied in the "Sumitomo Corporation Corporate Governance Principles,"* which were established in April 2003 on the basis of the "Sumitomo Business Spirit" and "Management Principles."

We have stipulated in our Corporate Governance Principles that, ultimately, we view corporate governance as "improving management efficiency" and "maintaining sound management," as well as "securing the high level of management transparency" required to achieve the first two goals.

Features of Our Corporate Governance System

Sumitomo Corporation has established a corporate governance structure that comprises the General Meeting of Shareholders, which serves as the Company's supreme decision-making body, the Board of Directors, which makes important management decisions and the Board of Corporate Auditors and Corporate Auditors, who monitor the performance of Directors.

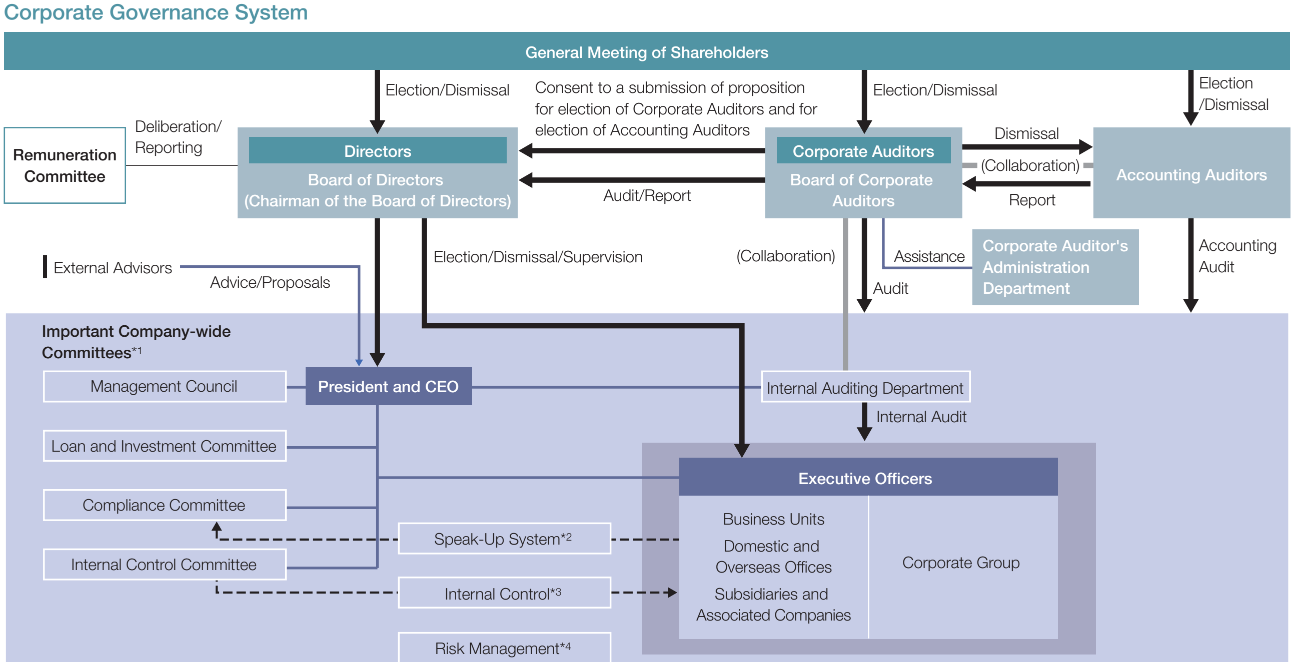
The size of the Board of Directors has been optimized to ensure its maximum effectiveness, and the term of each Director has been limited to one year to fortify the corporate governance function. We have also introduced an executive officer system, with the objectives of clarifying responsibilities and the authority for business execution and reinforcing the monitoring function of the Board of Directors.

We have five Corporate Auditors, three of whom are external appointments. To enhance the auditing function, we are developing our internal control system and strengthening collaboration with Corporate Auditors.

In addition, by appointing external advisors, we are incorporating a diversity of perspectives into our management.

*Please refer to the following Web page for the Corporate Governance Principles: URL: http://www.sumitomocorp.co.jp/english/company_e/governance/index.shtml.

Corporate Governance System



*1 As Company-wide committees, in addition to the above, we have Corporate Social Responsibility Committee, IR Committee, Human Resources Committee, Global Environment Committee, Information Security Committee, Disclosure Committee, and others.

*2 Officers and employees are allowed to inform the information regarding compliance issues directly to Compliance Committee regardless of their respective chains of command.

*3 According to the framework of COSO Internal Control, the status of internal management at each organization is regularly and comprehensively self-assessed on a consolidated basis, which is then followed by a review conducted by administrative departments.

*4 (1)We divide various risks associated with business activities into two types, namely "quantifiable risks" for those including market risks, investment risks, and credit risks, and "non-quantifiable risks" for those including natural disasters, mistakes in the execution of work, and unauthorized conduct, and manage them accordingly. For "quantifiable risks," we make diligent efforts to manage the total quantity of risks and pursue returns for risks through the adoption of the concept of "risk asset management." For "non-quantifiable risks," we endeavor to restrain such risks through company-wide countermeasures.

(2)Each department within the Corporate Group is building a framework on Company-wide level of risk management (internal rules, policies, methods and guidelines of risk management, etc.), and conducting monitoring and implementing necessary improvements regarding risk management pertaining to its respective areas of work responsibility, while departments of business operation, such as Business Units, implement risk management necessary to execute specific work under the framework of the whole company.

Optimization of Size and Limiting of Terms of Board of Directors

In order to facilitate substantial and active discussion as well as to promote greater efficiency and effectiveness in the decision-making process, we halved the number of Board members from 24 in June 2003. As of July 2007, the Board has 12 members.

Furthermore, at the General Meeting of Shareholders held in June 2005, the term of Directors was reduced from two years to one year. By asking shareholders for a vote of confidence on Directors every year, we are undertaking to strengthen the function of our corporate governance.

Establishment of the Remuneration Committee

With the aim of enhancing the transparency and objectivity of the decision-making processes with regard to the remuneration of Directors and Executive Officers, we established the Remuneration Committee on April 1, 2007. Functioning as an advisory body to the Board of Directors, the Committee consists of six committee members, three of whom are from outside the Company—one is an external auditor concurrently serving as a Corporate Auditor and two are external specialists.

Introduction of the Executive Officer System

We have introduced the executive officer system with the aim of clarifying the responsibilities and authority for execution and strengthening the monitoring function of the Board of Directors. We currently have about 30 Executive Officers, including general managers of Business Units, who also serve concurrently as Directors. In this way, we aim to prevent gaps between decisions made at Board of Directors meetings and the execution of those decisions.

Enhancement of Corporate Auditing Framework

The Board of Corporate Auditors and each Corporate Auditor audit the performance of Directors. The Board of Corporate Auditors has five members, including three external auditors—two legal experts (a former Public Prosecutor General and a former Supreme Court Justice) and one accounting expert—providing an auditing system incorporating a diversity of perspectives.

Corporate Auditors attend meetings of the Board of Directors and all other important internal meetings, in order to obtain information necessary for proper auditing.

Corporate Auditors also meet the Chairman of the Board of Directors and the President and CEO every month to exchange opinions on material issues regarding management policy and auditing.

We have been placing dedicated staff to assist Corporate Auditors, so that the auditing system functions effectively.

Seeking to further enhance the auditing function, we organized the Corporate Auditor's Administration Department with dedicated staff in May 2006. The Internal Auditing Department also assists Corporate Auditors by providing information on a frequent basis.

Appointment of External Advisors

To incorporate outside perspectives into our management, we have appointed four specialists (as of April 1, 2007), from outside the Company as external advisors. At meetings with Board members, the external advisors provide us with advice from diverse perspectives on various themes regarding management issues. They also give speeches and lectures in their respective areas of expertise, such as leadership and career development.

Limits on Terms of the Chairman of the Board of Directors and the President and CEO

In principle, the terms of the Chairman of the Board of Directors and the President and CEO are each limited to six years. We have thus eliminated the possibility of governance problems by limiting the tenure of top management.

Future Policy

Under the former Commercial Code, since April 2003 Japanese companies have been able to adopt a company with a committee based system of corporate governance. However, we believe that the best way for us to improve the effectiveness of our corporate governance is to maintain our existing corporate auditor system, while enhancing and reinforcing it by incorporating an outside perspective into our management through auditing based on a diversity of external viewpoints and with opinions and advice from additional external advisors.

We will preserve our corporate culture as a Japanese company, while watching global trends and legislation concerning companies. At the same time, we will observe the benefits of different corporate governance frameworks in other countries.

Thus, Sumitomo Corporation will continually study the most appropriate corporate governance system.

Sumitomo Corporation Group has been implementing the Internal Control Program in order to "improve the quality of business operation" on a global consolidated basis. We believe that constant monitoring and upgrading of the groupwide internal control system is indispensable to our sustained growth and development. As a result of its two-year implementation since 2005, the Internal Control Program has been expanded and rooted across the entire Group as important infrastructure for monitoring our groupwide internal control system.

Background to the Introduction of the Internal Control Program and Initiatives Taken to Date

Thorough Assessment of Our Internal Control on Global Consolidated Basis

It is essential that the Sumitomo Corporation Group maintains a uniform standard for the quality of business operations, irrespective of the business sector or geographical region where they take place. Moreover, such standards must meet the expectations of our stakeholders.

From this perspective, in July 2005, we compiled a checklist based on the COSO Framework,* which serves as an international standard for internal control. Using this checklist, we set about making a thorough assessment of the current status and effectiveness of our internal controls. The checklist covers points pertaining to general operations that should be common to operations across the Group, including risk management, accounting, and financial controls and compliance.

Through the implementation of the Internal Control Program, we are undertaking assessments at around 500 domestic and overseas operations that are aimed at conducting assessments of all Group operations, irrespective of industry field, region, or size. The Planning and Administration Department in each Business Unit and other relevant departments are reviewing the assessment results while supporting the formulation, establishment, and implementation of necessary improvement measures.

Progress in Fiscal 2006

Reflecting assessment results in fiscal 2005, to address the issues identified through the Internal Control Program in individual organizations, we have implemented such initiatives as operational flow reassessments and system upgrades during the fiscal year under review. Meanwhile, the Corporate Group, in cooperation with other organizations, has established or renewed relevant rules, reviewed the method of internal control-related systems for Group companies and executed other necessary measures from a Groupwide perspective.

We have also identified especially important daily operational matters in the Internal Control Program checklist as "Primary Monitoring Check Items" and compiled the "Essence of Controls," a manual that explains the rationale behind laying out control processes and points that require special attention. These actions helped us to a great extent in conducting highly reliable assessments.

We apply the same principle to subsidiaries to be established and external corporations to be acquired. By performing adequate internal control assessments for these entities, we make sure that they have a certain level of internal control standards in place and in operation and that these standards are on a par with those embraced by the Group as a whole.

Fulfillment of Legal Requirements

The new Japanese Company Law, which came into effect in May 2006, calls for companies to establish "systems ensuring that the execution of duties by directors conforms to legal regulations and their Articles of Incorporation as well as systems ensuring that business processes are handled appropriately." Having previously established various systems and frameworks, the Sumitomo Corporation Group already fulfills the requirements of the new Company Law.

The Internal Control Program has the task of monitoring these systems, periodically and comprehensively, to ensure that they are functioning adequately and making any necessary improvements.

Looking ahead, we are working to secure compliance with internal control-related rules stipulated in the Financial Instruments and Exchange Law, which will take effect in fiscal 2008. We will achieve this goal by channeling fruitful outcomes from the implementation of the Internal Control Program and taking full advantage of our already established internal control promotion structure. Pursuing absolute compliance with the said law, we aim to further improve our quality of business operation.

As described above, tireless reviews and constant improvements of our control processes based on the Internal Control Program collectively constitute an irreplaceable pillar supporting the Sumitomo Corporation Group's sustained growth.

*COSO Framework:
The COSO Framework defines internal control as a process required for the achievement of three objectives, which are reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. It was announced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992.

Sumitomo Corporation regards compliance with laws and regulations as a basic premise for all corporate activity and has implemented a company-wide system that ensures such compliance.

Policies and the Reporting Structure of Corporate Compliance

To promote compliance within the company, Sumitomo Corporation established the Compliance Committee in November 2000, under the direct supervision of the President and CEO. Among its various duties, the Compliance Committee is responsible for drafting the Company's *Compliance Manual* in April 2001, its subsequent revisions in December 2003 and July 2005 and its distribution to all officers and employees. The *Compliance Manual* covers the following 19 Guiding Principles, to ensure the Company's bottom line: "If there is even a trace of doubt, don't do it." It is our policy that employees should never risk transgression in pursuit of profit for the Company. If a potential compliance problem is detected, we continuously encourage our employees to report it to their supervisors or the relevant departments immediately, so that the best countermeasures can be taken swiftly.

Compliance Training and Education

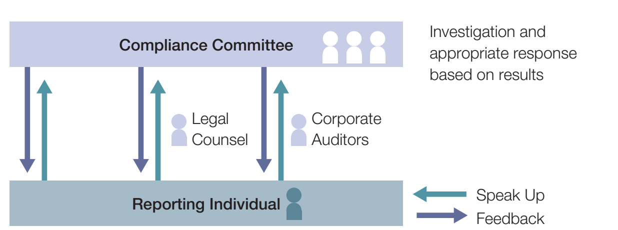
Employees have access to the latest version of the *Compliance Manual* and other manuals detailing applicable laws and regulations on the Company's intranet. We also offer various training programs and educational activities on compliance, including: programs for specific groups such as new employees, managers and corporate officers; seminars provided by each Business Unit; seminars targeted at all officers and employees; and seminars for overseas offices and Group companies. We also make use of various domestic and overseas conferences for compliance education. In fiscal 2006, 65 seminars and conferences on compliance were held for members of the company and Group companies, and approximately 3,100 participants attended. In addition, in the fiscal year under review, two e-learning compliance seminars open to employees from all levels were held. An additional two e-learning seminars are planned for fiscal 2007.

Speak-Up System

If an employee becomes aware of a possible compliance problem, he or she is expected to pass the information along through the chain of command. As a supplement to this system, in November 2000, the Company adopted the "Speak-Up System," which allows an individual to report a potential problem directly to the Compliance Committee. Outside legal counsel and the Company's corporate auditors were included as additional points of contact within the Speak-Up System in August 2003.

Although, in principle, the reporting individual is asked to identify him/herself, our system ensures that both the identity of the individual and the nature of the information provided are kept confidential and that there will be no negative repercussions for the employee arising from the reporting. The Compliance Committee is responsible for handling all the information it receives in an appropriate manner. As of March 2007, this system has been implemented in approximately 140 domestic Group companies.

Speak-Up System Diagram



Guiding Principles

Business Activities

- Observing Antimonopoly Laws
- Security Control
- Customs/Controlled Items
- Compliance with Applicable Laws
- Respecting and Protecting Intellectual Property Rights
- Prohibition of Unfair Competition
- Information Management
- Preservation of the Environment
- Overseas Business Activities

Corporate Citizen as a Member of Society

- Prohibition on Giving Bribes
- Prevention of Unlawful Payments to Foreign Governmental Officials
- Political Contributions
- Confrontation with Antisocial Forces

Maintenance of a Good Working Environment

- Respect for Human Rights*
- Prohibition of Sexual Harassment
- Prohibition on Abuse of Authority

*Complied with the Universal Declaration of Human Rights

Personal Interests

- Insider Trading
- Conflict of Interest
- Proper Use of Information System

COMMUNICATION WITH SHAREHOLDERS AND OTHER INVESTORS

By enhancing corporate value and ensuring proper return to shareholders, we are striving to respond the expectations and trust placed in us by shareholders and other investors. We are actively pursuing the voluntary disclosure of detailed information in addition to the disclosure of information required by law. By placing particular emphasis on interactive communication, we are continuously working to upgrade our IR activities.

Return to Shareholders

We adhere to a basic policy of ensuring long-term, stable dividend payments. In the second half of fiscal 2004, we complemented this basic policy with a policy of reflecting our consolidated financial results in dividends. Under this new policy, we set the dividend payout ratio at around 20% when determining the dividend amount. In fiscal 2006, consolidated net income amounted to ¥211.0 billion and the annual dividend per share was ¥33, increased by ¥8 compared with that of the previous fiscal year.

Communicating with Shareholders and Other Investors

With the aim of achieving openness in our general meetings of shareholders, we are implementing various initiatives to invigorate the meetings and facilitate the exercise of voting rights. One such initiative is the early delivery of our Notice of Convocation. We send out the notice to shareholders three weeks prior to the general meetings of shareholders. For the convenience of overseas shareholders, we also provide an English translation of the notice on our website. We started offering our shareholders the option of exercising their voting rights via the Internet using personal computers in 2004 and via the Internet using mobile phones in 2005. This year, we introduced an Electronic Voting Platform operated by Investor Communication Japan, Inc. (ICJ), a joint venture instituted by Tokyo Stock Exchange Inc. and others, that allows institutional investors sufficient time to thoroughly examine the propositions to be resolved at the meeting.

Our Corporate Governance Principles state, "In an effort to bring an accurate understanding of the Company's management policies and business activities to all stakeholders, the Company shall strive to make full disclosure, not limiting itself to the disclosure of information required by law but also actively pursuing the voluntary disclosure of information." Based on this principle, we are proactively promoting IR activities. The IR section of our corporate website provides various materials that may be useful in making investment decisions in a timely manner. These materials include financial results, *Yukashokenhoukokusho* (Japanese annual securities reports), and other Tokyo Stock Exchange filings as well as streaming and related documents of various meetings, and *Sustainability Reports*. Moreover, we distribute to our shareholders our *Annual Report*, and *SC NEWS*, our public relations news magazine and endeavoring proactive disclosure.

In order to ensure direct communication between shareholders and other investors, we hold quarterly meetings to provide information on our financial results for analysts and institutional investors with the top management in attendance. Also, we periodically visit the U.S., the U.K., and other countries in Europe and Asia to hold one-on-one meetings with investors in each region. Having started in fiscal 2004, we regularly hold meetings with individual investors in major cities throughout Japan. In fiscal 2006, we held such meetings in five cities, with a total of 1,570 individual investors attending.

Going forward, we will strive to enhance our relationship of mutual trust with our shareholders and other investors through commitment to achieving our targets, while continually raising management transparency.

Two-way communication with shareholders and other investors is indispensable to IR activities. We are working to improve our management transparency through proactive and timely information disclosure. At the same time, we keep ourselves open to opinions and requests, responses to which are incorporated into measures to upgrade the quality of our management. Responding to the opinions and requests heard at the meetings with individual investors, we changed the number of shares in one voting unit from 1,000 shares to 100 shares. We will strive to enhance our relationship of mutual trust with shareholders and other investors by maximizing our corporate value and conducting proactive disclosure.

Nobuhide Nakaido
Director, Executive Vice President
General Manager, Corporate Planning & Coordination Office

To ensure sustained growth, it is essential to improve the quality of our human resources and workstyles. Under the GG Plan, we will strategically take various proactive steps aimed at promoting personal growth and activating all Group employees. Such initiatives include strengthening recruitment for both graduates and mid-career workers, extending education programs, promoting both the appointment of younger employees and utilization of senior employees, and reforming workstyles.

Our Concept of Human Resources Management

In April 2006, we renovated our Human Resources Management System. The new system is based on the concept that the development of human resources strengthens the power of an organization and that this power, in turn, leads to the further growth and development of the Group. Therefore, we are emphasizing the enhancement of the strength of our human resources and the activation of all employees. The major feature of the revised system is the introduction of "expected role," which sweeps away the concepts of age and promotion. "Expected role" defines the roles that employees must perform to ensure the Group's sustained growth and the achievement of their respective organizations' targets. The "expected role" and its achievement will be reflected in the evaluation and treatment of each employee. Moreover, we regard an employee's first 10 years after entering the Company as an important period for training and development. We also reviewed our systems and policies to increase opportunities for senior employees to further develop their abilities.

Recruiting, Developing and Utilizing Human Resources

Under the GG Plan, we will further enhance recruiting, developing, and utilizing human resources. In addition to strengthening recruiting activities targeting graduates and mid-career workers and locally hired staff overseas, we will focus on further promoting both the appointment of younger employees and utilization of senior employees. To this end, in fiscal 2007 we began appointing career advisors to each Business Unit and Corporate Group, tasking them with supporting organizational management on the front lines. Their activities include facilitating supervisor-subordinate communication, advising individual employees, and proposing ways of changing the workplace so that each employee can develop his or her ability. Furthermore, our "re-employment system" offers temporary staff positions to all employees who wish to continue working after reaching the mandatory retirement age of 60. More than 80% of employees who reached the retirement age during fiscal 2006 rejoined the Company and continued working.

As for employee training and educational programs, the Sumisho Business College (SBC), a company-wide educational system, has extended its range of courses and programs so that employees can acquire the knowledge and skills they need as employees of an integrated trading company in an effective manner that is responsive to their will to learn. We will also enhance the programs for locally hired staff. In fiscal 2007, we will invite approximately 200 Group employees to Tokyo to join training courses for different positions, such as manager or staff, in order to foster leadership and to share management policies and strategies.

Reforming Workstyles

Based on the idea that realizing a good balance between their working and private lives enables each employee to utilize their capabilities to the maximum, we are working on creating more worker-friendly environments and also promoting a change in employee consciousness. Especially under the GG Plan, we will focus on promoting various measures to realize Work-Life Balance, including pursuing greater flexibility in work schedules and locations as well as improving working conditions and environments for female employees. In addition, we will continually strive to reduce overtime work and to promote further use of the paid leave system.

I believe that a productive cycle driven by the growth of individuals, which consequently leads to the maximization of an organization's added-value, is a prerequisite for the sustained growth of the Sumitomo Corporation Group. I also believe that the enrichment of employees' working and private lives will be the driver of new value creation. To sum up, it can be said that achieving corporate growth and development and ensuring employees' personal life enrichment are inextricably linked; they are elements that together generate synergistic effects. We are committed to realizing these ideals through the collective efforts.

Noriaki Shimazaki
Director, Executive Vice President
Responsible for Human Resources Development & Information Management Group

Based on the Sumitomo Corporation Group Environmental Policy, we have set basic guidelines for trading, business development, and investment and are working to implement the Group's environmental management procedures based on those guidelines.

Sumitomo Corporation Group Environmental Policy

Our environmental policy is as follows.

Sumitomo Corporation Group Environmental Policy

I. Basic Policy

The Sumitomo Corporation Group recognizes that the environmental issues are global in scale and that they are long-range concerns affecting future generations. As a global organization, Sumitomo Corporation Group, through sound business activities, will strive to achieve sustainable development aimed at symbiosis between social and economic progress and environmental preservation.

II. Basic Guidelines

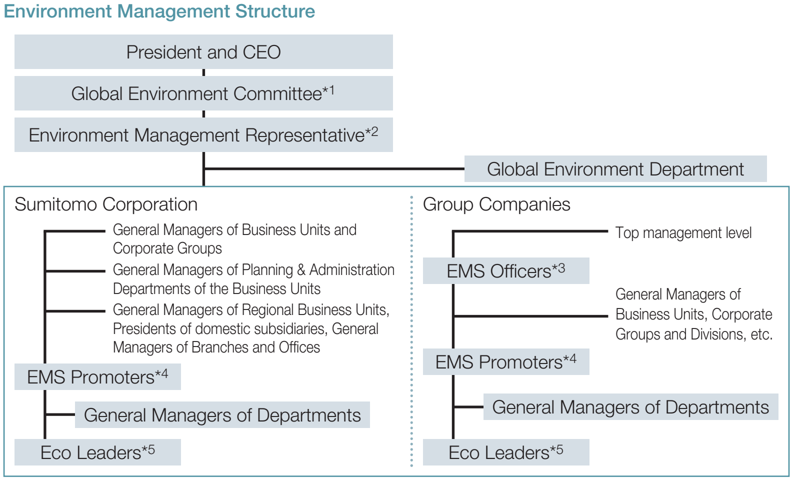
In pursuing its diversified business activities both within Japan and overseas, The Sumitomo Corporation Group shall comply with the following guidelines, and, through cooperation between its Group companies, work to achieve the aims of its basic environmental policy

1. **Basic stance with regard to the environment:**
   To attach great importance to protecting the global environment as a good corporate citizen in keeping with the Sumitomo Corporation's Activity Guidelines
2. **Compliance with environmental legislation:**
   To strictly observe legislation related to environmental matters not only in Japan but also overseas and abide by any agreements undertaken by the Group companies
3. **Caring for the natural environment:**
   To protect the natural environment and preserve biodiversity
4. **Efficient use of resources and energy:**
   To be mindful of the finite availability of resources and energy and strive to use them both efficiently and effectively
5. **Contributing to the building of a recycling-oriented society:**
   To endeavor to help build a recycling-oriented society by reducing waste, and reusing and recycling resources
6. **Promotion of businesses that contribute to environmental preservation:**
   To utilize our integrated corporate strength to promote businesses and projects, which contribute to environmental preservation and reduction of the impact of society on the natural environment
7. **Establishment of environmental management:**
   To use an environmental management system to prevent environmental pollution and set environmental objectives and targets which are regularly reviewed and continuously upgraded
8. **Disclosure of the Environmental Policy:**
   To communicate this Environmental Policy to all people who are working for or on behalf of the Sumitomo Corporation Group, as well as disclosing it externally

Environmental Management Systems

The environmental management activities of the Sumitomo Corporation Group are comprehensively supervised by Sumitomo Corporation's President and CEO. All such activities are conducted in accordance with an ISO 14001-based environmental management system (EMS) under the multiple-site system, a method of managing many different offices and organizations under one environmental policy. Sumitomo Corporation's Tokyo and Osaka offices obtained ISO 14001 certification in June 1999. In June 2007, the scope of the system included all domestic locations and 40 Group companies, for a total of approximately 13,000 participants.

Environment Management Structure



*1 Global Environment Committee: A committee that considers comprehensive environmental issues for the Sumitomo Corporation Group as a whole and reviews the Environment Management System (EMS). The chairman is appointed by the President and CEO of Sumitomo Corporation.

*2 Environment Management Representative: A manager of EMS of the Group, undertaken by the General Manager of the Global Environment Department.

*3 EMS Officer: A manager of EMS of each Group company, who plays the same role as Sumitomo Corporation's General Manager of the Global Environment Department.

*4 EMS Promoter: A person who promotes the operation of EMS at each site. At Sumitomo Corporation, each Business Unit, Regional Business Unit and branch has one or more EMS Promoters.

*5 Eco Leader: A person who carries out environmental management activities in each department, following the guidance of the EMS Promoter.

PHILANTHROPY

As stated in our Activity Guidelines, we endeavor to "contribute to society as a good corporate citizen." While our fundamental contribution to society is through our business activities, as a corporate citizen we are proactively engaged in an array of philanthropic activities. We thus aim to realize "prosperity and dreams" for all stakeholders.

Principles and Policies

We conduct various social contribution activities based on the following Principles and Policies of Social Contribution.

Sumitomo Corporation's Principles and Policies of Social Contributions

Principles

Corporations and their employees are now required to make positive contributions to society, if they are to be considered good corporate citizens in the global community. Sumitomo Corporation, as one of its corporate management principles, promotes social contribution activities at a company level, as well as at an individual employee.

Policies

Fields

1) Supporting lifelong education
2) Supporting the development of mentally and physically sound social environments
3) Cooperating with local communities

Action Principles

1) Social contribution activities must be independent from business activities.
2) Social contribution activities must not support specific individuals.
3) Social contribution activities must not involve any religious activities.

Individual Principles

1) Positively and continuously take part in activities
2) Take global-minded actions
3) Take actions with a view to touching people's heart

Social Contribution Activity Promotion Structure

As part of our 50th anniversary project, in January 1996 Sumitomo Corporation established the Philanthropy Committee and the Philanthropy Task Force (currently the Philanthropy Team under the Corporate Communications Dept.) to centrally coordinate social contribution activities, which had until then been conducted separately by individual organizations.

At the meeting of the Philanthropy Committee, which is a company-wide cross-divisional organization, reports on the previous fiscal year's activities and plans for the upcoming year's activities. Plans that are approved for execution at the meeting are accordingly put into action. Issues under deliberation by the meeting are posted on the Company's intranet for the purpose of sharing information and promoting philanthropic activities throughout the Company.

Philanthropy Committee

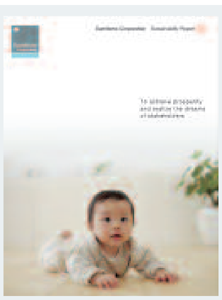
Chairperson:	Executive Officer in charge
Vice-chairperson:	General Manager, Corporate Communications Dept.
Members:	General Managers of the following Departments:
	Corporate Planning & Coordination Dept.
	Investor Relations Dept.
	Human Resources Dept.
	Corporate Legal & General Affairs Dept.
	Global Strategy & Research Dept.
	Planning & Administration Dept. of each Business Unit
	Planning & Administration Dept. of Kansai and Chubu Regional Business Units

Major Social Contribution Activities

We established the Sumitomo Corporation Scholarships program in 1996. Through this program, we have awarded scholarships to approximately 8,000 students of universities and graduate schools in developing countries in Asia. In fiscal 2006, approximately 900 students from 38 universities in 11 countries received the scholarships.

Also, since 1992, we have been supporting the Junior Philharmonic Orchestra (JPO), which is composed of young musicians ranging from ten years old to college students. In addition to these culturally oriented support activities, we provide assistance for reconstruction efforts in domestic and overseas disaster sites.

In fiscal 2006, we started new philanthropic activities. We endowed a chair at Nankai University in Tianjin City, China, for the study of corporate social responsibility. In the city of Danang, Vietnam, we began providing Japanese language educational programs for local residents.



Sustainability Report

For details of our environmental initiatives and social contribution activities, please refer to our Sustainability Report.

The report is available on our website.

(URL: http://www.sumitomocorp.co.jp/english/environmental_e/index.shtml)

DIRECTORS AND CORPORATE AUDITORS

(As of July 1, 2007)

Nobuhide Nakaido
Executive Vice President

Motoyuki Oka
Chairman of
the Board of Directors

Kenzo Okubo
Executive Vice President

Susumu Kato
President and CEO

Noriaki Shimazaki
Executive Vice President

DIRECTORS AND CORPORATE AUDITORS

Chairman of
the Board of Directors
Motoyuki Oka

President and CEO
Susumu Kato

Director
Kenzo Okubo

Director
Noriaki Shimazaki

Director
Nobuhide Nakaido

Director
Iwao Okamoto

Director
Makoto Shibahara

Director
Kazuo Ohmori

Director
Shingo Yoshii

Director
Takahiro Moriyama

Director
Takashi Kano

Director
Yoshiyuki Matsuoka

Standing Corporate Auditor
(Full-Time)
Shigemi Hiranuma

Corporate Auditor
(Full-Time)
Tetsuro Fukumoto

Corporate Auditor
(Lawyer)
Itsuo Sonobe*

Corporate Auditor
(Certified Public Accountant)
Koji Tajika*

Corporate Auditor
(Lawyer)
Akio Harada*

Notes: 1. All Directors are Representative Directors.
2. Outside Corporate Auditors are indicated by an asterisk (*).

EXECUTIVE OFFICERS

President and CEO

Susumu Kato

Executive Vice Presidents

Kenzo Okubo
General Manager,
Metal Products Business Unit

Noriaki Shimazaki
Responsible for Human Resources Development & Information Management Group
Responsible for Financial Resources Management Group

Nobuhide Nakaido
General Manager,
Corporate Planning & Coordination Office

Senior Managing Executive Officers

Michio Ogimura
General Manager for Southeast & Southwest Asia

Michihisa Shinagawa
General Manager for the Americas
President and CEO,
Sumitomo Corporation of America

Iwao Okamoto
General Manager,
Mineral Resources & Energy Business Unit

Makoto Shibahara
General Manager,
Financial & Logistics Business Unit

Shuichi Mori
General Manager for Europe
CEO,
Sumitomo Corporation Europe Group
President and CEO,
Sumitomo Corporation Europe Holding Limited
President and CEO,
Sumitomo Corporation Europe Limited

Kazuo Ohmori
General Manager,
Transportation & Construction Systems Business Unit

Managing Executive Officers

Yoshi Morimoto
General Manager,
Kansai Regional Business Unit

Shingo Yoshii
General Manager,
Media, Network & Lifestyle Retail Business Unit

Kentaro Ishimoto
Assistant General Manager,
General Products & Real Estate Business Unit
General Manager,
Food Business Division

Shunichi Arai
Assistant General Manager,
Metal Products Business Unit
General Manager,
Planning & Administration Department,
Metal Products Business Unit

Nobuo Kitagawa
General Manager for China
CEO,
Sumitomo Corporation (China) Group
President and CEO,
Sumitomo Corporation (China) Holding Ltd.
President and CEO,
Sumitomo Corporation (China) Limited

Yoshihiko Shimazu
General Manager for CIS
Assistant General Manager for Europe

Kenji Kajiwara
General Manager,
Chubu Regional Business Unit

Makoto Sato
Assistant General Manager,
Transportation & Construction Systems Business Unit
General Manager,
Automotive Division, No. 1

Toyosaku Hamada
General Manager,
Financial Resources Management Group

Takahiro Moriyama
General Manager,
Infrastructure Business Unit

Ichiro Miura
General Manager,
Human Resources Development & Information Management Group

Takashi Kano
General Manager,
General Products & Real Estate Business Unit

Kuniharu Nakamura
General Manager,
Corporate Planning & Coordination Department

Executive Officers

Shinichi Sasaki
Deputy General Manager for China
President,
Sumitomo Corporation (Shanghai) Limited

Takuro Kawahara
Responsible for Internal Auditing Department
Assistant General Manager,
Corporate Planning & Coordination Office
(in charge of Legal Affairs)

Yoshio Osawa
General Manager,
Media Division

Yoshiyuki Matsuoka
General Manager,
Chemical & Electronics Business Unit

Mitsuhiko Yamada
General Manager,
Mineral Resources Division No. 1

Kazuhisa Togashi
General Manager,
Iron & Steel Division, No. 2

Kazuhiro Takeuchi
General Manager,
Financial Service Division

Shinichi Ishida
General Manager,
Construction & Mining Systems Division

Takafumi Sone
General Manager,
Telecommunication, Environment & Industrial Infrastructure Business Division

Makoto Nakamura
Assistant General Manager,
Financial Resources Management Group
General Manager,
Finance Department

Naoki Hidaka
General Manager,
Metal Products for Automotive Industries Division

Shigeru Ohashi
General Manager,
Lifestyle & Retail Business Division

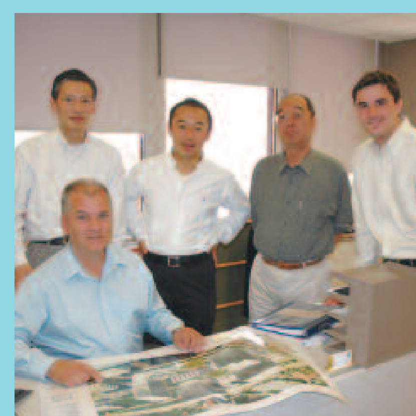
Yasuo Kumagai
General Manager,
Materials & Supplies Division

Masayuki Doi
Assistant General Manager,
Southeast & Southwest Asia
President and CEO,
PT. Sumitomo Indonesia

Toru Furihata
General Manager,
Mineral Resources Division No. 2






Corporation



ORGANIZATION

(As of July 1, 2007)

- General Meeting of Shareholders
  - Board of Corporate Auditors
    - Corporate Auditors
      - Corporate Auditor's Administration Dept.
  - Board of Directors
    - President and CEO Executive Officers

CORPORATE GROUP

- Internal Auditing Dept.
- Corporate Planning & Coordination Office
- Human Resources Development & Information Management Group
- Financial Resources Management Group

BUSINESS UNITS

Metal Products Business Unit
- Planning & Administration Dept., Metal Products Business Unit
- Metal Products IT Solution Dept.
- Business Execution Dept., Metal Products Business Unit
- Iron & Steel Division, No.1
- Iron & Steel Division, No.2
- Iron & Steel Division, No.3
- Tubular Products Division
- Metal Products for Automotive Industries Division
- Non-Ferrous Products & Metals Division

Transportation & Construction Systems Business Unit
- Planning & Administration Dept., Transportation & Construction Systems Business Unit
- Ship, Aerospace & Transportation Systems Division
- Automotive Division, No.1
- Automotive Division, No.2
- Construction & Mining Systems Division

Infrastructure Business Unit
- Planning & Administration Dept., Infrastructure Business Unit
- Telecommunication, Environment & Industrial Infrastructure Business Division
- Power & Social Infrastructure Business Division

Media, Network & Lifestyle Retail Business Unit
- Planning & Administration Dept., Media, Network & Lifestyle Retail Business Unit
- Media Division
- Network Division
- Lifestyle & Retail Business Division

Chemical & Electronics Business Unit
- Planning & Administration Dept., Chemical & Electronics Business Unit
- Basic & Performance Chemicals Division
- Electronics Division
- Life Science Division

Mineral Resources & Energy Business Unit
- Planning & Administration Dept., Mineral Resources & Energy Business Unit
- Mineral Resources & Energy Business Development Dept.
- Mineral Resources Division No.1
- Mineral Resources Division No.2
- Energy Division

General Products & Real Estate Business Unit
- Planning & Administration Dept., General Products & Real Estate Business Unit
- Food Business Division
- Materials & Supplies Division
- Construction & Real Estate Division
- General Construction Development & Coordination Dept.

Financial & Logistics Business Unit
- Planning & Administration Dept., Financial & Logistics Business Unit
- Financial Service Division
- Logistics & Insurance Business Division

JAPAN		OVERSEAS	
3	Subsidiaries	40	Subsidiaries
3	Regional Business Units	3	Branches
2	Offices	46	Offices
1	Branch		

REGIONAL BUSINESS UNITS AND SUBSIDIARIES

(As of July 1, 2007)

Region	Name of Regional Business Unit or Subsidiary	Location
Japan	Kansai Regional Business Unit	Osaka
	Chubu Regional Business Unit	Nagoya
	Kyushu-Okinawa Regional Business Unit/ Sumitomo Corporation Kyushu Co., Ltd.	Fukuoka
	Sumitomo Corporation Hokkaido Co., Ltd.	Sapporo
	Sumitomo Corporation Tohoku Co., Ltd.	Sendai
Asia	Sumitomo Corporation (China) Holding Ltd.	Beijing
	Sumitomo Corporation (China) Limited	Beijing
	Sumitomo Corporation (Shanghai) Limited	Shanghai
	Sumitomo Corporation (Tianjin) Ltd.	Tianjin
	Sumitomo Corporation (Dalian) Ltd.	Dalian
	Sumitomo Corporation (Qingdao) Ltd.	Qingdao
	Sumitomo Corporation (Guangzhou) Ltd.	Guangzhou
	Shenzhen Sumitomo Corporation Ltd.	Shenzhen
	Sumitomo Corporation (Hong Kong) Limited	Hong Kong
	Sumitomo Corporation Taiwan Ltd.	Taipei
	Sumitomo Corporation Korea Ltd.	Seoul
	Sumitomo Corporation Thailand, Ltd./ Sumi-Thai International Limited	Bangkok
	Sumur Cahaya Sdn. Bhd.	Kuala Lumpur
	Sumitomo Corporation (Singapore) Pte. Ltd.	Singapore
	PT. Sumitomo Indonesia	Jakarta
	Sumitomo Corporation India Private Limited	New Delhi
The Middle East	Sumitomo Corporation M.E., FZ-LLC	Dubai
	Sumitomo Corporation Iran, Ltd.	Teheran
	Sumitomo Corporation Dis Ticaret A.S.	Istanbul
Europe	SUMITRADE	Moscow
	Sumitomo Corporation Europe Holding Limited	London
	Sumitomo Corporation Europe Limited	London
	Sumitomo Corporation Italia S.p.A.	Milan
	Sumitomo Corporation Hellas S.A.	Athens
	Sumitomo Corporation España S.A.	Madrid
	Sumitomo Deutschland GmbH	Dusseldorf
	Sumitomo France S.A.S.	Paris
	Sumitomo Benelux S.A./N.V.	Brussels
North America	Sumitomo Canada Limited	Toronto
	Sumitomo Corporation of America	New York
Central America and South America	Sumitomo Corporation International S.A.	Panama
	Sumitomo Corporation de Mexico S.A. de C.V.	Mexico City
	Sumitomo Corporation del Ecuador S.A.	Quito
	Sumitomo Corporation de Venezuela, S.A.	Caracas
	Sumitomo Corporation Colombia S.A.	Bogota
	Sumitomo Corporation del Peru S.A.	Lima
	Sumitomo Corporation Argentina S.A.	Buenos Aires
	Sumitomo Corporation (Chile) Limitada	Santiago
	Sumitomo Corporation do Brasil S.A.	Sao Paulo
Oceania	Sumitomo Australia Limited	Sydney

PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

(As of March 31, 2007)

	Common Stock		Ownership of Voting Shares (%)	Main Business
METAL PRODUCTS BUSINESS UNIT				
Sumisho Tekko Hanbai Co., Ltd. (Japan)	JPY 310	millions	100.00	Sale of steel products
Summit Steel Corporation (Japan)	JPY 20	millions	100.00	Sale of steel sheets
Hokkaido Shearing Kaisha, Ltd. (Japan)	JPY 210	millions	100.00	Fabrication and sale of steel products
Tanimoto Steel Corporation (Japan)	JPY 300	millions	100.00	Shearing, slitting, and sale of steel plates
Yamamura Manufacturing Co., Ltd. (Japan)	JPY 34	millions	100.00	Steel service center (processing and sale of steel sheets)
KS Summit Steel Co., Ltd. (Japan)	JPY 254	millions	62.60	Steel service center (processing and sale of steel sheets)
Sofuku-koki Co., Ltd. (Japan)	JPY 84	millions	100.00	Manufacture and sale of steel racks
Sumisho Speciality Steel Corporation (Japan)	JPY 1,110	millions	87.36	Stock, sale, and processing of specialty steel
Ishihara Kohtetu Co., Ltd (Japan)	JPY 96	millions	81.00	Stock, sale, and processing of tool steel
Stainless Kakou Center (Japan)	JPY 45	millions	70.00	Shearing and sale of stainless steel sheets
SC Tubulars Co., Ltd. (Japan)	JPY 50	millions	100.00	Sale of specialty tubular products
Sumisho Pipe and Steel Co., Ltd. (Japan)	JPY 499	millions	100.00	Sale of steel piping and other steel products
Mazda Steel Co., Ltd. (Japan)	JPY 60	millions	51.00	Shearing, slitting, and blanking of steel sheets
Sumisho Metalex Corporation (Japan)	JPY 1,170	millions	100.00	Sale of non-ferrous metal products, materials for home heat solution
Summit Showa Aluminum Ltd. (Japan)	JPY 776	millions	65.75	Production of aluminum alloy ingots
Alcut Co., Ltd. (Japan)	JPY 96	millions	85.00	Shearing, slitting, and blanking of aluminum coils, sheets, and circles
Shanghai Summit Metal Products Co., Ltd. (China)	RMB 51,192	thousands	80.00	Shearing, slitting, and sale of steel plates
Shanghai Hi-Tec Metal Products Co., Ltd. (China)	RMB 39,891	thousands	90.00	Manufacture and sale of metal-processing products
Shanghai Nikka Metal Products Co., Ltd. (China)	RMB 31,405	thousands	81.01	Stock, sale, and processing of tool steel
Tianjin Hua Zhu Metal Products Co., Ltd. (China)	RMB 73,592	thousands	56.51	Shearing, slitting, and sale of steel plates
Dong Guan S.Y. Metal Ltd. (China)	HKD 50,000	thousands	80.00	Shearing, slitting, and sale of steel plates
Zhongshan Nomura Steel Products Co., Ltd. (China)	USD 8,000	thousands	100.00	Shearing, slitting, and sale of steel plates
Dong Guan Nitec Metal Processing Co., Ltd. (China)	USD 5,000	thousands	100.00	Shearing, slitting, and sale of steel plates
Foshan Summit Nikka Mold & Metal Products Co., Ltd. (China)	RMB 41,383	thousands	100.00	Stock, sale, and processing of tool steel
Wuxi Meifeng Metal Products Co., Ltd. (China)	RMB 64,999	thousands	100.00	Shearing, slitting, and sale of steel plates
Hangzhou Summit Metal Products Co., Ltd. (China)	RMB 74,489	thousands	100.00	Shearing, slitting, and sale of steel plates
Dalian Summit Metal Products Co., Ltd. (China)	RMB 48,243	thousands	100.00	Shearing, slitting, and sale of steel plates
Mason Metal Industry Co., Ltd. (Taiwan)	TWD 500,000	thousands	99.99	Shearing, slitting, and sale of steel plates
CS Metal Co., Ltd. (Thailand)	THB 600,000	thousands	49.00	Shearing, slitting, and sale of steel plates
Thai Steel Service Center Ltd. (Thailand)	THB 216,000	thousands	100.00	Shearing, slitting, and sale of steel plates
Thai Special Wire Co., Ltd. (Thailand)	THB 80,000	thousands	73.50	Manufacture and sale of PC wires and strands
CS Non-Ferrous Center Co., Ltd. (Thailand)	THB 110,000	thousands	45.00	Shearing, slitting, and sale of non-ferrous metal sheets
Sumiputeh Steel Centre Sdn. Bhd. (Malaysia)	MYR 12,000	thousands	48.50	Shearing, slitting, and sale of steel plates
Steel Centre Malaysia Sdn. Bhd. (Malaysia)	MYR 8,000	thousands	70.00	Shearing, slitting, and sale of steel plates
Asian Steel Company Ltd. (Singapore)	SGD 41,176	thousands	100.00	Shearing, slitting, and sale of steel plates
P.T. Super Steel Karawang (Indonesia)	USD 4,000	thousands	75.00	Shearing, slitting, and sale of steel plates
P.T. Super Steel Indah (Indonesia)	USD 5,618	thousands	49.95	Shearing, slitting, and sale of steel plates
P.T. Super Steel Cikarang (Indonesia)	IDR 106,050,780	thousands	83.50	Shearing, slitting, and sale of steel plates
Mactan Steel Center Inc. (Philippines)	USD 1,165	thousands	100.00	Shearing, slitting, and sale of steel plates
Calamba Steel Center Inc. (Philippines)	USD 6,731	thousands	100.00	Shearing, slitting, and sale of steel plates
Saigon Steel Service & Processing Co. (Vietnam)	VND 25,768,868	thousands	50.00	Shearing, slitting, and sale of steel plates
Hanoi Steel Center Co., Ltd. (Vietnam)	USD 3,000	thousands	100.00	Shearing, slitting, and sale of steel plates
Danang Steel Center Co., Ltd. (Vietnam)	USD 2,500	thousands	100.00	Shearing, slitting, and sale of steel plates
Summit Steel (M.E.) FZCO (UAE)	USD 2,397	thousands	100.00	Trade of various kind of steel products, steel service center, sale of flat steel products
Mezon Stainless Steel FZCO (UAE)	AED 1,000	thousands	80.00	Sale of stainless pipes, fittings, flanges and steel plates
Steel Center Europe, s.r.o. (Czech)	CZK 190,000	thousands	50.00	Shearing, slitting, and sale of steel plates
Arkansas Steel Associates LLC (U.S.)	USD 26,000	thousands	50.00	Steel mini mill (manufacture of railroad tie plates)
Summit Stainless Steel LLC (U.S.)	USD 15,000	thousands	100.00	Sales of stainless steel products
SC Pipe Services Inc. (U.S.)	USD 3	thousands	100.00	Investment in pipe manufacturing and sales company in the U.S.
AB Tube Processing, Inc. (U.S.)	USD 1,500	thousands	100.00	Tube processing for airbag inflators
Servilamina Summit Mexicana S.A. de C.V. (Mexico)	USD 25,000	thousands	100.00	Steel service center (processing and sale of steel sheets)
SC Metal Pty. Ltd. (Australia)	AUD 23,208	thousands	100.00	Investment in aluminum smelting operation in Australia
TRANSPORTATION & CONSTRUCTION SYSTEMS BUSINESS UNIT				
Oshima Shipbuilding Co., Ltd. (Japan)	JPY 5,600	millions	34.11	Shipbuilding
Sumisho Marine Co., Ltd. (Japan)	JPY 30	millions	100.00	Daily administration of ship finance, operation/chartering of owned vessels, and marine equipment business
Sumisho Aero-Systems Corporation (Japan)	JPY 100	millions	100.00	Sale of aerospace equipment
Sumisho Auto Leasing Corporation (Japan)	JPY 2,751	millions	100.00	Leasing of motor vehicles
Sumisho Pocket Finance Corporation (Japan)	JPY 1,000	millions	50.10	Retail finance

	Common Stock		Ownership of Voting Shares (%)	Main Business
SC-ABeam Automotive Consulting (Japan)	JPY 50	millions	80.00	Automotive industry focused consulting
SC Automotive Investment (Japan)	JPY 150	millions	100.00	Automotive related investment fund operation and management
KIRIU Corporation (Japan)	JPY 2,098	millions	98.56	Automotive components manufacturer (disc rotors, brake drums, etc)
Sumisho Rental Support Corporation (Japan)	JPY 250	millions	100.00	Rental of aerial work platforms, temporary housing house, hydraulic excavator, attachment, etc.
Sumisho Machinery Trade Corporation (Japan)	JPY 450	millions	100.00	Trading of machinery, equipment and automobiles
Sumisho Aircraft Asset Management B.V. (Netherlands)	USD 377	thousands	100.00	Aircraft leasing
P.T. Oto Multiartha (Indonesia)	IDR 325,000,000	thousands	96.34	Financing of motor vehicles
P.T. Summit Oto Finance (Indonesia)	IDR 945,179,000	thousands	99.60	Financing of motor vehicles
Summit Auto Management (Thailand)	THB 300,000	thousands	100.00	Holding and management company of automotive dealership and finance companies
Toyota Ly Thuong Kiet (Vietnam)	USD 1,050	thousands	100.00	Dealership of Toyota motor vehicles
Toyota Giai Phong Company (Vietnam)	USD 1,305	thousands	49.00	Dealership of Toyota motor vehicles
Summit Investment Australia Pty Limited (Australia)	AUD 27,000	thousands	100.00	Holding and management company of automotive dealership and leasing companies
Summit Auto Lease Australia Pty Limited (Australia)	AUD 12,000	thousands	100.00	Motor vehicle leasing to corporate customers
Plaza Motors Corporation (Puerto Rico)	USD 1,000	thousands	100.00	Import and sale of Mazda motor vehicles
Swaraj Mazda Limited (India)	INR 104,938	thousands	41.03	Commercial vehicle manufacturer
Shanghai Baosteel Summit Auto Trading Co., Ltd. (China) (from June 2007)	RMB 160,000	thousands	49.00	Dealership of motor vehicles
Toyota Canarias, S.A. (Canary Islands, Spain)	EUR 613	thousands	80.00	Import and wholesale of Toyota motor vehicles and parts
Toyota Ukraine (Ukraine)	UAH 102,337	thousands	100.00	Import, wholesale and retail sales of Toyota motor vehicles and parts
Summit Motors (Vladivostok) (Russia)	JPY 132	millions	100.00	Import and sale of Toyota motor vehicles and parts
Summit Auto Trade Facilities (Jordan)	JOD 2,130	thousands	60.00	Financing of motor vehicles
Summit Motors Investment (U.K.) Limited (U.K.)	GBP 35,610	thousands	100.00	Holding and management company of automotive dealership
Summit Motors France S.A. (France)	EUR 22,274	thousands	100.00	Dealership of motor vehicles
SC Motors Sweden AB (Sweden)	SEK 89,412	thousands	100.00	Management company of automotive distributorship and finance company, and wholesale of parts and accessories
Summit Auto Hungary Rt. (Hungary)	HUF 882,000	thousands	100.00	Management company of automotive finance company and dealership
Summit Motors Czech Republic s.r.o. (Czech)	CZK 70,590	thousands	100.00	Management company of automotive finance company and dealership
Summit Motors Poland Sp. z.o.o. (Poland)	PLN 20,453	thousands	100.00	Dealership of Ford motor vehicles
Summit Auto Poland Sp. z.o.o. (Poland)	PLN 13,245	thousands	100.00	Dealership of Honda motor vehicles
Summit Motors Slovakia s.r.o. (Slovakia)	SKK 211,766	thousands	100.00	Import and sale of Ford motor vehicles
Summit Finance Slovakia s.r.o. (Slovakia)	SKK 58,824	thousands	100.00	Financing of motor vehicles
Summit motors Ljubljana d.o.o. (Slovenia)	EUR 5,543	thousands	100.00	Import and sale of Ford motor vehicles
Summit Leasing Slovenija d.o.o. (Slovenia)	EUR 1,473	thousands	100.00	Financing of motor vehicles and dealership
Nissan Otomotiv A.S. (Turkey)	TRY 51,298	thousands	99.29	Import and sale of Nissan motor vehicles
Summit Auto Group GmbH (Germany)	EUR 300	thousands	100.00	Used car wholesale and financial services
Werbas AG (Germany)	EUR 3,750	thousands	100.00	Development and sale of software for automotive retailers
Komatsu Canada Limited (Canada)	CAD 49,305	thousands	100.00	Wholesale of construction machinery and management of dealers
SMS International Corporation (U.S.)	USD 22,000	thousands	100.00	Management and financial services for Komatsu construction machinery dealership
Linder Industrial Machinery Company (U.S.)	USD 25,422	thousands	100.00	Sale of Komatsu construction machinery
Red Australia Equipment Pty Limited (Australia)	AUD 22,112	thousands	100.00	Sale, hire and service for forklift and other material handling equipment
Tecnosumit (Tecnologia para La Construccion y Mineria S.L.) (Spain)	EUR 27,500	thousands	100.00	Holding and management company of Komatsu distributor and other business
Sumitec International, Ltd. (Russia)	RUB 178,960	thousands	100.00	Sale and aftersales service of construction, mining machinery and material handling equipment
SC Construction Machinery (Shanghai) Ltd. (China)	RMB 41,398	thousands	100.00	Sale of Komatsu construction machinery
SC Construction Machinery (Shanghai) Corporation (China) (from April 2007)	USD 5,000	thousands	100.00	Sale, rental, and other services of construction machinery
P.T. Traktor Nusantara (Indonesia)	IDR 7,000,000	thousands	50.00	Forklift hire/rental, and sale/service for forklift, farm tractor and industrial equipment
Sumisatt International FZCO (UAE)	JPY 58	millions	100.00	Sale of construction machinery
INFRASTRUCTURE BUSINESS UNIT				
Sumisho Machinery Trade Corporation (Japan)	JPY 450	millions	100.00	Trading of machinery, equipment and automobiles
Sumitomo Shoji Machinex Co., Ltd. (Japan)	JPY 450	millions	100.00	Sale of machinery and equipment
Hokkaido District Heating Co., Ltd. (Japan)	JPY 800	millions	45.63	District heating in Sapporo
Sumisho Inax Corporation (Japan)	JPY 100	millions	97.44	Sale and maintenance of industrial washing machines
Inamoto Manufacturing Co., Ltd. (Japan)	JPY 96	millions	76.20	Manufacture and sale of industrial washing machines
SC Hiroshima Energy Corporation (Japan)	JPY 490	millions	95.00	Electricity and Steam Supply for Hiroshima ELPIDA Memory (Energy Service Provider)
MobiCom Corporation (Mongolia)	MNT 6,134,199	thousands	33.98	Integrated telecommunication service in Mongolia

	Common Stock		Ownership of Voting Shares (%)	Main Business
Summit Power Holdings Limited (Japan)	JPY 400	millions	100.00	Planning, development and operation of electric power
Perennial Power Holdings Inc. (U.S.)	USD 34,985	thousands	100.00	Development, ownership and management of power plant in the U.S.
Mekong Energy Company Ltd. (Vietnam)	USD 103,550	thousands	28.13	Power generation and supply of electricity in Vietnam
CBK Netherlands Holdings B.V. (Netherlands)	EUR 18	thousands	50.00	Holding company of CBK Power Company Ltd, which operates Hydraulic Power Plant in Philippines
Birecik Baraj Ve Hydroelektrik Santrali Tesis Ve Isletme A.S. (Turkey)	YTL 354,953	thousands	30.50	Hydraulic power generation and supply of electricity in Turkey
Summit Energy Holdings Corporation (Japan)	JPY 495	millions	100.00	Planning, development and operation of business in electric power and energy field
▶ Summit Energy Corporation (Japan)	JPY 50	millions	70.00	Electricity retailing business
▶ Summit Mihama Power Corporation (Japan)	JPY 490	millions	100.00	Gas-fired power generation, supply of electricity and thermal energy
▶ Summit Wind Power Sakata Corporation (Japan)	JPY 477	millions	100.00	Wind power generation and supply of electricity
▶ Summit Wind Power Kashima Corporation (Japan)	JPY 389	millions	100.00	Wind power generation and supply of electricity
▶ Summit Onahama S Power Corporation (Japan)	JPY 495	millions	65.00	Coal-fired power generation, supply of electricity and thermal energy
▶ Summit Myojo Power Corporation (Japan)	JPY 400	millions	65.00	Wood chip and coal fired power generation and supply of electricity

MEDIA, NETWORK & LIFESTYLE RETAIL BUSINESS UNIT

Jupiter Telecommunications Co., Ltd. (Japan)	JPY 116,046	millions	25.74	Operation of multiple cable TV stations (MSO)
SC Media & Commerce Inc. (Japan) (from July 2007)	JPY 3,500	millions	100.00	Management and operation of programming services and TV shopping channel
Jupiter Shop Channel Co., Ltd. (Japan)	JPY 4,400	millions	70.00	Operation of TV shopping channel
AJCC Corporation (Japan)	JPY 400	millions	57.50	Leasing of cable television converters
Asmik Ace Entertainment Inc. (Japan)	JPY 947	millions	76.58	Production, distribution and sale of movies and videos
Europa Corp. Japan, Inc. (Japan)	JPY 100	millions	45.00	Production, sale, import and export of movies and videos
United Cinemas Co., Ltd. (Japan)	JPY 3,200	millions	99.00	Development and operation of multiplex cinema theaters
MS Communications Co., Ltd. (Japan)	JPY 1,545	millions	50.00	Sales of telephone circuits and equipment
WAM!NET Japan K.K. (Japan)	JPY 200	millions	63.51	Data transfer service for video, sound, and image sources
Sumisho Computer Systems Corporation (Japan)	JPY 21,152	millions	57.80	System integration; data processing services; development and sale of computer software and hardware
Nissho Electronics Corporation (Japan)	JPY 14,337	millions	20.73	Sale of office computers, systems, and software
PRESIDIO STX, LLC (U.S.)	USD 129,411	thousands	100.00	Investments in IT ventures and sale of electronics equipment and parts
G-Plan Inc. (Japan)	JPY 296	millions	64.28	Point exchange and advertising/CRM-marketing on Internet
Pleomart, Inc. (Japan)	JPY 1,100	millions	27.27	Intermediate commodities e-market place provider
Global Travel Online Inc. (Japan)	JPY 300	millions	100.00	Online Travel Agent
SOUKAI-DRUG Co., Ltd (Japan)	JPY 204	millions	46.04	Internet drug store
Summit, Inc. (Japan)	JPY 3,920	millions	100.00	Supermarket chain
Summit Colmo, Inc. (Japan)	JPY 100	millions	100.00	General merchandise store chain
Mammy Mart Corporation (Japan)	JPY 2,660	millions	20.05	Supermarket chain
Sumisho Drugstores Inc. (Japan)	JPY 1,160	millions	100.00	Drugstore chain
Sumitex International Co.,Ltd (Japan)	JPY 830	millions	100.00	Production and sale of textile products and materials
Salloto, Inc. (Japan)	JPY 100	millions	30.00	Production, import, and sale of woman clothes and accessories
Barneys Japan Co., Ltd. (Japan)	JPY 4,990	millions	50.00	Import and sale of apparel, accessories, cosmetics, and goods
Otto-Sumisho Inc. (Japan)	JPY 5,150	millions	49.00	Mail-order business with OTTO GmbH & Co. KG, Germany
Eddie Bauer Japan Inc. (Japan)	JPY 3,000	millions	34.30	Sale of casual wear & goods through mail-order & retail store chain
Sumi'saccs Corporation (Japan)	JPY 100	millions	45.00	Production and sale of fashionable goods
Montrive Corporation (Japan)	JPY 40	millions	100.00	Sole import, designing and sales of the luxury line of chenille fabrics, "FEILER"
Sumisho Interior International Inc. (Japan)	JPY 100	millions	100.00	Space & interior designing and installation, import, export and sale of consumer goods, such as furniture and carpet for residential and contract use
Sumitex Hong Kong Limited (Hong Kong)	USD 1,290	thousands	100.00	Sale of textile products and materials

CHEMICAL & ELECTRONICS BUSINESS UNIT

Sumitomo Shoji Chemicals Co., Ltd. (Japan)	JPY 900	millions	100.00	Sale and trade of chemicals and plastics
▶ Nippon Giken Industrial Co., Ltd. (Japan)	JPY 37	millions	94.62	Sale and trade of polyethylene bags
▶ Summit Plastics Inc. (Japan)	JPY 160	millions	90.00	Manufacturing and sale of plastic products
▶ Shenyang Sumisan Plastics Co., Ltd. (China)	USD 7,630	thousands	100.00	Manufacturing and sale of plastic products
▶ PT. Summitplast, Tbk. (Indonesia)	IDR 83,500,000	thousands	99.25	Production of plastic components for the computer and electronic industries
Soda Ash Japan Co., Ltd. (Japan)	JPY 100	millions	100.00	Sale of soda ash from the United States
Sumitronics Corporation (Japan)	JPY 400	millions	100.00	Electronics Manufacturing Service and sale of electronics products and parts
▶ Sumitronics Asia Pte. Ltd. (Singapore)	USD 8,934	thousands	100.00	Electronics Manufacturing Service and sale of electronics products and parts
▶ Sumitronics Korea, Ltd. (Korea)	KRW 1,000,000	thousands	100.00	Sale of electronics products and parts

	Common Stock		Ownership of Voting Shares (%)	Main Business
▶ Sumitronics Shanghai Co., Ltd. (China)	RMB 3,459	thousands	100.00	Electronics Manufacturing Service and sale of electronics products and parts
▶ Sumitronics USA Inc. (U.S.)	USD 6,000	thousands	100.00	Electronics Manufacturing Service and sale of electronics products and parts
Summit Pharmaceuticals International Corporation (Japan)	JPY 480	millions	100.00	Drug discovery services, pharmaceutical development, and supply of active pharmaceutical ingredients, intermediates and formulations
Summit GlycoResearch Corporation (Japan)	JPY 592	millions	42.76	Research and development of proprietary glycotechnology and related medical products and services
Henan Topfond Pharmaceutical Co., Ltd. (China)	RMB 420,000	thousands	20.00	Manufacturing and sale of pharmaceuticals
Summit Agro International, Ltd. (Japan)	JPY 320	millions	100.00	Sale of agricultural chemicals, fertilizers, and other materials; sale and leasing of related equipment
Cantex Inc. (U.S.)	USD 15,000	thousands	100.00	Manufacture and sale of polyvinyl chloride pipes
Interacid Trading S.A. (Switzerland)	USD 11,920	thousands	100.00	International trade of sulfur and sulfuric acid
Summit Agro Europe Ltd. (U.K.)	EUR 14,083	thousands	100.00	Investment in agricultural chemicals in Europe
The Hartz Mountain Corporation (U.S.)	USD 10	thousands	96.30	Manufacturing, distribution, and sales of pet care products
Summit Petrochemical Trading Inc. (U.S.)	USD 5,000	thousands	90.30	Sale and trade of Aromatics Products
New Port Bulk Terminal Sdn. Bhd. (Malaysia)	MYR 2,000	thousands	70.00	Storage, transportation, and sale of liquid chemicals
Sumitronics Taiwan Co., Ltd. (Taiwan)	TWD 10,000	thousands	100.00	Sale of electronics materials and parts
Technoclean Philippines, Inc. (Philippines)	USD 3,253	thousands	100.00	Precision cleaning service for HDD parts and clean room garments, sale of electronics materials and parts

MINERAL RESOURCES & ENERGY BUSINESS UNIT

Nusa Tenggara Mining Corporation (Japan)	JPY 9,400	millions	74.28	Investment in and financing of the Batu Hijau copper/gold mine development project in Indonesia
Summit CRM, Ltd. (Japan)	JPY 498	millions	100.00	Trading of carbon-related materials (coke, etc.), refractories and ferrous raw materials
Petro Summit Investment Corporation (Japan)	JPY 490	millions	100.00	Exploration, development, production and sale of and investment in oil and natural gas etc.; investment in and financing business of the same kind
LNG Japan Corporation (Japan)	JPY 8,002	millions	50.00	Trading of LNG, investment and financing related to LNG business
Osakagas Summit Resources Co., Ltd. (Japan)	JPY 100	millions	30.00	Exploration, development, production and sale of and investment in oil and natural gas
Sumisho Oil Corporation (Japan)	JPY 500	millions	100.00	Sale of petroleum products and operation of gasoline stations
Sumisho LPG Holdings Co., Ltd. (Japan)	JPY 116	millions	100.00	Planning strategy of LPG business and controlling its 5 subsidiaries, wholesale of LPG
▶ Sumisho Daiichi LPG Co., Ltd. (Japan)	JPY 250	millions	100.00	Sale and distribution of LPG in Hokkaido
▶ Sumisho LPG East Co., Ltd. (Japan)	JPY 50	millions	100.00	Sale and distribution of LPG in Tohoku
▶ Sumisho LPG Central Co., Ltd. (Japan)	JPY 270	millions	100.00	Sale and distribution of LPG in Kanto
▶ Sumisho LPG West Co., Ltd. (Japan)	JPY 95	millions	100.00	Sale and distribution of LPG in Kinki, Chugoku and Shikoku
▶ Sumisho LPG Kyushu Co., Ltd. (Japan)	JPY 80	millions	100.00	Sale and distribution of LPG in Kyushu
Ambatovy Minerals S.A. (Madagascar)	MGA 27,200	thousands	27.50	Mining of Ambatovy nickel project in Madagascar
Dynatec Madagascar S.A. (Madagascar)	MGA 32,167,120	thousands	27.50	Processing and refining of Ambatovy nickel project in Madagascar
SC Mineral Resources Pty. Ltd. (Australia)	AUD 38,000	thousands	100.00	Investment in the Northparkes copper mine in Australia
SC Minerals America, Inc. (U.S.)	USD 1	thousand	100.00	Investment in the Morenci copper mine, the Pogo gold mine in the U.S. and the Candelaria & Ojos del Salado copper mines in Chile
Minera San Cristobal S.A. (Bolivia)	BOB 2,335,056	thousands	35.00	Mining of San Cristobal silver, zinc and lead project in Bolivia
Sumisho Coal Australia Pty. Ltd. (Australia)	AUD 332,000	thousands	100.00	Investment in coal mines in Australia
Appak LLP (Kazakhstan)	KZT 3,344,580	thousands	25.00	Development of uranium mine in Kazakhstan and production/sale of uranium ore concentrates
Petro Summit Investment UK Limited (U.K.)	USD 2	thousands	100.00	Exploration, development, production and sale of and investment in oil and natural gas in the U.K. North Sea
Summit Gulf Venture LLC (U.S.)	USD 40,000	thousands	100.00	Exploration, development, production and sale of and investment in natural gas and oil in the U.S. Gulf of Mexico
Petro Summit Pte. Ltd. (Singapore)	USD 3,815	thousands	100.00	International trade of crude oil and petroleum products
Kinetic Energy Pte. Ltd. (Singapore)	USD 2,089	thousands	65.00	Fuel blending for cargo and bunker sales in Singapore
Pacific Summit Energy LLC (U.S.)	USD 1,000	thousands	100.00	Sale of natural gas

GENERAL PRODUCTS & REAL ESTATE BUSINESS UNIT

S.C. Cement Co., Ltd. (Japan)	JPY 200	millions	100.00	Sale of cement, ready-mixed concrete and concrete products
Sumisho & Mitsuibussan Kenzai Co., Ltd. (Japan)	JPY 2,500	millions	50.00	Sale of building materials
IG Kogyo Co., Ltd. (Japan)	JPY 254	millions	58.27	Manufacture and sale of insulated metal panels for roofing and walls
Sumisho Paper Co., Ltd. (Japan)	JPY 400	millions	100.00	Sale of pulp, wastepaper, paper, paperboard and packaging materials
SEVEN INDUSTRIES CO., LTD. (Japan)	JPY 2,473	millions	50.65	Manufacture and sale of laminated lumber and wood products
S.C. Cement (Kyushu) Co., Ltd. (Japan)	JPY 61	millions	100.00	Sales of ready-mixed concrete, concrete products, cement and aggregate
Shaheen Tyres Company L.L.C. (UAE)	AED 12,500	thousands	49.00	Import and sales of tires in the UAE

	Common Stock		Ownership of Voting Shares (%)	Main Business
TBC Corporation (U.S.)	USD 1	thousand	100.00	Retail and wholesale of tires
OAO Terneyles (Russia)	RUB 155,195	thousands	40.01	General forest products company
Sumisho Building Management Co., Ltd. (Japan)	JPY 100	millions	100.00	Management and operation of office buildings and shopping centers
Yokohama City Management Co., Ltd. (Japan)	JPY 100	millions	25.05	Management, operation, and leasing of multipurpose facilities in Minato Mirai 21
Harumi Corporation (Japan)	JPY 38	millions	19.44	Management of Harumi Island Triton Square
Reibi Corporation (Japan)	JPY 30	millions	90.54	Management of buildings in Kansai region
Sumisho Urban Kaihatsu Co., Ltd. (Japan)	JPY 100	millions	100.00	Planning, development, management, and operation of shopping centers
Sumisho Tatemono Co., Ltd. (Japan)	JPY 400	millions	100.00	Sale and management of residential properties; house remodeling
Yasato Kosan Kaisha, Ltd. (Japan)	JPY 90	millions	100.00	Owning and operating of golf course; Summit Golf Club (Ibaraki Pref.)
Kishiwada Cancan Bayside Mall Corporation (Japan)	JPY 450	millions	98.36	Owning, leasing, management, and operation of shopping centers such as Kishiwada Cancan Bayside Mall
P.T. Summitmas Property (Indonesia)	USD 12,500	thousands	40.00	Leasing of office buildings
Summit Agri-Business Corporation (Japan)	JPY 1,304	millions	100.00	Manufacture and sale of fertilizer and agriculture-related materials
SC Foods Co., Ltd. (Japan)	JPY 800	millions	100.00	Import, development, and sale of foodstuffs / Import and sale of beef, pork, and processed meats, including chicken
Sumifru Corporation (Japan)	JPY 200	millions	100.00	Import and sale of fruits and vegetables
ST Agri-Products Corp. (Japan)	JPY 450	millions	100.00	Import and sale of Chinese fresh and processed vegetables
Shinko Sugar Co., Ltd. (Japan)	JPY 1,495	millions	68.98	Sugar refining
Nissin Sugar Manufacturing Co., Ltd. (Japan)	JPY 7,004	millions	20.13	Sugar refining
Chiba Kyodo Silo Co., Ltd. (Japan)	JPY 708	millions	53.67	Operation of silo facility and handling of grain, such as wheat, barley and corn
Summit Oil Mill Co., Ltd. (Japan)	JPY 97	millions	51.00	Manufacture and sale of vegetable oil and oil meal
Sumifert Sdn. Bhd. (Malaysia)	MYR 500	thousands	50.00	Import and sale of fertilizers
Summit-Quinphos (NZ) Ltd. (New Zealand)	NZD 1,818	thousands	60.00	Import and sale of fertilizers in New Zealand
Sumi-Thai Fertilizer Co., Ltd. (Thailand)	THB 10,000	thousands	100.00	Import of fertilizer materials and sale of chemical fertilizers in Thailand
Summit Fertilizer (Qingdao) Co., Ltd. (China)	RMB 57,937	thousands	40.00	Manufacture and sale of chemical fertilizer in China
Summit Rural Western Australia Pty. Ltd. (Australia)	AUD 46,000	thousands	100.00	Import of fertilizer materials and sale of chemical fertilizers in Western Australia
SC Agri Produce Pty Ltd. (Australia)	AUD 2,436	thousands	100.00	Investment in hay compressing operation in Australia
Thai SPF Products Co., Ltd. (Thailand)	THB 300,000	thousands	26.94	Farming of SPF (Specific Pathogen Free) pork in Thailand
Summit Specialty Oil Co., Inc. (U.S.)	USD 3,766	thousands	100.00	Contracting of vegetable oil crushing and refining in the U.S.
Australian Bulk Alliance Pty., Ltd. (Australia)	—		50.00	Investment in grain export terminal in Australia

FINANCIAL & LOGISTICS BUSINESS UNIT

Sumisho Finance Co., Ltd. (Japan)	JPY 100	millions	100.00	Financial services
SC Bio Capital Co., Ltd. (Japan)	JPY 60	millions	100.00	Investment funds
Sumisho Materials Corporation (Japan)	JPY 200	millions	100.00	Trading of precious metals and other products
Taisei Coins Corporation (Japan)	JPY 200	millions	80.00	Sale of coins for numismatists all over the world
Sumisho ElecTrade Ltd. (Japan)	JPY 1,750	millions	100.00	Proprietary trading firm
Sumisho Global Logistics Co., Ltd. (Japan)	JPY 704	millions	100.00	Global logistics provider
Bluewell Corporation (Japan)	JPY 125	millions	100.00	Agent for casualty insurance and life insurance
Bluewell Insurance Brokers Ltd. (Japan)	JPY 10	millions	100.00	Broker for casualty insurance and re-insurance
Summit Air Service Corporation (Japan)	JPY 100	millions	100.00	Travel agency
Sumisho Capital Management Co. (Cayman)	JPY 100	millions	100.00	Investment advisory
Sumitomo Corporation Equity Asia Limited (Hong Kong)	USD 27,000	thousands	100.00	Private equity investment in Asia
Sumitomo Corporation Global Commodities Limited (U.K.)	USD 15,000	thousands	100.00	Trading and marketing of commodities
Nava Nakorn Distribution Centre Co., Ltd. (Thailand)	THB 180,000	thousands	57.32	Warehousing and distribution services
P.T. Indo Summit Logistics (Indonesia)	USD 5,480	thousands	90.44	Warehousing and distribution services
Dragon Logistics Co., Ltd. (Vietnam)	VND 57,443,563	thousands	27.00	Warehousing and distribution services
Sumisho Global Logistics (Shanghai) Co., Ltd. (China)	RMB 80,252	thousands	96.70	Warehousing and distribution services
Sumisho Global Logistics South China Co., Ltd. (China)	HKD 8,000	thousands	100.00	Global logistics provider
Sumisho Global Logistics (HK) Limited (Hong Kong)	HKD 8,000	thousands	100.00	Global logistics provider
Wuxi Sumisho Hi-tech Logistics Co., Ltd. (China)	USD 5,000	thousands	50.00	Warehousing and distribution services
Shanghai Dazhong Sagawa Logistics Co., Ltd. (China)	RMB 34,928	thousands	37.50	Door-to-door delivery services
Zero SCM Logistics (Beijing) Co., Ltd. (China)	RMB 20,691	thousands	20.00	Transportation of vehicles
Bluewell Insurance (Singapore) Pte. Ltd. (Singapore)	JPY 75	millions	91.00	Captive insurance company
Bluewell Reinsurance Company (Bermuda) Ltd. (U.K.)	JPY 113	millions	90.00	Captive insurance company (Rent A Captive)
Thang Long Industrial Park Corporation (Vietnam)	VND 327,620,285	thousands	58.00	Development, sales, and operation of industrial estate in Vietnam
Thang Long Industrial Park II Corporation (Vietnam)	VND 240,000,000	thousands	80.00	Development, sales, and operation of industrial estate in Vietnam
P.T. East Jakarta Industrial Park (Indonesia)	USD 8,550	thousands	60.00	Sales, operation, and maintenance of industrial estate in Indonesia
First Philippine Industrial Park, Inc. (Philippine)	PHP 1,977,943	thousands	30.00	Development, sales, and operation of industrial estate in Philippine

	Common Stock	Ownership of Voting Shares (%)	Main Business
DOMESTIC			
Sumisho Steel Sheets Works Co., Ltd. (Japan)	JPY 462 millions	89.17	Processing and sale of steel products
Kansai Stainless Corp. (Japan)	JPY 100 millions	60.00	Processing of stainless steel sheets
Sumisho Iron & Steel Corporation (Japan)	JPY 100 millions	100.00	Sale of specialty steel products
Ishida Metal Co., Ltd. (Japan)	JPY 63 millions	84.18	Sale of stainless steel sheets
SC Pipe Solutions Co., Ltd. (Japan)	JPY 334 millions	100.00	Sale of steel tubular products
Nippon Katan Co., Ltd. (Japan)	JPY 886 millions	95.84	Manufacture and sale of power line hardware
Tortoise Co., Ltd. (Japan)	JPY 50 millions	100.00	Processing and sale of interior goods and home furnishings to consumers' cooperatives
Sumisho Montblanc Co., Ltd. (Japan)	JPY 80 millions	87.50	Processing and sale of work uniforms and related clothing products
Summit Wool Spinners Limited (New Zealand)	NZD 14,275 thousands	100.00	Manufacture and sale of wool yarn for carpets
Sumisho Airbag Systems Co., Ltd. (Japan)	JPY 1,500 millions	64.67	Manufacture and sale of cushion for side curtain airbag
Sumisho Material Chugoku Co., Ltd. (Japan)	JPY 30 millions	100.00	Sale of steel materials for civil engineering and construction, and stone
Sumitomo Shoji Machinex Kansai Co., Ltd. (Japan)	JPY 365 millions	100.00	Sale of machinery and equipment
Sumitomo Shoji Machinex Chubu Co., Ltd. (Japan)	JPY 350 millions	100.00	Sale of machinery and equipment
SC Machinery & Service Co., Ltd. (Japan)	JPY 90 millions	100.00	Sales of equipments for automotive industries and FA products
OVERSEAS			
ERYNGIUM Ltd. (U.K.)	GBP 125 thousands	50.00	Manufacture, processing and distribution of specialty metals for OCTG market
Global Stainless Supply, Inc. (U.S.)	USD 200 thousands	90.80	Wholesale of stainless steel tubes
Premier Pipe, L.P. (U.S.)	USD 1 thousand	100.00	Sale of tubular products for oil and gas industry
Summit Tubulars Corporation (Canada)	CAD 291 thousands	100.00	Sale of tubular products for oil and gas industry
Unique Machine, LLC (U.S.)	USD 4,699 thousands	100.00	OCTG/Accessory threading
V & M Star LP (U.S.)	USD 380,000 thousands	19.50	Seamless tubular products mill
Noble Summit Metal Processing de Mexico, S. de R.L. de C.V. (Mexico)	USD 7,205 thousands	49.00	Blanking and laser-welding of steel parts for automotive industry
SteelSummit Holdings, Inc. (U.S.)	USD 14,501 thousands	100.00	Steel service center (processing and sale of steel sheets)
SteelSummit International Inc. (U.S.)	USD 8,000 thousands	100.00	Sale of steel products
Auto Summit Commercial Services, S.A. de C.V. (Mexico)	MXN 50,000 thousands	64.00	Consumer auto finance
Perennial Power Holdings, Inc. (U.S.)	USD 34,985 thousands	100.00	Development, ownership and management of power plant in the U.S.
Summit Motor Management, Inc. (U.S.)	USD 20,963 thousands	100.00	Holding and management company of automotive dealerships
Cantex Inc. (U.S.)	USD 15,000 thousands	100.00	Manufacture and sale of polyvinyl chloride pipes
Diversified CPC International, Inc. (U.S.)	USD 1 thousand	96.00	Mixing, refining, and sale of aerosol gases
The Hartz Mountain Corporation (U.S.)	USD 10 thousands	96.30	Manufacturing, distribution, and sales of pet care products
TBC Corporation (U.S.)	USD 1 thousand	100.00	Retail and wholesale of tires
123 Mission St., LLC (U.S.)	USD 39,939 thousands	100.00	Office building leasing
Atlantic Hills Corporation (U.S.)	USD 19,000 thousands	100.00	Residential area development
Copper Square, LLC (U.S.)	USD 23,143 thousands	100.00	Office building leasing
SCOA Residential L.L.C. (U.S.)	USD 11,288 thousands	100.00	Investment in house/apartment developments
Sumitrans Corporation (U.S.)	USD 1 thousand	100.00	International intermodal transport
Broadway Premium Funding (U.S.)	USD 2,000 thousands	100.00	Insurance premium financing
SCOA Capital LLC (U.S.)	USD 1,400 thousands	100.00	Investments in buyout funds
Oxford Finance Corporation (U.S.)	USD 0.01 thousands	97.00	Equipment loan service in bioscience industry
SCOA Finance Company (U.S.)	USD 3,000 thousands	100.00	Financial services
Summit D&V Kft. (Hungary)	HUF 572,406 thousands	100.00	OEM supply, sub-assembly and sequence delivery of automotive components
Summit Pharmaceuticals Europe Ltd. (U.K.)	EUR 2,399 thousands	100.00	Sale of pharmaceuticals products
Sumitrans Europe GmbH (Germany)	EUR 1,024 thousands	100.00	Forwarding, logistics business
OTHERS			
Sumisho Administration Services Co., Ltd. (Japan)	JPY 30 millions	100.00	Personnel & general affair service
Sumitomo Shoji Financial Management Co., Ltd. (Japan)	JPY 100 millions	100.00	Financial services such as cash management, trade settlement, and accounting services to Sumitomo Corporation and its subsidiaries
Sumisho Lease Co., Ltd. (Japan)	JPY 14,760 millions	96.80	Leasing
Sumitomo Corporation Capital Europe Plc (U.K.)	USD 136,382 thousands	100.00	Financial services to Group companies
Sumitomo Shoji Research Institute, Inc. (Japan)	JPY 50 millions	100.00	Research and consulting for Sumitomo Corporation Group companies

GLOBAL NETWORK

(As of July 1, 2007)

JAPAN

Tokyo
Sapporo
Tomakomai
Muroran
Sendai
Niigata
Ibaraki
Shizuoka
Hamamatsu
Nagoya
Kyoto
Osaka
Kobe
Hiroshima
Imabari
Takamatsu
Niihama
Kita-Kyushu
Fukuoka
Nagasaki
Kagoshima
Naha

NORTH AMERICA

New York
Detroit
Pittsburgh
Washington, D.C.
Atlanta
Chicago
Houston
Portland
Los Angeles
Vancouver
Calgary
Toronto
Montreal

CENTRAL AMERICA AND SOUTH AMERICA

Mexico City
Monterrey
Guatemala
San Salvador
Havana
Panama
Quito
Caracas
Bogota
Lima
Buenos Aires
Santiago
Sao Paulo
Rio de Janeiro
Porto Alegre
Recife

Overseas:	67 countries
Subsidiaries	40 / 72 locations
Branches	3 / 3 locations
Offices	46 / 46 locations
Total	**121 locations**

Japan:	
Headquarters	1 / 1 location
Subsidiaries	3 / 10 locations
Regional Business Units	3 / 13 locations
Offices	2 / 2 locations
Branch	1 / 1 location
Total	**27 locations**

EUROPE AND CIS

London
Oslo
Brussels
Duesseldorf
Paris
Milan
Turin
Madrid
Barcelona
Athens
Krakow
Prague
Moscow
Khabarovsk
Vladivostok
St. Petersburg
Kiev
Almaty
Tashkent
Baku
Astana

MIDDLE EAST

Teheran
Kuwait
Bahrain
Doha
Abu Dhabi
Dubai
Muscat
Riyadh
Jeddah
Alkhobar
Sanaa
Baghdad
Amman
Damascus
Istanbul
Ankara
Cairo
Tripoli

AFRICA

Algiers
Casablanca
Nairobi
Luanda
Johannesburg

ASIA

Beijing
Shanghai
Changchun
Dalian
Shenyang
Tianjin
Qingdao
Nanjing
Chengdu
Guangzhou
Xiamen
Shenzhen
Hong Kong
Taipei
Kaohsiung
Seoul
Ulaanbaatar
Bangkok
Singapore
Manila
Kuala Lumpur
Jakarta
Surabaya
Hanoi
Ho Chi Minh City
Danang
Phnom Penh
Vientiane
Yangon
New Delhi
Mumbai
Karachi
Lahore
Islamabad
Colombo
Dhaka
Chittagong

OCEANIA

Sydney
Melbourne
Perth
Auckland

Financial Section

68 Six-Year Financial Summary
70 Management's Discussion and Analysis of Financial Condition and Results of Operations
84 Consolidated Balance Sheets
86 Consolidated Statements of Income
87 Consolidated Statements of Shareholders' Equity and Comprehensive Income
88 Consolidated Statements of Cash Flows
89 Notes to Consolidated Financial Statements
131 Independent Auditors' Report

Reference Information

132 Risk Factors

SIX-YEAR FINANCIAL SUMMARY

For the years ended March 31

1. Key Financial Indicators

	Billions of Yen						Millions of U.S. Dollars
	2007	2006	2005	2004	2003	2002	2007
Total assets	8,430.5	6,711.9	5,533.1	5,012.5	4,856.2	4,860.2	71,445
Shareholders' equity	1,473.1	1,304.0	934.9	730.8	618.7	658.0	12,484
Shareholders'equity ratio (%)	17.5	19.4	16.9	14.6	12.7	13.5	17.5
Return on Equity (%)	15.2	14.3	10.2	9.9	2.2	7.4	15.2
Return on Assets (%)	2.8	2.6	1.6	1.4	0.3	1.0	2.8
Interest-bearing liabilities (gross)	3,355.6	3,152.5	2,840.1	2,795.9	2,830.6	2,813.4	28,438
Interest-bearing liabilities (net)	2,913.3	2,622.2	2,376.0	2,377.6	2,502.8	2,528.8	24,689
Debt-Equity Ratio (gross) (times)	2.3	2.4	3.0	3.8	4.6	4.3	2.3
Debt-Equity Ratio (net) (times)	2.0	2.0	2.5	3.3	4.0	3.8	2.0
Working Capital	1,310.3	1,021.8	897.0	694.0	346.9	194.5	11,105

2. Consolidated Statements of Income

	Billions of Yen						Millions of U.S. Dollars
	2007	2006	2005	2004	2003	2002	2007
Revenues:							
Sales of tangible products	2,495.0	2,079.6	1,586.1	1,284.1	1,129.4	966.5	21,144
Sales of services and others	582.2	501.8	463.2	424.5	408.9	419.4	4,934
Total revenues	3,077.2	2,581.4	2,049.3	1,708.6	1,538.3	1,385.9	26,078
Cost:							
Cost of tangible products sold	2,076.6	1,737.7	1,361.8	1,097.5	948.2	817.0	17,598
Cost of services and others	142.9	137.1	124.4	109.8	93.7	81.6	1,211
Total cost	2,219.5	1,874.8	1,486.2	1,207.3	1,041.9	898.6	18,809
Gross profit	857.7	706.6	563.1	501.3	496.4	487.3	7,269
Other income (expenses):							
Selling, general and administrative expenses	(609.9)	(515.8)	(437.9)	(422.4)	(406.3)	(400.8)	(5,169)
Settlements on copper trading litigation	9.6	(0.1)	2.8	(7.1)	0.2	4.3	81
(Provision for) reversal of allowance for doubtful receivables	(8.0)	(14.7)	(12.9)	(8.0)	(5.6)	12.6	(68)
Impairment losses on long-lived assets	(9.8)	(12.4)	(29.5)	(5.2)	(20.4)	(4.8)	(83)
Gain (Loss) on sale of property and equipment, net	2.4	(0.4)	11.5	13.3	3.3	2.8	20
Interest income	32.9	19.0	14.6	15.7	24.9	32.3	279
Interest expense	(70.0)	(39.0)	(23.2)	(22.0)	(30.9)	(46.0)	(593)
Dividends	14.1	10.4	6.4	6.9	6.4	6.6	119
Gain (Loss) on marketable securities and other investments, net	44.4	41.8	20.0	16.3	(47.1)	(8.9)	377
Equity in earnings of associated companies, net	70.3	51.4	37.4	20.7	9.8	0.2	596
Other, net	(1.8)	1.0	(1.0)	(0.5)	(2.1)	(2.4)	(15)
Total other income (expenses)	(525.8)	(458.8)	(411.8)	(392.3)	(467.8)	(404.1)	(4,456)
Income before income taxes and minority interests in earnings of subsidiaries	331.9	247.8	151.3	109.0	28.6	83.2	2,813
Income taxes	114.8	80.7	57.8	35.7	8.4	30.2	973
Income before minority interests in earnings of subsidiaries	217.1	167.1	93.5	73.3	20.2	53.0	1,840
Minority interests in earnings of subsidiaries, net	(6.1)	(6.9)	(8.4)	(6.7)	(6.3)	(5.3)	(52)
Net income	211.0	160.2	85.1	66.6	13.9	47.7	1,788
Total trading transactions*	10,528.3	10,336.3	9,898.6	9,197.9	9,229.6	9,645.4	89,223

* Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under accounting principles generally accepted in the United States of America ("U.S. GAAP").

3. Consolidated Statements of Comprehensive Income (Loss)

	Billions of Yen						Millions of U.S. Dollars
	2007	2006	2005	2004	2003	2002	2007
Net income	211.0	160.2	85.1	66.6	13.9	47.7	1,788
Net unrealized holding gains (losses) on securities available-for-sale adjustments	11.9	152.4	28.5	79.5	(30.5)	(34.8)	101
Foreign currency translation adjustments	25.7	46.0	0.7	(26.1)	(13.9)	27.7	218
Net unrealized gains (losses) on derivatives adjustments	4.7	(8.2)	(1.0)	0.4	0.1	(0.9)	40
Total comprehensive income (loss)	253.3	350.4	113.3	120.4	(30.4)	39.7	2,147

4. Consolidated Balance Sheets

	Billions of Yen						Millions of U.S. Dollars
	2007	2006	2005	2004	2003	2002	2007
Current assets:							
Cash and cash equivalents	436.8	522.0	453.9	415.6	324.4	276.7	3,702
Time deposits	5.5	8.3	10.2	2.7	3.4	7.9	47
Marketable securities	17.3	22.1	23.1	2.8	7.7	5.6	147
Receivables—trade:							
Notes and loans	292.6	265.0	307.1	238.2	270.7	289.4	2,480
Accounts	1,722.1	1,646.1	1,355.7	1,178.0	1,095.8	1,072.5	14,594
Associated companies	100.0	98.3	84.9	151.2	138.3	162.4	848
Allowance for doubtful receivables	(13.6)	(15.3)	(11.0)	(8.9)	(9.8)	(10.7)	(115)
Inventories	757.5	705.2	503.8	412.3	413.1	406.6	6,419
Deferred income taxes	39.3	32.0	39.2	37.6	29.3	24.2	333
Advance payments to suppliers	55.6	50.2	56.9	51.6	47.8	46.5	471
Assets held for sale	1,516.4	—	—	—	—	—	12,851
Other current assets	228.1	310.4	271.2	140.1	116.1	134.0	1,933
Total current assets	5,157.8	3,644.3	3,095.0	2,621.2	2,436.8	2,415.1	43,710
Investments and long-term receivables:							
Investments in and advances to associated companies	559.5	469.5	394.6	384.0	375.7	285.4	4,742
Other investments	833.8	783.0	502.7	469.0	413.6	583.3	7,066
Long-term receivables	706.1	662.1	620.8	597.5	666.1	680.3	5,984
Allowance for doubtful receivables	(28.4)	(40.7)	(45.7)	(50.0)	(76.2)	(83.1)	(241)
Total investments and long-term receivables	2,071.0	1,873.9	1,472.4	1,400.5	1,379.2	1,465.9	17,551
Property and equipment, at cost	1,371.7	1,263.7	1,129.7	1,157.4	1,126.8	1,120.4	11,624
Accumulated depreciation	(507.0)	(444.2)	(409.3)	(388.8)	(365.8)	(344.0)	(4,296)
	864.7	819.5	720.4	768.6	761.0	776.4	732.8
Prepaid expenses, non-current	47.4	94.7	94.8	98.6	110.7	77.1	402
Deferred income taxes, non-current	11.6	13.5	10.2	9.4	46.3	19.0	99
Other assets	278.0	266.0	140.3	114.2	122.2	106.7	2,355
Total	8,430.5	6,711.9	5,533.1	5,012.5	4,856.2	4,860.2	71,445
Current liabilities:							
Short-term debt	461.9	539.6	412.2	452.1	615.8	773.8	3,915
Current maturities of long-term debt	416.5	428.5	438.5	330.6	382.2	356.5	3,530
Payables—trade:							
Notes and acceptances	107.9	93.3	101.7	107.5	115.2	166.6	914
Accounts	1,103.8	1,070.9	879.0	771.1	728.7	673.0	9,354
Associated companies	38.7	29.7	18.3	22.8	25.6	25.4	328
Income taxes	54.9	33.0	20.2	15.9	17.1	9.8	465
Accrued expenses	103.8	93.0	60.5	61.2	47.7	37.5	879
Advances from customers	79.1	90.5	85.4	66.2	60.4	64.8	671
Liabilities associated with assets held for sale	1,329.3	—	—	—	—	—	11,265
Other current liabilities	151.5	244.0	182.2	99.8	97.2	113.2	1,284
Total current liabilities	3,847.4	2,622.5	2,198.0	1,927.2	2,089.9	2,220.6	32,605
Long-term debt, less current maturities	2,764.4	2,447.2	2,213.7	2,218.5	2,046.0	1,883.6	23,427
Accrued pension and retirement benefits	9.8	13.2	11.8	10.9	9.1	8.5	83
Deferred income taxes, non-current	239.5	230.3	85.7	38.8	3.9	14.6	2,030
Minority interests	96.3	94.7	89.0	86.3	88.6	74.9	816
Commitments and contingent liabilities							
Shareholders' equity:							
Common stock	219.3	219.3	219.3	169.4	169.4	169.4	1,858
Additional paid-in capital	279.7	279.5	238.9	189.6	189.5	189.5	2,370
Retained earnings:							
Appropriated for legal reserve	17.7	17.7	17.7	17.7	17.7	17.7	150
Unappropriated	755.2	579.2	442.6	365.9	307.8	302.4	6,400
	772.9	596.9	460.3	383.6	325.5	320.1	6,550
Accumulated other comprehensive income (loss)	222.2	213.8	17.1	(11.2)	(65.0)	(20.7)	1,884
Treasury stock, at cost	(21.0)	(5.5)	(0.7)	(0.6)	(0.7)	(0.3)	(178)
Total shareholders' equity	1,473.1	1,304.0	934.9	730.8	618.7	658.0	12,484
Total	8,430.5	6,711.9	5,533.1	5,012.5	4,856.2	4,860.2	71,445

Notes: 1. For the fiscal year ended March 31, 2005, the Companies reclassified Mining rights from Other assets to Property and equipment, at cost and Accumulated depreciation in a manner consistent with the accounting guidance in Emerging Issues Task Force ("EITF") Issue No. 04-02. The presentation of the prior years has been reclassified accordingly.

2. The Companies restated prior year consolidated financial statements with respect to the accounting of deferred taxes related to investments in affiliates. Consolidated balance sheets as of March 31, 2002 are not audited.

3. The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥118=U.S.$1, the approximate exchange rate on March 31, 2007.

1. INTRODUCTION

We are an integrated trading company (*sogo shosha*) engaged in a wide range of business activities on a global basis. Our business foundation consists of trust, global relations with over 100,000 business partners around the world, a global network with offices and subsidiaries worldwide, intellectual capital, and advanced functions in business development, logistic solutions, financial services, IT solutions, risk management and intelligence gathering and analysis. Through integration of these elements, we provide a diverse array of values to our customers. Based on this business foundation and these functions, we engage in general trading of a wide range of goods and commodities and in various business activities. We act as both principal and agent in these trading transactions. We also provide a range of services for a variety of industries, such as: financing for customers and suppliers; planning, coordination and operation of urban and industrial infrastructure projects; consulting in areas such as system integration and technology development; and transportation and logistics. In addition, we engage in other diverse business activities, including investing in a variety of industries ranging from biotechnology to communications; developing natural resources; manufacturing and processing products such as steel products and textiles; developing and managing real estate; and operating retail stores.

We conduct our business through nine industry-based business segments and two sets of regional operations (domestic and overseas) that correspond to the operating segments monitored by the chief operating decision makers. Our industry-based business segments are:

- Metal Products
- Transportation & Construction Systems
- Machinery & Electric
- Media, Electronics & Network
- Chemical
- Mineral Resources & Energy
- Consumer Goods & Service
- Materials & Real Estate
- Financial & Logistics

Each business segment operates with a degree of autonomy in pursuing its strategic goals, managing operations and ensuring accountability. Each business unit also has its own planning and administration department to enable prompt decision-making and facilitate efficient operation. In today's increasingly global business environment, our worldwide network of offices, subsidiaries and associated companies, and our global relationships with customers, suppliers and business partners have allowed us to conduct and expand our operations around the world. Our nine industry-based business units and domestic and overseas operations regularly collaborate with one another to leverage their combined strengths to conduct their respective businesses more effectively as well as to meet our corporate targets and goals. We have designed our infrastructure to centralize and consolidate information from all of our business units and domestic and overseas operations to facilitate proper integration and risk control.

As of March 31, 2007, we had total assets of ¥8,430.5 billion and 61,490 employees worldwide. For the fiscal year ended March 31, 2007, our consolidated net income was ¥211.0 billion.

While promoting the autonomous management style of each business unit and having the corporate group focus on its core functions, we reengineered our business units in order to further expand our earnings base and strengthen services and functions we offer to our customers. The organization was reformed to eight business units on April 1, 2007. The eight industry-based business segments are:

- Metal Products
- Transportation & Construction Systems
- Infrastructure
- Media, Network & Lifestyle Retail
- Chemical & Electronics
- Mineral Resources & Energy
- General Products & Real Estate
- Financial & Logistics

2. OUR MEDIUM-TERM TARGETS

The following discussion of our medium-term targets contains forward-looking statements and measures that have been calculated based on a number of judgments, estimates and assumptions. Unless otherwise stated, the forward-looking statements reflect management's current assumptions and expectations of future events as of March 31, 2007. Accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance.

In recent years, we have been setting targets for, and monitoring the progress of, our businesses and operations by establishing medium-term plans. Under the "AG Plan," a medium-term plan from April 1, 2005 to March 31, 2007, we set quantitative targets of a consolidated risk-adjusted return ratio of 7.5% or over in each fiscal year and consolidated net income of ¥110 billion in the fiscal year ended March 31, 2006 and ¥120 billion in the fiscal year ended March 31, 2007, for a two-year total of ¥230 billion. We were able to reach these targets successfully, and recorded a consolidated net income of ¥160.2 billion in the fiscal year ended March 31, 2006 and ¥211.0 billion in the fiscal year ended March 31, 2007, a two-year total of ¥371.2 billion.

Under the AG Plan, in addition to pursuing these quantitative targets, we aimed for sustained growth through a globally consolidated drive to achieve three qualitative targets, namely, "expansion of our earnings base through dynamic growth strategies," "implementation of human resource strategies matching our growth strategies," and "pursuit of soundness and efficiency."

Under the "GG Plan," the new medium-term plan that we launched this April, our basic policy is to pursue further improvement of the quality of business operations heading for a new stage of growth. We will establish a truly solid earnings base through rigorously strengthening and expanding core businesses. At the same time, we will further enhance our management quality and secure a solid foothold so as to ensure sustained growth. As for quantitative targets, our aim for the consolidated risk-adjusted return ratio is a two-year average of over 15% and our aim for consolidated net income is ¥235 billion for the fiscal years ending March 31, 2008 and 2009 respectively, a two-year total of ¥470 billion. Effective April 1, 2007, we strategically reorganized our nine industry-based business units into eight. Under this new structure, we believe that we are better positioned to attain the targets of the GG Plan and implement dynamic business strategies over the longer term.

3. ECONOMIC ENVIRONMENT

During the period under review, higher energy prices contributed to increased inflationary pressures, leading to the tightening of monetary policy in various countries, but the global economy continued to grow strongly on the whole. The upward momentum in international commodity prices eased, but crude oil, nonferrous metals, and other commodities continued to trade at high price levels, reflecting lively demand and the presence of geopolitical risk.

In Japan, unseasonable weather dampened the growth of consumer spending, but the current economic expansion became the longest in the postwar period, surpassing the "Izanagi boom" during the period from 1965 to 1970 thanks to the ongoing strength in capital investment by businesses and the pickup in exports, particularly of automobiles. Against this improving economic climate, in July 2006, the Bank of Japan revoked the zero-interest-rate policy it had been implementing since March 2001, and, in February 2007, the Bank raised interest rates again.

4. CERTAIN LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF INCOME

The following is a description of certain line items in our consolidated statements of income:

Revenues. We categorize our revenues into sales of tangible products and sales of services and others. We generate revenues from sales of tangible products:

- in connection with our wholesale, retail, manufacturing and processing operations;
- in connection with our real estate operations; and
- under long-term construction type arrangements.

We enter into transactions that include multiple element arrangements, which may include any combination of products, equipment and installation services.

We generate revenue from sale of services and others in connection with:

- customized software development services contracts and other software related services;
- direct financing and operating leases of commercial real estate, automobiles, vessels and aircraft; and
- other service arrangements, such as arranging finance and coordinating logistics in connection with trading activities.

Gross Profit. Gross profit primarily consists of:

- gross profit on transactions for which we act as a principal; and
- fees and commissions received on transactions for which we act as an agent.

To the extent revenues are recorded on a gross basis, any expenses or commissions or other payments to third parties that are directly attributable to the sales are recorded as cost of sales. Gross profit reflects the net amount of gross revenues after cost of sales. As part of sales of services and others, we recognize revenues from fees and commissions on a net basis. As a result, sales of services and others contribute a larger portion of our gross profit than they do of our revenues. For the fiscal year ended March 31, 2007, sales of services and others accounted for 18.9% of our total revenues, but the gross profit from sales of services and others accounted for 51.2% of our gross profit.

Settlements on Copper Trading Litigation. Since 1996, we have been involved in a number of legal proceedings relating to unauthorized copper trading by a former employee. Any settlement and related costs in connection with the copper trading litigation are reported as settlements on copper trading litigation.

Provision for Doubtful Receivables. Provision for doubtful receivables represents additions to the valuation allowance provided for probable losses inherent in the trade receivables and long-term loans portfolio. In cases where we are able to collect on such receivables and loans due to changes in circumstances, we subsequently record a reversal of the allowance for doubtful receivables. See "6—Critical Accounting Policies—Collectibility of Receivables."

Impairment Losses on Long-Lived Assets. To operate our global business, we maintain a significant amount of long-lived assets. A large portion of such long-lived assets are our real estate, goodwill and other intangible assets. We have recognized impairment losses with respect to our real estate, goodwill and other intangible assets. For a detailed discussion of our accounting policy with respect to such impairment losses, see "6—Critical Accounting Policies—Recoverability of Long-Lived Assets."

Gain on Sale of Property and Equipment, Net. As a result of strategic and aggressive replacement of our asset portfolio, we may, at times, recognize gains and losses on sales of some of our real estate assets.

Dividends. Dividends reflect dividends declared by companies in which we hold interests other than our consolidated subsidiaries or associated companies.

Other than Temporary Impairment Losses on Securities. We maintain a significant level of investments in order to supplement our trading activities. When the fair value of an investment is deemed to have suffered an other-than-temporary decline in value, we recognize impairment losses on such investments. For a detailed discussion of our accounting policy with respect to our marketable securities and other investments, see “6—Critical Accounting Policies—Impairment of Investments in Marketable Securities and Other Investments.”

Gain on Sale of Marketable Securities and Other Investments, Net. We recognize gains on sales of our non-trading marketable securities and other investments when we elect to sell investment holdings.

Gain on Issuances of Stock by Subsidiaries and Associated Companies. If an affiliate company issue shares to a third party, we may recognize gain based on the effect of the difference in our book value per share in the investment and the price at which shares are sold to the third party.

Equity in Earnings of Associated Companies, Net. In connection with our investment strategy and the development of business opportunities, we may, from time to time, acquire or make investments in newly established or existing companies, enter into joint ventures with other entities or form strategic business alliances with industry participants, in each case in a variety of business segments. In general, we account for the earnings or losses of such investee under the equity method when the level of the investment is between 20% and 50% of the total voting equity of the investee.

Total Trading Transactions. Total trading transactions is a voluntary disclosure and represents the gross transaction volume of trading transactions, or the nominal aggregate value of the transactions for which we act as principal or as agent. Total trading transactions is not meant to represent sales or revenues in accordance with U.S. GAAP. Total trading transactions should not be construed as equivalent to, or a substitute or proxy for, revenues, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing or financing activities. A substantial part of total trading transactions represents transactions in which we participate without physical acquisition of goods or without significant inventory risk. We have included the information concerning total trading transactions because it is used by similar Japanese trading companies as an industry benchmark, and we believe it is a useful supplement to results of operations data as a measure of our performance compared to other similar Japanese trading companies.

5. EFFECTS OF RECENT TRANSACTIONS ON OUR CONSOLIDATED STATEMENTS OF INCOME

On October 13, 2006, the Company, Sumisho Lease Co., Ltd. (“SCL”), Sumisho Auto Leasing Corporation (“SAL”), Sumitomo Mitsui Financial Group, Inc. (“SMFG”), SMBC Leasing Company, Limited, a wholly owned subsidiary of SMFG (“SMBC Leasing”) and SMBC Auto Leasing Company, Limited, a wholly owned subsidiary of SMBC Leasing announced that they reached a basic agreement to pursue strategic joint businesses in leasing and auto leasing.

The Sumitomo Corporation Group and the SMFG Group agreed to position their leasing as a strategic joint business and to jointly aim to establish the best leasing businesses in Japan through the merger of SCL and SMBC Leasing. SCL, utilizing various value chain of the Sumitomo Corporation Group, has a unique customer base and know-how. On the other hand, SMBC Leasing, leveraging capabilities of the SMFG Group to provide financial solutions, has a different customer base and know-how. This merger will enable two groups to combine the different customer bases and know-how of each group.

SCL and SMBC Leasing plan to merge on October 1, 2007. In anticipation of this merger, on December 14, the Company acquired 26,177,722 shares of SCL through the tender offer (the “TOB”) between October 31 and December 7, 2006, which meant all shares subscribed in the TOB. As a result of the TOB, the Company owns approximately 97% of the shares of SCL and SCL has become a consolidated subsidiary of the Company.

The accompanying consolidated financial statements for the year ended March 31, 2007 include the operating results of SCL based on ownership of approximately 37% of shares outstanding prior to the TOB and 97% of SCL shares outstanding after December 13, 2006.

6. CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions. For a summary of our significant accounting policies, including the critical accounting policies discussed below, see note 2 to our consolidated financial statements.

The following are the critical accounting policies that are important to our financial condition and results of operations and require significant management judgments and estimates:

Revenue Presentation – Gross Versus Net

Acting as an intermediary in executing transactions with third parties is a distinctive role of an integrated trading company (*sogo shosha*). In recognizing revenue from transactions, we must determine whether we are acting as a "principal" in the transaction, and should report revenue on a gross basis based on the sales amount of the transaction, or acting as an "agent" in the transaction, and should recognize net fees or commissions earned. The evaluation of the relevant factors in making this determination is subject to significant subjective judgments. In certain situations, others might make a different determination. Similarly, if our risks and obligations in a certain type of transaction change, the determination of whether revenue should be recognized on a net or gross basis for that type of transaction may also change. Revenues related to a substantial portion of the trading transactions in all our business segments are recognized on a net basis. The amounts of gross profit and net income are not affected by whether revenue is reported on a gross or net basis.

Factors that indicate that we are acting as a principal, and thus should recognize revenue on a gross basis include:

- we are the primary obligor in the arrangement;
- we have general inventory risk (before customer order is placed or upon customer return);
- we have physical loss inventory risk (after customer order or during shipping);
- we have latitude in establishing price;
- we change the product or perform part of the services;
- we have discretion in supplier selection;
- we are involved in the determination of product or service specifications; and
- we have credit risk.

Factors that indicate that we are acting as an agent, and thus should recognize revenue on a net basis relative to the service offered include:

- the supplier (not us) is the primary obligor in the arrangement;
- the amount we earn is fixed; and
- the supplier (not us) has credit risk.

Revenue Recognition

Most of our revenues are the result of (i) the sale of tangible products in connection with our wholesale, retail, manufacturing, and processing operations from which revenue is recognized based on the transfer of title, deliver or shipment, or the attainment of customer acceptance, or (ii) from the provision of services and the other sales, from which revenue is recognized based on the delivery of services. Revenue recognition in these situations does not involve difficult, subjective or complex judgments or estimations.

Recognition of revenue using the percentage-of-completion method for certain long-term construction-type arrangements is based on the ratio that costs incurred bear to total estimated project costs and is dependent on our ability to estimate these costs reliably. The impact of revisions of profit estimates on fixed price contracts is recognized in the period in which the revisions are made; anticipated losses on fixed price contracts are charged to earnings when losses can be estimated; and provisions are made for contingencies in the period in which they become known and losses are estimable.

Collectibility of Receivables

We engage in a variety of businesses and carry substantial notes and loans receivable, accounts receivable, receivables for associated companies, and long-term receivables. In maintaining our allowance for doubtful receivables, our estimate of probable losses requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, collateral values, and the present and expected future levels of interest rates. This estimation requires us to make assumptions and judgments about inherently uncertain matters, and we cannot predict with absolute certainty the amount of losses inherent in the portfolio.

Operating segments that hold greater amounts of long-term receivables than other segments are Transportation & Construction Systems and Machinery & Electric Business Units.

Recoverability of Long-Lived Assets

We maintain significant long-lived assets in the operation of our global business. We review long-lived assets, such as real estate, aircraft and intangibles subject to amortization, for impairment whenever events or changes in circumstances suggest that the carrying amount of such assets may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining whether cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. We also review goodwill and other intangible assets with indefinite useful life for impairment at least annually, or more often if events or circumstances, such as adverse changes in the business climate, indicate that there may be impairment. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal discounted cash flow estimates, quoted market prices, when available, and independent appraisals, as appropriate, to determine fair value. We derive cash flow estimates from our historical experience and our internal business plans, and apply an appropriate discount rate. Changes in strategy or in market conditions could significantly affect these determinations.

Impairment of Investments in Marketable Securities and Other Investments

We regularly review investment securities for impairment based on criteria that include the extent to which the investment's carrying value exceeds its market value, the duration of the market decline, our ability to hold to recovery, and the financial strength and specific prospects of the issuer of the security. We monitor market conditions and the performance of the investees to identify potentially impaired investments. The fair value of non-marketable securities for which impairment losses are recognized is determined based on estimated discounted future cash flows, or other appropriate valuation methods.

Tax Asset Valuation

A valuation allowance is established on deferred tax assets when, in management's judgment, it is more likely than not, that the deferred tax asset, or a portion thereof, will not be realized. In assessing the realizability of deferred tax assets, we must determine whether we will be able to generate adequate future taxable income in the tax jurisdictions that give rise to the deferred tax assets during the periods in which the underlying temporary differences become deductible or before tax net operating loss carryforwards expire. We consider all available evidence, both positive and negative, in making this assessment. Determination of the allowance is based on estimates and judgment. A change in the ability of our operations to generate future taxable income in the tax jurisdictions that give rise to the deferred tax assets could change our assessment as to the realizability of these assets.

7. RESULTS OF OPERATIONS

Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006

Total Revenues. Total revenues increased by ¥495.8 billion, or 19.2%, from ¥2,581.4 billion in the fiscal year ended March 31, 2006, to ¥3,077.2 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the consolidation of newly acquired subsidiaries and the expansion of business bases at our subsidiaries.

Gross Profit. Gross profit increased by ¥151.1 billion, or 21.4%, from ¥706.6 billion in the fiscal year ended March 31, 2006 to ¥857.7 billion in the fiscal year ended March 31, 2007. The increase was mainly contributed from our tubular products, steel plates, and non-ferrous metal businesses, automobile lease and finance business in Asia, IPP (Independent Power Producer) business mainly in Asia, Sumisho Computer Systems Corporation, and metal products business in overseas subsidiaries and branches.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥94.1 billion, or 18.2%, from ¥515.8 billion in the fiscal year ended March 31, 2006 to ¥609.9 billion in the fiscal year ended March 31, 2007, in line with the growth in revenues.

Settlements on Copper Trading Litigation. In the fiscal year ended March 31, 2007, we gained ¥9.6 billion from settlements received on the copper trading litigation compared to a net expense of ¥0.1 billion on settlements paid in the fiscal year ended March 31, 2006.

Provision for Doubtful Receivables. The provision for doubtful receivables decreased by ¥6.7 billion, or 45.6%, to ¥8.0 billion in the fiscal year ended March 31, 2007, compared to ¥14.7 billion in the fiscal year ended March 31, 2006. Provision for doubtful receivables recognized for the fiscal year ended March 31, 2007 was mainly related to receivables in overseas businesses from which we withdrew.

Impairment Losses on Long-Lived Assets. Impairment losses on long-lived assets decreased by ¥2.6 billion, or 21.0%, from ¥12.4 billion in the fiscal year ended March 31, 2006 to ¥9.8 billion in the fiscal year ended March 31, 2007. Impairment losses recognized for the fiscal year ended March 31, 2007 were mainly related to a mining right for gas development in North America.

Gain on Sale of Property and Equipment, Net. We recorded a gain on sale of property and equipment of ¥2.4 billion for the fiscal year ended March 31, 2007 while we recorded a loss of ¥0.4 billion for the fiscal year ended March 31, 2006.

Interest Income. Interest income increased by ¥13.9 billion, or 73.2%, from ¥19.0 billion in the fiscal year ended March 31, 2006 to ¥32.9 billion in the fiscal year ended March 31, 2007. This was mainly due to higher U.S. dollar and Japanese yen interest rates.

Interest Expense. Interest expense increased by ¥31.0 billion, or 79.5%, from ¥39.0 billion in the fiscal year ended March 31, 2006 to ¥70.0 billion in the fiscal year ended March 31, 2007. The increase was mainly due to higher U.S. dollar and Japanese yen interest rates and the increase of U.S. dollar-denominated loans.

Dividends. Total dividend income increased by ¥3.7 billion, or 35.6%, from ¥10.4 billion in the fiscal year ended March 31, 2006 to ¥14.1 billion in the fiscal year ended March 31, 2007. This was mainly due to the increased dividends from foreign investments and domestic listed companies.

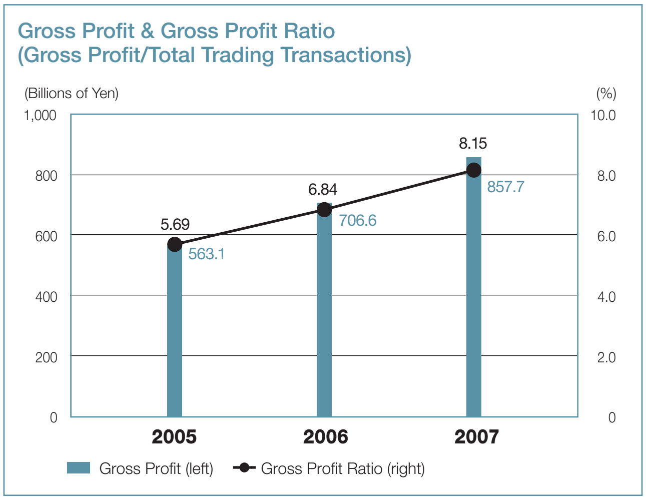
Other than Temporary Impairment Losses on Securities. Other than temporary impairment losses on securities decreased by ¥0.8 billion, or 21.6%, from ¥3.7 billion in the fiscal year ended March 31, 2006 to ¥2.9 billion in the fiscal year ended March 31, 2007.

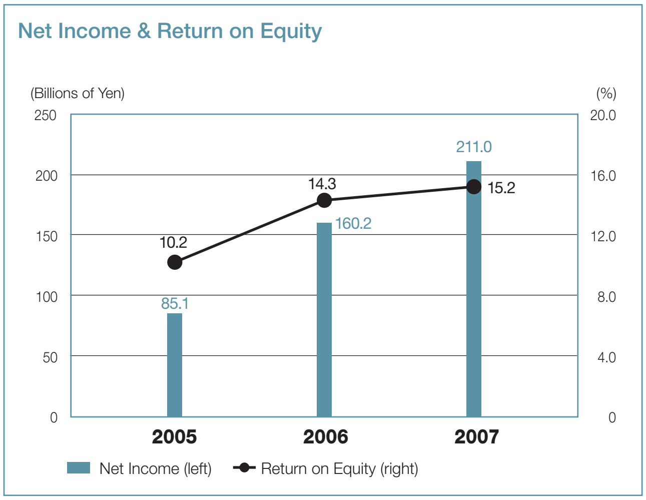
Gain on Sale of Marketable Securities and Other Investments, Net. Gain on sale of marketable securities and other investments increased by ¥3.0 billion, or 6.8%, from ¥44.0 billion for the fiscal year ended March 31, 2006 to ¥47.0 billion for the fiscal year ended March 31, 2007. Capital gain of INPEX Holdings Inc. contributed for the fiscal year ended March 31, 2007.

Equity in Earnings of Associated Companies, Net. Equity in earnings of associated companies increased by ¥18.9 billion, or 36.8%, from ¥51.4 billion in the fiscal year ended March 31, 2006 to ¥70.3 billion in the fiscal year ended March 31, 2007. The increase was mainly due to strong performances by the copper business in the Americas, steel pipe business in the North America, Jupiter Telecommunications Co., Ltd., and Jupiter TV Co., Ltd.

Income Taxes. Income taxes increased by ¥34.1 billion, or 42.3%, from ¥80.7 billion in the fiscal year ended March 31, 2006 to ¥114.8 billion in the fiscal year ended March 31, 2007, attributable to the increase in income before income taxes and minority interests in earnings of subsidiaries.

Minority Interests in Earnings of Subsidiaries, Net. Minority interests in earnings of subsidiaries decreased by ¥0.8 billion, or 11.6%, from ¥6.9 billion in the fiscal year ended March 31, 2006 to ¥6.1 billion in the fiscal year ended March 31, 2007. The decrease was mainly attributable to the increase in our ownership in Sumisho Auto Leasing Corporation during the fiscal year ended March 31, 2006.





Net Income. As a result of the factors discussed above, net income increased by ¥50.8 billion, or 31.7%, from ¥160.2 billion in the fiscal year ended March 31, 2006 to ¥211.0 billion in the fiscal year ended March 31, 2007.

Total Trading Transactions. Total trading transactions increased ¥192.0 billion, or 1.9%, from ¥10,336.3 billion in the fiscal year ended March 31, 2006 to ¥10,528.3 billion in the fiscal year ended March 31, 2007. This was mainly due to the continuous strong performances by tubular products, steel plates, and non-ferrous metal businesses, mineral resources businesses and the effect of newly consolidated subsidiaries. The increase was partially offset by the decrease in transactions resulting from our review of unprofitable businesses.

8. OPERATING SEGMENT ANALYSIS

We manage and assess our business through eleven operating segments, including nine operating segments based on industries and two operating segments based on a geographical focus.

We conduct our business through nine business segments based on industries, including: Metal Products; Transportation & Construction Systems; Machinery & Electric; Media, Electronics & Network; Chemical; Mineral Resources & Energy; Consumer Goods & Service; Materials & Real Estate; and Financial & Logistics.

In addition, we conduct our business through regional operations—domestic and overseas. Domestically, in addition to our subsidiaries and offices throughout Japan, we have three regional business units, which are distinct from the industry-based business units, that oversee activities in the Kansai, Chubu and Kyushu-Okinawa regions. Our overseas operations are conducted by our overseas subsidiaries, such as Sumitomo Corporation of America, and branch offices. These regional operations conduct trading activities in all industry sectors based on their specialized knowledge of the regions. In addition, they work together on certain projects with our industry-based business units in order to develop products and services that are more focused for any particular region. In such cases, revenue and expenses are shared by the units based on their respective roles. These regional operations constitute the "Domestic Regional Business Units and Offices" and "Overseas Subsidiaries and Branches" segments in our consolidated financial statements.

The following table sets forth our operating results by operating segments for the years ended March 31, 2007 and 2006.

Breakdown of Gross Profit by Operating Segment

For the years ended March 31, 2007 and 2006	Billions of Yen				Millions of U.S. Dollars
	2007	2006	increase/ decrease	increase/ decrease	2007
Metal Products	¥ 77.6	¥ 65.4	¥ 12.2	18.7%	$ 658
Transportation & Construction Systems	134.6	127.5	7.1	5.6	1,140
Machinery & Electric	38.4	29.3	9.1	31.1	326
Media, Electronics & Network	59.8	47.2	12.6	26.7	507
Chemical	34.6	35.5	(0.9)	(2.5)	293
Mineral Resources & Energy	47.9	48.7	(0.8)	(1.6)	406
Consumer Goods & Service	109.4	98.6	10.8	11.0	927
Materials & Real Estate	88.7	56.2	32.5	57.8	751
Financial & Logistics	29.2	25.0	4.2	16.8	247
Domestic Regional Business Units and Offices	41.4	41.1	0.3	0.7	351
Overseas Subsidiaries and Branches	226.4	141.6	84.8	59.9	1,919
Segment Total	888.0	716.1	171.9	24.0	7,525
Corporate and Eliminations	(30.3)	(9.5)	(20.8)	(218.9)	(256)
Consolidated	¥857.7	¥706.6	¥151.1	21.4%	$7,269

Breakdown of Net Income (Loss) by Operating Segment

For the years ended March 31, 2007 and 2006	Billions of Yen				Millions of U.S. Dollars
	2007	2006	increase/ decrease	increase/ decrease	2007
Metal Products	¥ 26.3	¥ 18.9	¥ 7.4	39.2%	$ 223
Transportation & Construction Systems	26.7	19.8	6.9	34.8	226
Machinery & Electric	16.6	8.0	8.6	107.5	141
Media, Electronics & Network	11.2	14.9	(3.7)	(24.8)	95
Chemical	5.1	5.4	(0.3)	(5.6)	43
Mineral Resources & Energy	33.0	22.9	10.1	44.1	280
Consumer Goods & Service	5.5	14.9	(9.4)	(63.1)	47
Materials & Real Estate	15.1	12.4	2.7	21.8	128
Financial & Logistics	5.9	6.2	(0.3)	(4.8)	50
Domestic Regional Business Units and Offices	7.6	5.3	2.3	43.4	64
Overseas Subsidiaries and Branches	43.2	28.2	15.0	53.2	366
Segment Total	196.2	156.9	39.3	25.0	1,663
Corporate and Eliminations	14.8	3.3	11.5	348.5	125
Consolidated	¥211.0	¥160.2	¥ 50.8	31.7%	$1,788

Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006

Metal Products

Gross profit increased by ¥12.2 billion, or 18.7%, from ¥65.4 billion in the fiscal year ended March 31, 2006 to ¥77.6 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the strong performance in our tubular products, steel plates, and non-ferrous metal businesses. Net income increased by ¥7.4 billion, or 39.2%, from ¥18.9 billion in the fiscal year ended March 31, 2006 to ¥26.3 billion in the fiscal year ended March 31, 2007.

Transportation & Construction Systems

Gross profit increased by ¥7.1 billion, or 5.6%, from ¥127.5 billion in the fiscal year ended March 31, 2006 to ¥134.6 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the continuing strong performance in the automobile lease and finance business in Asia, and the ship business contributed strongly, reflecting good market conditions. Net income increased by ¥6.9 billion, or 34.8%, from ¥19.8 billion in the fiscal year ended March 31, 2006 to ¥26.7 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the increase in gross profit and increased earnings from Sumisho Auto Leasing Corporation, which became a wholly owned subsidiary in the fiscal year ended March 31, 2006.

Machinery & Electric

Gross profit increased by ¥9.1 billion, or 31.1%, from ¥29.3 billion in the fiscal year ended March 31, 2006 to ¥38.4 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the strong performance in the IPP business mainly in Asia. Net income increased by ¥8.6 billion, or 107.5%, from ¥8.0 billion in the fiscal year ended March 31, 2006 to ¥16.6 billion in the fiscal year ended March 31, 2007. In addition to the increase in gross profit, equity in earnings from the IPP/IWPP (Independent Water and Power Producer) businesses in Asia and Middle East contributed to the increase in net income.

Media, Electronics & Network

Gross profit increased by ¥12.6 billion, or 26.7%, from ¥47.2 billion in the fiscal year ended March 31, 2006 to ¥59.8 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the improvement in profitability of Sumisho Computer Systems Corporation. Net income decreased by ¥3.7 billion, or 24.8%, from ¥14.9 billion in the fiscal year ended March 31, 2006 to ¥11.2 billion in the fiscal year ended March 31, 2007. The decrease was due to the capital gain in the previous year, while the increase in equity in earnings from Jupiter Telecommunications Co., Ltd. and Jupiter TV Co., Ltd. as well as the increase in gross profit contributed to the net income.

Chemical

Gross profit decreased by ¥0.9 billion, or 2.5%, from ¥35.5 billion in the fiscal year ended March 31, 2006 to ¥34.6 billion in the fiscal year ended March 31, 2007. The decrease was mainly attributable to the U.S. PVC pipe business which turned in a strong performance in the previous year due to the steep rise in market prices caused by Hurricane Katrina. Net income decreased by ¥0.3 billion, or 5.6%, from ¥5.4 billion in the fiscal year ended March 31, 2006 to ¥5.1 billion in the fiscal year ended March 31, 2007.

Mineral Resources & Energy

Gross profit decreased by ¥0.8 billion, or 1.6%, from ¥48.7 billion in the fiscal year ended March 31, 2006 to ¥47.9 billion in the fiscal year ended March 31, 2007. The decrease was mainly due to the decreases in oil production in the North Sea and gas production in North America. Net income increased by ¥10.1 billion, or 44.1%, from ¥22.9 billion in the fiscal year ended March 31, 2006 to ¥33.0 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the increase in equity in earnings from our copper business in the Americas and the capital gain from selling INPEX Holdings Inc. stock.

Consumer Goods & Service

Gross profit increased by ¥10.8 billion, or 11.0%, from ¥98.6 billion in the fiscal year ended March 31, 2006 to ¥109.4 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the strong performance by Summit, Inc., a food supermarket. Net income decreased by ¥9.4 billion, or 63.1%, from ¥14.9 billion in the fiscal year ended March 31, 2006 to ¥5.5 billion in the fiscal year ended March 31, 2007. The decrease was due to the gain on sale of the investment in Coach Japan Inc. in the previous year.

Materials & Real Estate

Gross profit increased by ¥32.5 billion, or 57.8%, from ¥56.2 billion in the fiscal year ended March 31, 2006 to ¥88.7 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the strong performance in condominium sales and the contribution of TBC Corporation. Net income increased by ¥2.7 billion, or 21.8%, from ¥12.4 billion in the fiscal year ended March 31, 2006 to ¥15.1 billion in the fiscal year ended March 31, 2007.

Financial & Logistics

Gross profit increased by ¥4.2 billion, or 16.8%, from ¥25.0 billion in the fiscal year ended March 31, 2006 to ¥29.2 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the strong performance in the commodity trading business. Net income of ¥5.9 billion in the fiscal year ended March 31, 2007 was at the same level as the net income of ¥6.2 billion in the fiscal year ended March 31, 2006.

Domestic Regional Business Units and Offices

Gross profit increased by ¥0.3 billion, or 0.7%, from ¥41.1 billion in the fiscal year ended March 31, 2006 to ¥41.4 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the strong performances in metal products businesses. Net income increased by ¥2.3 billion, or 43.4%, from ¥5.3 billion in the fiscal year ended March 31, 2006 to ¥7.6 billion in the fiscal year ended March 31, 2007.

Overseas Subsidiaries and Branches

Gross profit increased by ¥84.8 billion, or 59.9%, from ¥141.6 billion in the fiscal year ended March 31, 2006 to ¥226.4 billion in the fiscal year ended March 31, 2007. The increase was mainly due to the strong performances in metal products businesses primarily in Sumitomo Corporation of America and the contribution of TBC Corporation. Net income increased by ¥15.0 billion, or 53.2%, from ¥28.2 billion in the fiscal year ended March 31, 2006 to ¥43.2 billion in the fiscal year ended March 31, 2007.

9. LIQUIDITY AND CAPITAL RESOURCES

In general, we seek to fund our operations through cash flow from operations, bank debt and debt raised in the capital markets and issuance of commercial paper. Our basic policy for fund raising activities is to secure stable, medium- to long-term low-interest rate funds and liquidity for our operations. As of March 31, 2007, we had ¥3,654.7 billion of short-term and long-term debt. Our short-term debt, excluding current maturities of long-term debt was ¥461.9 billion, a decrease of ¥77.7 billion from the previous year. Our short-term debt consisted of ¥316.2 billion of loans, principally from bank, and ¥145.7 billion of commercial paper.

As of March 31, 2007, we had long-term debt of ¥3,192.8 billion, an increase of ¥298.3 billion from the previous year, including current maturities of ¥428.4 billion. As of March 31, 2007, the balance of our borrowings from banks and insurance companies was ¥2,368.8 billion, an increase of ¥262.3 billion from the previous year, and the balance of notes and bonds was ¥524.9 billion, an increase of ¥18.5 billion from the previous year.

Most of our loans from banks contain covenant provisions customary in Japan. We do not believe those provisions materially limit our operating or financial flexibility. However, some credit agreements require us to obtain prior approval for any dividend payments or other distributions to shareholders. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Under some agreements, principally with government-owned financial institutions, we may be required to make early repayments of an outstanding amount if the lender concludes that we are able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and makes such prepayment request. Certain agreements provide that the banks may require the borrower to receive bank approval prior to the payment of dividends and other appropriations of earnings. We have not been asked to make any such prepayment and currently do not anticipate any prepayment request. See "Risk Factors—Risks stemming from restriction on access to liquidity and capital."

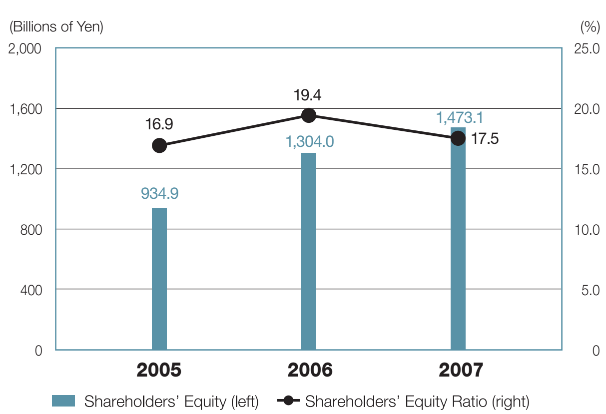
In addition, as of March 31, 2007, we had several committed lines of credit available for immediate borrowing providing an aggregate of up to $1,150 million and ¥445 billion in short-term loans. To date, we have not drawn on any of these lines of credit. We believe these lines of credit do not contain any material covenants, ratings triggers or other restrictions that could potentially impair our ability to draw down funds. We also have several uncommitted lines of credit. These lines of credit consist of:

- a $1,100 million multi-borrower and multi-currency line of credit provided by a syndicate of major European and U.S. banks, under which we can obtain loans for Sumitomo Corporation or any of our subsidiaries in the United Kingdom, Netherlands and the United States;
- a $50 million U.S. dollar-denominated line of credit provided to Sumitomo Corporation of America by a major U.S. bank;
- a ¥330 billion line of credit provided by a syndicate of major Japanese banks; and
- a ¥115 billion line of credit provided by a syndicate of Japanese regional banks.

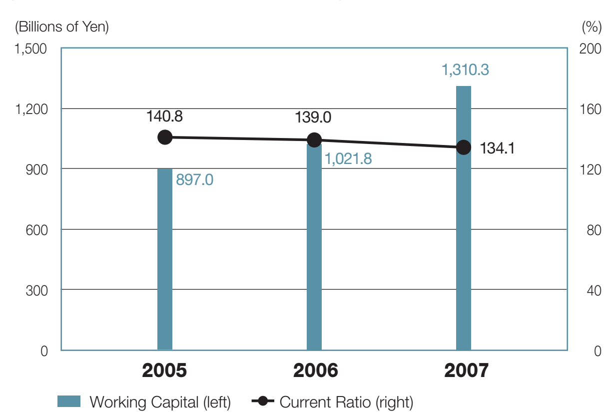
As of March 31, 2007, our long-term and short-term credit ratings are A2/P-1 from Moody's Investors Service, A/A-1 from Standard & Poor's and A+/a-1 from Rating and Investment Information, Inc. On April 20, 2007, Rating and Investment Information, Inc. raised our long-term credit ratings to AA- and short-term credit ratings to a-1+. In order to facilitate our access to capital markets for funding, we have established several funding programs, including:

- a ¥200 billion Japanese shelf registration for primary debt offerings;
- a ¥1.0 trillion commercial paper program in Japan;
- a $1,500 million commercial paper program, established by our U.S. subsidiary, Sumitomo Corporation of America;
- a U.S.$3,000 million Euro Medium Term Note program jointly established by Sumitomo Corporation Capital Europe PLC, Sumitomo Corporation Capital Netherlands N.V., Sumitomo Corporation of America and Sumitomo Corporation Capital Asia; and
- a U.S.$1,500 million Euro-denominated commercial paper program established by Sumitomo Corporation Capital Europe.

Shareholders' Equity & Shareholders' Equity Ratio



Working Capital & Current Ratio (Current Assets/Current Liabilities)



Our total assets increased by ¥1,718.6 billion to ¥8,430.5 billion from March 31, 2006. Of the increase, about ¥1,500 billion was due to the temporary consolidation of Sumisho Lease Co., Ltd. Also, operating assets increased as a result of expanding our core businesses and fixed assets increased due to the strategic investments such as silver and zinc mine in Bolivia.

As of March 31, 2007, our shareholders' equity was ¥1,473.1 billion, representing an increase of ¥169.1 billion from March 31, 2006, due to the increase in retained earnings. Our ratio of shareholders' equity to total assets was 17.5%, down 1.9 points due to the temporary consolidation of Sumisho Lease Co., Ltd. Our interest-bearing liabilities (net) were ¥2,913.3 billion, an increase of ¥291.1 billion. As a result, our net debt-to-equity ratio was 2.0 as of March 31, 2007.

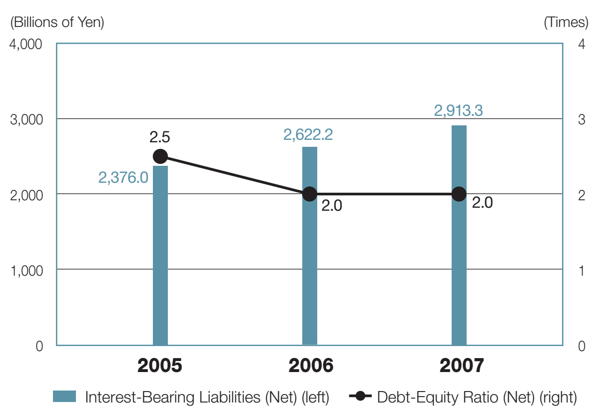
As of March 31, 2007, we had current trade receivables of ¥2,014.7 billion from third parties and ¥100.0 billion from associated companies. Our current trade receivables in Japan are generally collected within six months. We make allowances for doubtful current receivables, which at March 31, 2007 were ¥13.6 billion. As of March 31, 2007, we had current trade payables of ¥1,211.7 billion to third parties and ¥38.7 billion to associated companies.

We had working capital of ¥1,310.3 billion as of March 31, 2007 compared to ¥1, 021.8 billion as of March 31, 2006.

Liquidity and Capital Resources

	Billions of Yen			Millions of U.S. Dollars
As of March 31, 2007, 2006 and 2005	2007	2006	2005	2007
Short-term				
Loans, principally from banks	¥ 316.2	¥ 408.7	¥ 299.9	$ 2,680
Commercial paper	145.7	130.9	112.3	1,235
	461.9	539.6	412.2	3,915
Long-term, including current maturities of long-term debt				
Secured long-term debt				
Loans	237.4	208.5	249.2	2,012
Bonds	25.3	10.8	7.9	214
Unsecured long-term debt				
Loans	2,131.4	1,898.0	1,739.8	18,063
Bonds and notes	499.6	495.6	431.0	4,234
	2,893.7	2,612.9	2,427.9	24,523
Interest-bearing liabilities (gross)	3,355.6	3,152.5	2,840.1	28,438
Cash and cash equivalents & time deposits	442.3	530.3	464.1	3,749
Interest-bearing liabilities (net)	2,913.3	2,622.2	2,376.0	24,689
Total assets	8,430.5	6,711.9	5,533.1	71,445
Shareholders' equity	1,473.1	1,304.0	934.9	12,484
Shareholders' equity ratio (%)	17.5	19.4	16.9	
Debt-equity ratio (gross) (times)	2.3	2.4	3.0	
Debt-equity ratio (net) (times)	2.0	2.0	2.5	

Interest-Bearing Liabilities (Net) & Debt-Equity Ratio (Net)



The following table sets forth our cash flow information for the years ended March 31, 2007, 2006 and 2005:

Summary Statements of Consolidated Cash Flows

	Billions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2007, 2006 and 2005	2007	2006	2005	2007
Net cash (used in) provided by operating activities	¥ 191.2	¥ (62.8)	¥ (20.8)	$ 1,621
Net cash used in investing activities	(453.1)	(141.4)	(55.9)	(3,840)
Free cash flow	(261.9)	(204.2)	(76.7)	(2,219)
Net cash provided by financing activities	176.1	262.1	115.8	1,492
Effect of exchange rate changes on cash and cash equivalents	4.4	8.3	(0.8)	38
Effect of the change in the reporting period of subsidiaries and associated companies	3.8	1.9	—	32
Cash and cash equivalents included in assets held for sale	(7.6)	—	—	(65)
Net increase in cash and cash equivalents	¥ (85.2)	¥ 68.1	¥ 38.3	$ (722)

Net cash provided by operating activities was ¥191.2 billion for the fiscal year ended March 31, 2007 compared to ¥62.8 billion used in operating activities for the fiscal year ended March 31, 2006. Each business segment generated cash from strong business results. On the other hand, we also used cash to increase our operating assets related to the expansion of businesses.

Net cash used in investing activities was ¥453.1 billion for the fiscal year ended March 31, 2007 compared to ¥141.4 billion for the fiscal year ended March 31, 2006. This was mainly due to the expansion of core businesses including lease businesses, and the strategic investments such as the acquisition of Sumisho Lease Co., Ltd. shares through a tender offer and investments in mineral resources rights.

As a result, free cash flow, calculated as net cash provided by operating activities plus net cash used in investing activities, was ¥261.9 billion cash out for the fiscal year ended March 31, 2007 compared to ¥204.2 billion cash out for the fiscal year ended March 31, 2006.

Net cash provided by financing activities was ¥176.1 billion for the fiscal year ended March 31, 2007 compared to ¥262.1 billion for the fiscal year ended March 31, 2006. Net cash provided by financing activities for the fiscal year ended March 31, 2007 was mainly resulting from raising funds to acquire shares of Sumisho Lease Co., Ltd. through a tender offer.

As of March 31, 2007, our contractual cash obligations for the periods indicated were as follows:

	Billions of Yen						
	Payments due by period						
	Total	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
Long-term debt	¥3,192.8	¥428.4	¥382.7	¥372.0	¥412.2	¥502.6	¥1,094.9
Operating leases	379.2	42.4	38.9	36.3	37.5	31.4	192.7
Total	¥3,572.0	¥470.8	¥421.6	¥408.3	¥ 449.7	¥534.0	¥1,287.6

Long-term debt includes capital lease obligations.

As of March 31, 2007, we had long-term financing commitments in the aggregate amount of ¥14.4 billion in connection with loans and investments in equity capital.

We enter into long-term purchase commitments in the normal course of our trading operations that provide for either fixed prices or basic purchase prices adjustable to market. Those commitments are in most instances matched with counterparty sales contracts. Long-term purchase contracts at fixed prices or at basic purchase prices adjustable to market amounted to ¥1,080.7 billion as of March 31, 2007. Scheduled deliveries are at various dates through 2012.

As of March 31, 2007, we have no material commitments for capital expenditures.

In addition to our commitments discussed above, in connection with our businesses, from time to time, we incur various contingent liabilities, such as guarantees of our customers' obligations. In addition, we are, from time to time, subject to contingent liabilities arising from litigation. These contingent liabilities are discussed in detail in "10—Contingencies" and "11—Litigation" described below. Although we currently do not believe that our cash needs under such contingent liabilities will be significant, if, contrary to expectations, defaults under guarantees are substantial or there is a major adverse outcome in our litigation, such contingent liabilities may create significant new cash needs for us.

Our primary future recurring cash needs will be for working capital, capital investments in new and existing business ventures and debt service. Our growth strategy contemplates the making of investments, in the form of acquisitions, equity investments and loans. We invested ¥317.0 billion in property, equipment and other assets and made ¥300.7 billion of other investments in the fiscal year ended March 31, 2007. We are currently contemplating acquisitions of companies complementary to our existing businesses and also to related business areas in all business segments.

These investments, however, are either at a preliminary evaluation stage or are subject to a number of conditions, and accordingly, may not be completed. And we believe that our existing cash, current credit arrangements and cash flow from operations will be sufficient to meet our cash needs during the foreseeable future, although we cannot assure you that this will be the case. If our future cash flows from operations are less than we expect, we may need to incur additional debt, pursue other sources of liquidity, or modify our investment plans.

10. CONTINGENCIES

In connection with our businesses, from time to time, we incur various contingent liabilities, such as guarantees of our customers' obligations. We conduct business with counterparties around the world, and we make an effort to control the related trade receivables and guarantees in order to minimize concentrations of credit risks. We do not anticipate losses on the commitments and guarantees discussed below in excess of established allowances.

From time to time, we sell certain trade notes receivable to banks and other financial institutions on a recourse basis in the ordinary course of our business. In particular, we enter into such transactions when we believe holding a particular receivable may expose us to unnecessary risks, such as foreign currency exchange risks associated with a non-yen-denominated receivable matched with a yen-denominated payable. As of March 31, 2007, we were contingently liable to certain banks for the aggregate amount of ¥125.9 billion for discounted trade notes receivable (principally relating to export transactions maturing through 2009) sold to those banks on a recourse basis.

As of March 31, 2007, we were contingently liable for guarantees (continuing through 2032) in the aggregate amount of ¥127.9 billion, including ¥81.5 billion relating to our associated companies and ¥4.1 billion to our employees but excluding discounted trade notes receivable sold to banks on a recourse basis as discussed above. The guarantees were primarily to enhance the credit standings of our associated companies, suppliers, buyers and employees, and in respect of the residual value on operating leases.

We also provide residual value guarantees to compensate for any potential shortfall between a specified price and actual sale proceeds on fixed dates from 2012 to 2015 in the aggregate amount of ¥15.6 billion, for some owners in relation to transportation equipment subject to operating leases. If the market value of the transportation equipment is less than the guaranteed value on the fixed date, we will be required to compensate for the shortfall. The current estimated future value of such transportation equipment is higher than the guaranteed value, and consequently there was no allowance for the liabilities under these guarantees as of March 31, 2007.

11. LITIGATION

(1) Copper Trading Litigation

In June 1996, we announced that we had incurred significant losses resulting from unauthorized copper trading by a former employee. Following the announcement, regulatory authorities in the United States and the United Kingdom conducted investigations into our copper trading activities. Several lawsuits were also brought against us, alleging, among other things, manipulation of the price of copper. We reached settlements with the regulators in the United States and the United Kingdom, and reached settlements or otherwise resolved all of the related civil lawsuits by October 31, 2006.

The Company and UBS AG (headquarters: Switzerland) reached a settlement of a lawsuit filed by the Company against UBS AG in relation to the illicit copper trading by a former employee of the Company in the Tokyo High Court on April 7, 2006. Under the settlement, UBS AG, without any admission of wrongdoing or unlawful act, paid the Company the full amount of ¥10 billion ($85 million) on April 27, 2006, which was recognized in the year ending March 31, 2007.

(2) Other Litigation

Except the preceding paragraph (1), the Companies are also involved in certain legal actions and claims incidental to its business. In the opinion of management, none of these actions or claims will have a material adverse effect on the financial position on result of operations of the Companies.

12. NEW ACCOUNTING PRONOUNCEMENTS

In June, 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." FIN No. 48 clarifies the criteria for recognizing tax benefits under SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 also requires additional financial statement disclosures about uncertain tax positions. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Companies are evaluating the effect of impact on the Companies' consolidated financial statements.

In September, 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. SFAS No. 157 applies when other accounting pronouncements require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The application of SFAS No. 157 is not expected to have a significant impact on the Companies' consolidated financial statements.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain warranty and insurance contracts at fair value on a contract-by-contract basis. SFAS No. 159 contains financial statement presentation and disclosure requirements for assets and liabilities reported at fair value as a consequence of the election. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Companies are evaluating the effect of impact on the Companies' consolidated financial statements.

13. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

In the normal course of business, we are exposed to risks arising from fluctuations in interest and currency exchange rates, commodity prices and equity prices. In order to manage these risks, we use financial and commodity derivative instruments including: foreign exchange forwards, currency swaps and options; interest rate swaps, futures and options; and commodity futures, forwards, swaps, and options. To a lesser degree, we also use derivative commodity instruments for trading purposes within prescribed position limits and loss limits imposed under the risk management structure described below.

Interest Rate Risk

Our business activities expose us to market risks arising from changes in interest rates, which we monitor and take measures to minimize through our Financial Resources Management Group of the Corporate Group. In particular, interest rate fluctuations will impact our borrowing costs because a significant amount of our outstanding debt instruments are floating rate instruments and because we have short-term borrowings that we refinance from time to time. However, the impact on our borrowing costs will be partially offset by increased returns on some of our assets which will also be impacted by interest rate fluctuations. In addition, we are engaged in financing activities, such as automobile financing, which could be affected by interest rate fluctuations. To manage this risk, we enter into interest rate swap agreements, future contracts and option contracts which serve to modify and match the interest rate characteristics of our assets and liabilities.

Foreign Currency Exchange Rate Risk

The nature of our global operations expose us to market risks caused by fluctuations in foreign currency exchange rates related to imports, exports and financing in currencies other than the local currency. Each business department manages its foreign currency exchange rate risk by entering into internal foreign exchange forward contracts with our Financial Resources Management Group. Through those internal transactions and otherwise, the Financial Resources Management Group monitors the company-wide market risks arising from the changes in foreign exchange rates associated with underlying transactions denominated in foreign currencies. The Financial Resources Management Group enters into foreign exchange forward contracts, currency swap agreements and currency option contracts with third parties for hedging purposes.

Commodity Price Risk

As major participants in global commodity markets, we trade in physical precious and base metals, energy products (crude oil and refined oil products) and agricultural products (wheat, coffee, sugar and others), and utilize a variety of derivatives related to these commodities. Derivatives on those commodities are often used to hedge price movements in the underlying physical transactions. To a lesser degree, we use such instruments for trading purposes within well-defined position limits and loss limits. In addition, we are engaged in mining and oil and gas production operations, which are subject to fluctuations in commodity prices.

Equity Price Risk

We are exposed to equity price risk inherent in stock we hold in financial institutions and our customers and suppliers for strategic purposes and in the other investments held by us. We do not take continuous hedging measures against the market exposures on those securities.

The cost, fair value and unrealized holding net gains on our marketable equity securities as of March 31, 2007 and 2006 were as follows:

The Cost, Fair Value and Net Unrealized Gains on Marketable Equity Securities

	Billions of Yen		Millions of U.S. Dollars
As of March 31, 2007 and 2006	2007	2006	2007
Cost	¥198.4	¥170.9	$1,681
Fair value	659.2	617.0	5,587
Net unrealized gains	¥460.8	¥446.1	$3,906

Risk Management Structure

Any business department wishing to enter into a derivative transaction or any other type of transaction exposing us to market risk must obtain approval from the President or General Manager, depending on the magnitude of the transaction, before it enters into the transaction. The President or General Manager, as the case may be, reviews requests with the assistance of staff members who have expertise in derivative contracts. The request must identify the counterparty, the applicable market and credit risks and state the objectives of the transaction, the trading limit, and the loss limit amount.

The Financial Resources Management Group provides the following with respect to the execution and monitoring of transactions:

- back office support services for financial and derivative commodity transactions, such as opening accounts, confirming the execution of contracts, processing settlement and delivery of funds, and maintaining accounting records for the transactions;
- confirmation of balances of each transaction position; and
- monitoring of the status of positions and analyzing and calculating the risks of related transactions on a company-wide basis, and issuing periodic reports to our senior management, including semi-annual reports to our board of directors.

Our subsidiaries are required to comply with the risk management structure described above when they execute commodity market transactions.

VaR (Value-at-Risk)

VaR is a statistical measure of the potential maximum loss in the fair value of a portfolio that may result from adverse market movements in underlying risk factors, which is calculated over a defined period and within a certain confidence level. We use the VaR method to measure the market risk for certain market-sensitive commodity transactions and certain financial transactions. The following table sets forth the year-end, high, low, and average VaR figures (which are generally calculated on a three-day holding period) as of the end of each month in the fiscal year ended March 31, 2007:

VaR

	Billions of Yen			
For the year ended March 31, 2007	At year-end	High	Low	Average
	¥5.8	¥7.8	¥5.0	¥6.4

We estimated VaR during the defined periods using the Monte Carlo simulation method with a confidence level of 99%. As VaR incorporates historical data regarding changes in market risk factors, our actual results may differ materially from the calculations above.

We periodically conduct backtesting in which estimated quantitative risks are compared with actual gains or losses to verify the accuracy of our VaR measurement model. The actual value of gains or losses never exceeded VaR in our backtesting during the twelve months ended December 31, 2006, which was the most recent period for which backtesting was conducted. Based on our backtesting, we believe our VaR model provided reasonably accurate measurements.

CONSOLIDATED BALANCE SHEETS

Sumitomo Corporation and Subsidiaries
As of March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars
ASSETS	2007	2006	2007
Current assets:			
Cash and cash equivalents	¥ 436,814	¥ 522,000	$ 3,702
Time deposits	5,514	8,331	47
Marketable securities (Notes 5 and 11)	17,304	22,087	147
Receivables—trade (Notes 6, 11 and 21):			
Notes and loans	292,630	265,022	2,480
Accounts	1,722,118	1,646,126	14,594
Associated companies	100,014	98,278	848
Allowance for doubtful receivables	(13,594)	(15,335)	(115)
Inventories (Note 7)	757,473	705,257	6,419
Deferred income taxes (Note 12)	39,314	31,998	333
Advance payments to suppliers	55,617	50,165	471
Assets held for sale (Note 3)	1,516,385	—	12,851
Other current assets (Note 13)	228,161	310,411	1,933
Total current assets	5,157,750	3,644,340	43,710
Investments and long-term receivables (Notes 6, 11 and 21):			
Investments in and advances to associated companies (Note 8)	559,537	469,482	4,742
Other investments (Note 5)	833,825	783,015	7,066
Long-term receivables	706,107	662,075	5,984
Allowance for doubtful receivables	(28,454)	(40,703)	(241)
Total investments and long-term receivables	2,071,015	1,873,869	17,551
Property and equipment, at cost (Notes 9, 11 and 21)	1,371,650	1,263,682	11,624
Accumulated depreciation	(506,959)	(444,179)	(4,296)
	864,691	819,503	7,328
Goodwill and other intangible assets (Notes 3, 10 and 21)	255,526	259,264	2,165
Prepaid expenses, non-current (Note 13)	47,428	94,710	402
Deferred income taxes, non-current (Note 12)	11,632	13,511	99
Other assets	22,435	6,697	190
Total (Note 19)	¥8,430,477	¥6,711,894	$71,445

See the accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2007	Millions of Yen 2006	Millions of U.S. Dollars 2007
Current liabilities:			
Short-term debt (Note 11)	¥ 461,931	¥ 539,567	$ 3,915
Current maturities of long-term debt (Note 11)	416,491	428,545	3,530
Payables—trade (Note 21):			
Notes and acceptances	107,865	93,278	914
Accounts	1,103,839	1,070,921	9,354
Associated companies	38,654	29,713	328
Income taxes (Note 12)	54,919	33,060	465
Accrued expenses	103,755	92,975	879
Advances from customers	79,152	90,483	671
Liabilities associated with assets held for sale (Note 3)	1,329,288	—	11,265
Other current liabilities (Note 12)	151,509	243,972	1,284
Total current liabilities	3,847,403	2,622,514	32,605
Long-term debt, less current maturities (Notes 11 and 21)	2,764,352	2,447,170	23,427
Accrued pension and retirement benefits (Note 13)	9,835	13,180	83
Deferred income taxes, non-current (Note 12)	239,507	230,364	2,030
Minority interests	96,252	94,691	816
Commitments and contingent liabilities (Note 22)			
Shareholders' equity (Notes 14 and 18):			
Common stock — authorized 2,000,000,000 shares; issued 1,250,602,867 shares in 2007 and 2006	219,279	219,279	1,858
Additional paid-in capital	279,711	279,470	2,370
Retained earnings:			
Appropriated for legal reserve	17,696	17,696	150
Unappropriated	755,159	579,217	6,400
	772,855	596,913	6,550
Accumulated other comprehensive income (Note 15)	222,290	213,767	1,884
Treasury stock, at cost: 15,118,112 and 6,212,224 shares in 2007 and 2006, respectively	(21,007)	(5,454)	(178)
Total shareholders' equity	1,473,128	1,303,975	12,484
Total	¥8,430,477	¥6,711,894	$71,445

CONSOLIDATED STATEMENTS OF INCOME

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Revenues (Note 19):				
Sales of tangible products	¥ 2,495,030	¥ 2,079,576	¥1,586,057	$21,144
Sales of services and others	582,180	501,835	463,242	4,934
Total revenues	3,077,210	2,581,411	2,049,299	26,078
Cost (Notes 9 and 20):				
Cost of tangible products sold	2,076,591	1,737,706	1,361,767	17,598
Cost of services and others	142,930	137,058	124,402	1,211
Total cost	2,219,521	1,874,764	1,486,169	18,809
Gross profit (Note 19)	857,689	706,647	563,130	7,269
Other income (expenses):				
Selling, general and administrative expenses (Notes 9, 10 and 13)	(609,900)	(515,807)	(437,849)	(5,169)
Settlements on copper trading litigation (Note 22)	9,584	(109)	2,815	81
Provision for doubtful receivables (Note 6)	(8,041)	(14,707)	(12,896)	(68)
Impairment losses on long-lived assets (Notes 9 and 10)	(9,822)	(12,423)	(29,548)	(83)
Gain (loss) on sale of property and equipment, net (Note 9)	2,355	(362)	11,468	20
Interest income	32,936	18,998	14,562	279
Interest expense	(70,022)	(38,951)	(23,207)	(593)
Dividends	14,095	10,423	6,386	119
Other than temporary impairment losses on securities	(2,850)	(3,723)	(8,927)	(24)
Gain on sale of marketable securities and other investments, net (Note 5)	46,970	43,966	16,339	398
Gain on issuances of stock by subsidiaries and associated companies (Note 8)	360	1,534	12,603	3
Equity in earnings of associated companies, net (Notes 8 and 12)	70,307	51,374	37,387	596
Other, net	(1,732)	947	(914)	(15)
Total other income (expenses)	(525,760)	(458,840)	(411,781)	(4,456)
Income before income taxes and minority interests in earnings of subsidiaries (Note 12)	331,929	247,807	151,349	2,813
Income taxes (Note 12)	114,843	80,737	57,849	973
Income before minority interests in earnings of subsidiaries	217,086	167,070	93,500	1,840
Minority interests in earnings of subsidiaries, net	(6,082)	(6,833)	(8,427)	(52)
Net income (Note 19)	¥ 211,004	¥ 160,237	¥ 85,073	$ 1,788
Total trading transactions* (Note 19)	¥10,528,277	¥10,336,265	¥9,898,598	$89,223

	Yen			U.S. Dollars
Net income per share of common stock (Note 18):				
Basic	¥ 169.93	¥ 130.18	¥ 72.83	$ 1.44
Diluted	169.90	130.17	72.82	1.44

*Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under accounting principles generally accepted in the United States of America ("U.S. GAAP").

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Common stock:				
Balance, beginning of year	¥ 219,279	¥ 219,279	¥169,439	$ 1,858
Issuance of common stock	—	—	49,840	—
Balance, end of year	¥ 219,279	¥ 219,279	¥219,279	$ 1,858
Additional paid-in capital:				
Balance, beginning of year	¥ 279,470	¥ 238,859	¥189,621	$ 2,368
Increase due to Share Exchange Agreement (Note 3)	—	39,896	—	—
Increase due to grant of stock options	263	742	—	2
Gain (loss) on sale of treasury stock	(22)	(27)	39	(0)
Issuance of common stock	—	—	49,199	—
Balance, end of year	¥ 279,711	¥ 279,470	¥238,859	$ 2,370
Retained earnings appropriated for legal reserve:				
Balance, beginning of year	¥ 17,696	¥ 17,686	¥ 17,686	$ 150
Reclassification due to merger under common control (Note 14)	—	10	—	—
Balance, end of year	¥ 17,696	¥ 17,696	¥ 17,686	$ 150
Unappropriated retained earnings:				
Balance, beginning of year	¥ 579,217	¥ 442,630	¥365,894	$ 4,909
Net income	211,004	160,237	85,073	1,788
Cash dividends	(36,188)	(22,140)	(9,070)	(307)
Reclassification due to merger under common control (Note 14)	—	(10)	—	—
Effect of the change in the reporting period of subsidiaries and associated companies	2,406	(1,500)	733	20
Effect of the change of the accounting principles and others (Note 14)	(1,280)	—	—	(10)
Balance, end of year	¥ 755,159	¥ 579,217	¥442,630	$ 6,400
Accumulated other comprehensive income (loss), net of tax (Note 15):				
Balance, beginning of year	¥ 213,767	¥ 17,083	¥ (11,237)	$ 1,812
Other comprehensive income, net of tax	42,329	190,138	28,274	359
Adjustment to initially apply SFAS No.158 (Note 13)	(30,436)	—	—	(258)
Effect of the change in the reporting period of subsidiaries and associated companies	(3,370)	6,546	46	(29)
Balance, end of year	¥ 222,290	¥ 213,767	¥ 17,083	$ 1,884
Treasury stock, common stock:				
Balance, beginning of year	¥ (5,454)	¥ (646)	¥ (555)	$ (46)
Increase due to Sumisho Lease becoming a Subsidiary (Note 3)	(15,468)	—	—	(131)
Increase due to Share Exchange Agreement (Note 3)	—	(4,625)	—	—
Other, net	(85)	(183)	(91)	(1)
Balance, end of year	¥ 21,007	¥ (5,454)	¥ (646)	$ (178)
Total	¥1,473,128	¥1,303,975	¥934,891	$12,484
Comprehensive income:				
Net income	¥ 211,004	¥ 160,237	¥ 85,073	$ 1,788
Other comprehensive income, net of tax (Note 15)				
Net unrealized holding gains on securities available-for-sale	11,925	152,393	28,543	101
Foreign currency transaction adjustments	25,688	45,974	755	218
Net unrealized gains (losses) on derivatives	4,716	(8,229)	(1,024)	40
Comprehensive income	¥ 253,333	¥ 350,375	¥113,347	$ 2,147

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Operating activities:				
Net income	¥ 211,004	¥ 160,237	¥ 85,073	$ 1,788
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	113,278	94,239	77,967	960
Provision for doubtful receivables	8,041	14,707	12,896	68
Impairment losses on long-lived assets	9,822	12,423	29,548	83
(Gain) loss on sale of property and equipment, net	(2,355)	362	(11,468)	(20)
Other than temporary impairment losses on securities	2,850	3,723	8,927	24
Gain on sale of marketable securities and other investments, net	(46,970)	(43,966)	(16,339)	(398)
Gain on issuances of stock by subsidiaries and associated companies	(360)	(1,534)	(12,603)	(3)
Equity in earnings of associated companies, less dividends received	(44,412)	(32,114)	(33,238)	(376)
Changes in operating assets and liabilities, excluding effect of acquisitions and divestitures:				
Increase in receivables	(92,375)	(267,595)	(245,975)	(783)
Increase in inventories	(87,503)	(96,570)	(90,807)	(741)
Increase in payables	106,887	146,392	139,720	906
Decrease (increase) in prepaid expenses	10,266	(18,360)	28,883	87
Other, net	3,062	(34,696)	6,585	26
Net cash provided by (used in) operating activities	191,235	(62,752)	(20,831)	1,621
Investing activities:				
Expenditures for property, equipment and other assets	(317,034)	(188,505)	(122,062)	(2,687)
Proceeds from sale of property, equipment and other assets	43,174	163,500	60,768	366
Acquisition of available-for-sale securities	(35,327)	(63,542)	(20,183)	(299)
Proceeds from sale of available-for-sale securities	48,246	58,381	30,268	409
Proceeds from maturities of available-for-sale securities	75	1,093	834	1
Acquisition of held-to-maturity securities	(165)	(14,014)	(1,932)	(1)
Proceeds from maturities of held-to-maturity securities	2,395	3,350	3,632	20
Acquisition of other investments	(300,749)	(238,692)	(148,182)	(2,549)
Proceeds from sale of other investments	35,368	91,149	63,958	299
Increase in loans and other receivables	(434,036)	(338,038)	(135,603)	(3,678)
Collection of loans and other receivables	497,551	382,620	220,017	4,216
Net decrease (increase) in time deposits	7,382	1,270	(7,348)	63
Net cash used in investing activities	(453,120)	(141,428)	(55,833)	(3,840)
Financing activities:				
Net (decrease) increase in short-term debt	(28,140)	115,389	(56,911)	(238)
Proceeds from issuance of long-term debt	779,713	728,289	267,816	6,608
Repayment of long-term debt	(539,739)	(551,063)	(193,647)	(4,574)
Proceeds from issuance of common stock	—	—	98,625	—
Cash dividends paid	(36,188)	(22,140)	(9,070)	(307)
Capital contribution from minority interests	565	2,233	862	4
(Repayment) proceeds from securities lending activities	—	(10,349)	10,349	—
Acquisition of treasury stock, net	(105)	(214)	(2,199)	(1)
Net cash provided by financing activities	176,106	262,145	115,825	1,492
Effect of exchange rate changes on cash and cash equivalents	4,414	8,284	(844)	38
Effect of the change in the reporting period of subsidiaries and associated companies	3,815	1,860	—	32
Cash and cash equivalents included in assets held for sale (Note 3)	(7,636)	—	—	(65)
Net increase in cash and cash equivalents	(85,186)	68,109	38,317	(722)
Cash and cash equivalents, beginning of year	522,000	453,891	415,574	4,424
Cash and cash equivalents, end of year	¥ 436,814	¥ 522,000	¥ 453,891	$ 3,702

See the accompanying notes to consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Sumitomo Corporation (the "Company") is an integrated trading company (*sogo shosha*). The Company and its subsidiaries (together, the "Companies") are engaged in a wide range of business activities on a global basis. The Companies' business foundation consists of trust, global relations with over 100,000 business partners around the world, a global network with offices and subsidiaries worldwide, intellectual capital, and advanced functions in business development, logistic solutions, financial services, IT solutions, risk management and intelligence gathering and analysis. Through integration of these elements, the Companies provide a diverse array of values to our customers. Based on this business foundation and these functions, the Companies engage in general trading of a wide range of goods and commodities and in various business activities. The Companies act as both principal and agent in these trading transactions. The Companies also provide a range of services for a variety of industries, such as: financing for customers and suppliers; planning, coordination and operation of urban and industrial infrastructure projects; consulting in areas such as system integration and technology development; and transportation and logistics. In addition, the Companies engage in other diverse business activities, including investing in a variety of industries ranging from biotechnology to communications; developing natural resources; manufacturing and processing products such as steel products and textiles; developing and managing real estate; and operating retail stores.

The Companies conduct business through nine industry-based business segments and two sets of regional operations (domestic and overseas) that correspond to the operating segments monitored by the chief operating decision makers (see Note 19). The Companies' industry-based business segments are:

- Metal Products
- Transportation & Construction Systems
- Machinery & Electric
- Media, Electronics & Network
- Chemical
- Mineral Resources & Energy
- Consumer Goods & Service
- Materials & Real Estate
- Financial & Logistics

Each business segment operates with a degree of autonomy in pursuing strategic goals, managing operations and ensuring accountability.

"Trading" as used in the following descriptions of the Companies' industry-based business segments represents sales transactions where the business segment acts as a principal or an agent. See revenue recognition discussed in Note 2 (o).

Metal Products— The Metal Products Business Unit segment engages in global trading involving ferrous and non-ferrous metal products and investment in processing and manufacturing. In steel sheets and tubular products business, we are offering supply chain management (SCM) services in response to the customer's precise needs. This segment is comprised of three Iron & Steel Divisions, the Tubular Products Division, the Metal Products for Automotive Industries Division and the Non-Ferrous Products & Metals Division.

Transportation & Construction Systems— The Transportation & Construction Systems Business Unit segment engages in global transactions involving ships, aircraft, transportation systems, motor vehicles, construction equipment and related components and parts. Activities of this segment range from trading, leasing and financing to designing and arranging the construction of public transportation systems. This segment consists of the Ship, Aerospace & Transportation Systems Division, two Automotive Divisions and the Construction & Mining Systems Division.

Machinery & Electric— The Machinery & Electric Business Unit segment engages in a wide range of large-scale infrastructure development projects relating to, among other things, power generation, telecommunications facilities, water and sewage facilities and natural gas and oil pipelines. Activities of this segment include planning, developing and managing as well as investing in and financing, infrastructure projects in emerging markets and supplying manufacturing equipment and systems for various domestic industries. This segment is also engaged in trading and investing in businesses such as telecommunications and information technology, energy-saving and environment-friendly technology, and medical and life science products. This segment consists of the Infrastructure Business Division and the Power & Energy Project Division.

Media, Electronics & Network— The Media, Electronics & Network Business Unit segment engages in a range of media and communications activities, including cable TV operations; production and distribution of programming and content; and development and sales of telecommunications and electronics equipment and related components, systems and devices. In addition to the Companies' investments, the Companies provide services such as marketing and strategic development, technology transfer and manufacturing and engineering support. The Companies also supply various materials and components to electronics manufacturers, including silicon wafers, LED chips and assembled printed circuit boards. This segment consists of the Media Division, the Network Division and the Electronics Division.

Chemical— The Chemical Business Unit segment engages in the trading of source materials, products and semi-finished goods involving synthetic resins and organic chemicals, and also partakes and invests in businesses, relating to inorganic chemicals, electronic and performance chemicals, pharmaceuticals, medical services, agricultural chemicals and pet supplies.

This segment consists of the Basic & Performance Chemicals Division and the Life Science Division.

Mineral Resources & Energy— The Mineral Resources & Energy Business Unit segment develops and trades various mineral and energy sources including coal, iron ore, non-ferrous metal, noble metal, petroleum, natural gas and liquefied natural gas (LNG). This segment also trades ferrous and non-ferrous raw materials, petroleum products, liquefied petroleum gas (LPG), solar and storage batteries, carbon products and nuclear fuels. This segment consists of two Mineral Resources Divisions and the Energy Division.

Consumer Goods & Service— The Consumer Goods & Service Business Unit segment engages in trading, production, processing, distribution of food commodities, textiles, clothing and other consumer goods. In addition, activities of this segment include the distribution of fertilizers and the operation of retail businesses such as supermarkets, drugstores, direct-marketing and a high-end brand name clothing and accessories. This segment consists of the Food Business Division and the Lifestyle & Retail Business Division.

Materials & Real Estate— The Materials & Real Estate Business Unit segment engages in trading, marketing and distribution of raw materials and other products such as cement, timber, wood-chips, paper pulp, used paper and tires, and in manufacturing and sale of ready-mixed concrete and building materials. This segment is also engaged in a variety of real estate activities relating to office buildings and commercial and residential real property. This segment consists of the Materials & Supplies Division and the Construction & Real Estate Division.

Financial & Logistics— The Financial & Logistics Business Unit segment engages in such finance-related businesses as commodity futures trading, derivative transactions, private equity investments, mergers and acquisition-related activities, consumer and small-business financing, and the development and marketing of alternative investment instruments, and in logistics services ranging from delivery, customs clearance and transportation services to the development and operation of industrial parks. Acting as a broker, this segment also arranges for insurance in connection with trading conducted by other business segments. This segment consists of the Financial Service Division and the Logistics & Insurance Business Division.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

(a) Principles of Presentation and Consolidation

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into United States dollars for the year ended March 31, 2007 is included solely for the convenience of readers and has been made at the rate of ¥118=U.S.$1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2007. Such translation should not be construed as a representation that the Japanese yen amounts have been, or could in the future be converted into United States dollars at that or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company and most of its subsidiaries' accounting records are maintained principally in accordance with accounting practices prevailing in the countries of domicile. Adjustments to those records have been made to present these consolidated financial statements in accordance with U.S. GAAP. The significant adjustments include those relating to the accounting for the valuation of certain investment securities, pension costs, accrual of certain expenses and losses, derivative instruments and hedging activities, leases, business combinations, and deferred taxes.

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Associated companies consist of companies and corporate joint ventures owned 20% to 50%, or those owned less than 20% in the case where the Companies have the ability to exercise significant influence over operating and financial policies. Investments in associated companies are accounted for by the equity method. A loss in value of an investment that is other than a temporary decline is recognized in the period incurred. All significant intercompany accounts and transactions have been eliminated. The accounts of certain subsidiaries that have a fiscal year end within three months prior to March 31 have been included in the consolidated financial statements based on their fiscal year.

During the fiscal year ended March 31, 2007, 2006 and 2005, some subsidiaries and associated companies changed their reporting periods to March 31. The effect of these changes was included in the accompanying Consolidated Statements of Shareholders' Equity and Comprehensive Income and of Cash Flows classified as "Effect of the change in the reporting period of subsidiaries and associated companies."

The Companies also consolidate variable interest entities for which they are the primary beneficiary, in accordance with FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities ("FIN 46R")."

(b) Cash Equivalents

The Companies consider all highly liquid investments, including short-term time deposits, with an original maturity of three months or less, to be cash equivalents.

(c) Foreign Currency Translation

The Company's functional and reporting currency is Japanese yen. Under the provision of Statements of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Transactions," assets and liabilities denominated in foreign currencies are translated into Japanese yen at the respective year-end exchange rates. All income and expense accounts are translated at the average rates of exchange prevailing during each fiscal year in consolidating the financial statements of overseas subsidiaries whose functional currency is other than Japanese yen. The resulting accumulated translation adjustments are included in a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets. All foreign currency transaction gains and losses are included in income in the period incurred.

(d) Inventories

Inventories mainly consist of commodities, materials and real estate held for development and resale. The cost of inventories is determined based on the moving average basis or specific-identification basis. Precious metals that have immediate marketability at quoted market prices are valued at market value with unrealized gains and losses included in earnings. Other commodities and materials are stated at the lower of average cost or market. Real estate held for development and resale are stated at the lower of cost or net realizable value.

(e) Marketable Securities and Other Investments

Marketable equity securities and all debt securities

SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" requires all investments in debt and marketable equity securities to be classified as either trading, available-for-sale, or held-to-maturity securities. All of the Companies' investments in debt securities and marketable equity securities are classified as either (i) trading securities, which are accounted for at fair value with unrealized gains and losses included in earnings, (ii) available-for-sale securities, which are accounted for at fair value with unrealized gains and losses excluded from earnings and reported in a separate component of accumulated other comprehensive income (loss), net of related taxes in the accompanying consolidated balance sheets, or (iii) held-to-maturity securities, which are accounted for at amortized cost. Those securities that mature or are expected to be sold in one year are classified as current assets.

A decline in fair value of any available-for-sale or held-to-maturity security below the amortized cost basis that is deemed to be other than temporary results in a write-down of the amortized cost basis to fair value as a new cost basis and the amount of the write-down is included in earnings. Impairment to be recognized is measured based on the amount by which the carrying amount of the investment exceeds the fair value of the investment. Fair value is determined based on quoted market prices.

On a continuous basis, but no less frequently than at the end of each semi-annual period, the Companies evaluate the cost basis of available-for-sale securities and held-to-maturity security for possible impairment. Factors considered in assessing whether an indication of other than temporary impairment exists include: the degree of change in the ratio of market prices per share to book value per share at date of evaluation compared to that at date of acquisition, the financial condition and prospects of each investee company, industry conditions in which the investee company operates, the fair value of an available-for-sale security relative to the cost basis of the investment, the period of time the fair value of an available-for-sale security has been below the cost basis of the investment and other relevant factors.

The cost of securities sold is determined based on the average cost of all the shares of such security held at the time of sale.

Other investments

Non-marketable equity securities held as investments are carried at cost. Management semi-annually assesses the result of the underlying companies, the performance of the underlying companies relative to plan, industry conditions, financial condition and prospects and determines whether any events or changes in circumstances that might have a significant adverse effect on fair value are identified. When events or changes in circumstances that might have a significant adverse effect on fair value are identified, management assesses whether the fair value of the investment has declined below its carrying amount. If a decline in fair value below cost is judged to be other than temporary, after considering the period of time that the estimated fair value has been below the carrying amount of the investment, the carrying value of the investment is written down to its estimated fair value. Fair value is determined based on analysis of discounted estimated cash flows, valuation models based on revenues, profitability and net worth, market value of comparable companies, and other valuation approaches.

(f) Allowance for Doubtful Receivables

An allowance for doubtful receivables is maintained at the level which, in the judgment of management, is adequate to provide for probable losses that can be reasonably estimated. Management considers individual customers' risk factors such as historical performance, recent developments, changes in original terms, internal risk-ratings, industry trends, and other specific factors applicable to the customer as well as general risk factors including, but not limited to, sovereign risk of the country where the customer resides.

The Companies maintain a specific allowance for impaired loans. A loan is considered impaired pursuant to SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." Pursuant to SFAS No. 114, a loan is impaired if it is probable that the Companies will not collect all principal and interest due. An impairment allowance is recognized equal to the difference between the loan's book value and either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's market price if available, or the fair value of collateral if the loan is collateral dependent. In addition to the specific allowance, an allowance is established for probable losses that are not individually identified but are expected to have occurred that are inherent in portfolios of similar loans. This allowance for losses is based on relevant observable data that include, but are not limited to, historical experience, delinquencies, loan stratification by portfolio, and when applicable, geography, collateral type, and size of the loan balance. Past due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(g) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation of buildings, including leasehold improvements, is computed principally under the straight-line method. Depreciation of Machinery and equipment is computed under the straight-line method or the declining-balance method. Depreciation of mineral rights is computed under the units-of-production over the estimated proven and probable reserve tons.

SFAS No. 143, "Accounting for Asset Retirement Obligations" addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company records the fair value of an asset retirement obligation as a liability with the corresponding increases to the carrying amount of the long-lived assets that are amortized over the life of the assets. The liability is adjusted each period to reflect the passage of time and changes in the estimates.

(h) Impairment of Long-Lived Assets

Long-lived assets and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows without interest expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair values are determined based on market values, appraisal or discounted future cash flows based on realistic assumptions less costs to sell.

Assets to be disposed of are reported separately in the balance sheet at the lower of the carrying amount or fair value less cost to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(i) Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired entity over the net of the amount assigned to assets acquired and liabilities assumed. SFAS No. 141, "Business Combinations" requires that all business combinations are accounted for by the purchase method. Under SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is not amortized and instead requires annual impairment testing thereof at least annually. Intangible assets with a definite useful life are amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144. Intangible assets determined to have an indefinite useful life are not amortized, but instead are tested for impairment based on fair value at least annually until the remaining life would be determined to no longer be indefinite.

Goodwill and intangible assets not subject to amortization are tested for impairment at the reporting unit level at least annually, or more often if events or circumstances, such as adverse changes in the business climate, indicate that there may be impairment.

(j) Stock Option Plan

The Company has stock option plans as incentive plans for directors, executive officers, and corporate officers under the Company's qualification system.

The Company accounted for these arrangements under SFAS No. 123, "Accounting for Stock-Based Compensation," amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123," through June 30, 2005. SFAS No. 123 gave entities a choice of recognizing compensation expense related to the granted of stock options by either adopting a fair value method or continuing to measure compensation using the intrinsic value approach under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including FIN No. 44, "Accounting for Certain Transactions involving Stock Compensation." The Company chose to continue using the intrinsic-value-based method of accounting prescribed by APB Opinion No. 25 for fixed-plan stock options. Under this method, compensation expense is recorded on the date of grant only if the market price of the underlying common stock exceeds the exercise price on the date of grant. There was no grant of stock options from April 1, 2005 to June 30, 2005 and there was grant of stock options for the year ended March 31, 2005. As a result, no such compensation expense was incurred for the three months ended June 30, 2005 and the year ended March 31, 2005. Had compensation expense for the Company's stock option plans been determined through June 30, 2005 using the fair value method of SFAS No. 123, as amended, the Companies' net income and net income per share for the years ended March 31, 2006 and 2005 would have been no impact and immaterial, respectively.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services, with a primary focus on transactions in which an entity obtains employee services in share-based payment transactions. This statement is a revision of SFAS No. 123 and supersedes APB Opinion No. 25, and its related implementation guidance. SFAS No. 123R requires measurement of the cost of employee services received in exchange for stock compensation based on the grant-date fair value of the employee stock options. Incremental compensation costs arising from subsequent modifications of awards after the grant date must also be recognized. The Company adopted SFAS No. 123R effective July 1, 2005 under the modified prospective method of application. Under this method, compensation expense for stock options granted or modified after June 30, 2005 is recognized based on SFAS No. 123R. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of July 1, 2005 is recognized in accordance with SFAS No. 123R as the requisite service is rendered on or after that date. See Note 14 about the effect of the adoption of SFAS No. 123R.

(k) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. 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 earnings in the period that includes the enactment date.

(l) Derivative Instruments and Hedging Activities

The Companies account for derivatives and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities," as amended, which requires that all derivative instruments be recorded on the accompanying consolidated balance sheets at their respective fair values. The Companies utilize derivative instruments to manage interest rate risk, foreign currency risk and the risk of the price fluctuation of commodity inventories and trading commitments. The primary derivative instruments used by the Companies include foreign exchange forward contracts, currency swaps, interest rate swaps and commodity future contracts.

On the date a derivative contract is entered into, the Companies designate the derivative as a hedge of the fair value of a recognized asset or liability (fair-value hedge), a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge), or a hedge of a net investment in a foreign operation. For all hedging relationships the Companies formally document the hedging relationship and their risk-management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring effectiveness and ineffectiveness. This process includes linking all derivatives that are designated as hedges to specific assets and liabilities on the accompanying consolidated balance sheets. The Companies also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk, are recorded in earnings. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income (loss) on the accompanying consolidated balance sheets to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. If a derivative is used as a hedge of a net investment in a foreign operation, its changes in fair value, to the extent effective as a hedge, are recorded in other comprehensive income (loss). The ineffective portion of the change in fair value of a derivative instrument that qualifies as either a fair-value hedge, a cash-flow hedge or a hedge of a net investment in foreign operation is reported in earnings. Changes in the fair value of derivative trading instruments are reported in current period earnings.

The Companies discontinue hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, or the derivative is de-designated as a hedging instrument, because management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, the Companies continue to carry the derivative on the accompanying consolidated balance sheets at its fair value and no longer adjust the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. In all other situations in which hedge accounting is discontinued, the Companies continue to carry the derivative at its fair value on the accompanying consolidated balance sheets and recognize any subsequent changes in its fair value in earnings.

(m) Use of Estimates in the Preparation of the Financial Statements

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period to prepare these consolidated financial statements in conformity with U.S. GAAP. Significant items subject to such estimates and assumptions include the allowance for doubtful receivables, inventories, investments, impairment of long-lived assets, deferred income taxes and contingencies. Actual results could differ from those estimates.

(n) Net Income per Share

Net income per share is presented in accordance with the provisions of SFAS No. 128, "Earnings per Share." Under SFAS No. 128, basic net income per share excludes dilution for potential common shares and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

(o) Revenue Recognition

The Companies recognize revenue when it is realized or realizable and earned. The Companies consider revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable, and collectibility is reasonably assured.

The Companies also enter into transactions that include multiple element arrangements, which may include any combination of products, equipment, and installation services. In accordance with the FASB's EITF No. 00-21, "Guide to Accounting for Revenue

Arrangements with Multiple Deliverables," if certain elements are delivered prior to others in the arrangement, revenue is deferred until the delivery of the last element, unless transactions are such that the price of a deliverable, when it is regularly sold on a standalone basis of the undelivered elements, is available and the functionality of the delivered element is not dependent on the undelivered elements. The Companies allocate revenue involving multiple elements to each element based on its relative fair value.

Gross versus net

In the normal course of business, the Companies frequently act as an intermediary or agent in executing transactions with third parties. In these arrangements, the Companies determine whether to report revenue based on the "gross" amount billed to the ultimate customer for goods or services provided or on the "net" amount received from the customer after commissions and other payments to third parties. However, the amounts of gross profit and net income are not affected by whether revenue is reported on a gross or net basis.

Determining whether revenue should be reported gross or net is based on an assessment of whether the Companies are acting as a "principal" or an "agent" in a transaction. Accordingly, to the extent that the Companies are acting as a principal in a transaction, the Companies report revenue on a gross basis and to the extent that the Companies are acting as an agent in a transaction, the Companies report revenue on a net basis. The determination of whether the Companies are acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement.

Factors that indicate that the Companies act as a principal, and thus recognize revenue on a gross basis include: (i) the Companies are the primary obligor in the arrangement, (ii) the Companies have general inventory risk (before customer order is placed or upon customer return), (iii) the Companies have physical loss inventory risk (after customer order or during shipping), (iv) the Companies have latitude in establishing price, (v) the Companies change the product or perform part of the services, (vi) the Companies have discretion in supplier selection, (vii) the Companies are involved in the determination of product or service specifications, and (viii) the Companies have credit risk.

Factors that indicate that the Companies act as an agent, and thus recognize revenue on a net basis relative to the service offered include: (i) the supplier (not the Companies) is the primary obligor in the arrangement, (ii) the amount the Companies earn is fixed, and (iii) the supplier (not the Companies) has credit risk.

Revenue from sales of tangible products

The Companies generate revenue from sales of tangible products (i) in connection with the Companies' wholesale, retail, manufacturing and processing operations, (ii) in connection with the Companies' real estate operations, and (iii) under long-term construction type arrangements.

The Companies recognize revenue from sales of tangible products in connection with the Companies' wholesale, retail, manufacturing and processing operations when title and risk of loss have been transferred to the customer. Depending upon the terms of the contract, this may occur at the time of delivery or shipment or upon the attainment of customer acceptance. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specifications are not recognized as revenue until the attainment of customer acceptance. The Companies' policy is not to accept product returns unless the products are defective. The Companies have no material exposure to losses under warranty provisions on transactions with which the Companies are involved. Such losses are recognized when probable and estimable. The effects of rebate and discount programs are recognized as a reduction of revenue. The effects of such programs are not material. The Companies recognize revenue upon delivery, shipment, or upon the attainment of customer acceptance for steel service center operations in which the Companies process and cut steel sheets to customer specifications [Metal Products], dealership operations in which the Companies sell automobiles to general consumers and distribute construction equipment and machinery to construction companies [Transportation & Construction Systems], plastic products [Chemical], service station operations in which the Companies provide petroleum for automobiles [Mineral Resources & Energy], and retail business operations such as supermarkets and drugstores [Consumer Goods & Service].

Revenues from sale of land, office-buildings, and condominiums are recognized using the full accrual method provided that various criteria relating to the terms of the transactions are met. These criteria deal with whether (i) a sale is consummated, (ii) the buyer's initial and continuing investments are adequate, (iii) the seller's receivable is not subject to future subordination, and (iv) the seller has transferred to the buyer the usual risks and rewards of ownership and does not have a substantial continuing involvement with the property. Revenues relating to transactions that do not meet the established criteria are deferred and recognized when the criteria are met or using the installment or cost recovery methods as appropriate in the circumstances.

The Companies generate revenue from sales of tangible products under long-term construction type arrangements, principally in connection with the construction of power plants in which the Companies provide engineering, procurement and construction [Machinery & Electric] under the percentage-of-completion method as prescribed by AICPA Statement of Position ("SOP") No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Progress toward completion is measured using the cost-to-cost method. Under the cost-to-cost method, revenues are recognized based on the ratio that costs incurred bear to total estimated costs. The Companies review cost performance and estimate to complete projections on its contracts at least quarterly, and in many cases, more frequently. The impact of revisions of profit estimates on fixed price contracts are recognized in the period in which the revisions are made. Anticipated losses on fixed price contracts are charged to earnings when such losses can be estimated. Provisions are made for contingencies in the period in which they become known pursuant to specific contract terms and conditions are estimable.

Revenue from sales of services and others

The Companies also generate revenue from sales of services and others in connection with (i) customized software development services contracts and other software related services, (ii) direct financing and operating leases of automobiles, vessels, and aircrafts, and (iii) all other service arrangements such as arranging finance and coordinating logistics in connection with trading activities.

The Companies recognize revenue from customized software development services contracts and other software related services in accordance with the provisions of SOP No. 97-2, "Software Revenue Recognition," as amended by SOP No. 98-9, "Modification of SOP No. 97-2, Software Revenue Recognition, With Respect to Certain Transactions." Revenue from the customized software services contracts that require the Companies to develop, manufacture or modify information technology (IT) systems to a customer's specification, and to provide services related to the performance of such contracts, is recognized upon customer acceptance if pricing is fixed and determinable and collectibility is probable. The terms of such service contracts are less than one year. Revenue from maintenance is recognized over the contractual period or as the services are performed [Media, Electronics & Network].

The Companies recognize revenue from direct financing leases, sales type leases and leveraged leases using methods that approximate the interest method. The Companies recognize revenue from the sales of equipments under sales type leases at the inception of lease. Related origination and other non-refundable fees and direct origination costs are deferred and amortized as an adjustment of interest and direct financing lease income over the contractual lines of the arrangements. Rental income on operating leases is recognized on an accrual basis.

The accrual of interest income on direct financing leases, sales type leases and leveraged leases is generally suspended and an account placed on non-accrual status when payment of principal on interest is contractually delinquent for ninety days or more, or earlier when in the opinion of management, full collection of principal and interest is doubtful. To the extent that the estimated value of collateral does not satisfy both the principal and accrued income receivables, previously accrued interest is reversed. Proceeds received on non-accrued loans are applied to the outstanding principal balance until such time as the outstanding receivable is collected, or charged off, on returned to accrual status.

Direct financing leases, sales type leases and leveraged leases are recorded at the aggregate future minimum lease payments plus estimated residual values less unearned finance income. Operating lease equipment is carried at cost less accumulated depreciation and is depreciated to estimated residual value using the straight-line method over the projected economic life of the asset. Equipment acquired in satisfaction of loans and subsequently placed on operating lease is recorded at the lower of carrying value or estimated fair value when acquired. Management performs periodic reviews of the estimated residual values and recognizes impairment losses in the period they are determined to occur. The Companies recognize revenue from operating leases in connection with automobiles leased to consumers, vessels leased to shipping companies, aircrafts leased to airlines [Transportation & Construction Systems], and rental of commercial real estate [Materials & Real Estate].

Revenue from all other service arrangements include transactions in which the Companies act between customer and supplier as agent or broker to provide such services as arranging finance or coordinating logistics in connection with trading activities. Such revenues are recognized when the contracted services are rendered to third-party customers.

Total trading transactions

Total trading transactions is a voluntary disclosure and represents the gross transaction volume of trading transactions, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is not meant to represent sales or revenues in accordance with U.S. GAAP. Total trading transactions should not be construed as equivalent to, or a substitute or proxy for, revenues, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing or financing activities. A substantial part of total trading transactions represents transactions in which the Companies participate without physical acquisition of goods or without significant inventory risk. The Companies have included the information concerning total trading transactions because it is used by similar Japanese trading companies as an industry benchmark, and the Companies believe it is a useful supplement to results of operations data as a measure of the Companies' performance compared to other similar Japanese trading companies.

(p) Issuance of Stock by Subsidiaries and Associated Companies

The Company recognizes a gain or loss when a subsidiary or an associated company issues its shares to third parties at amounts in excess or less than the Company's average carrying value. Such a gain or loss is recognized only when the realization of a gain or loss is reasonably assured and the value of the proceeds can be objectively determined.

(q) Capitalized Software Costs

The Companies capitalize certain costs incurred to purchase or develop software for internal-use. Costs incurred to develop software for internal-use are expensed as incurred during the preliminary project stage, which includes costs for making strategic decisions about the project, determining performance and system requirements and vendor demonstration cost. Costs incurred subsequent to the preliminary project stage through implementation are capitalized. The Companies also expense costs incurred for internal-use software projects in the post implement stage such as costs for training and maintenance.

Costs incurred to develop software to be sold are capitalized subsequent to the attainment of technological feasibility in the form of detailed program design. Those costs include coding and testing performed subsequent to establishing technological feasibility. Costs incurred prior to reaching technological feasibility are expensed as incurred. Capitalized software costs are amortized on a product-by-product basis. The annual amortization is the greater of the amount computed using (i) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (ii) the straight-line method over the remaining estimated economic life of the product including the period being reported on. Amortization starts when the product is available for general release to customers.

(r) New Accounting Standards

In June, 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." FIN No. 48 clarifies the criteria for recognizing tax benefits under SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 also requires additional financial statement disclosures about uncertain tax positions. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Companies are evaluating the effect of impact on the Companies' consolidated financial statements.

In September, 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. SFAS No. 157 applies when other accounting pronouncements require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The application of SFAS No. 157 is not expected to have a significant impact on the Companies' consolidated financial statements.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain warranty and insurance contracts at fair value on a contract-by-contract basis. SFAS No. 159 contains financial statement presentation and disclosure requirements for assets and liabilities reported at fair value as a consequence of the election. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Companies are evaluating the effect of impact on the Companies' consolidated financial statements.

(s) Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

3. ACQUISITIONS

2007

On October 13, 2006, the Company, Sumisho Lease Co., Ltd. ("SCL"), Sumisho Auto Leasing Corporation ("SAL"), Sumitomo Mitsui Financial Group, Inc. ("SMFG"), SMBC Leasing Company, Limited, a wholly owned subsidiary of SMFG ("SMBC Leasing") and SMBC Auto Leasing Company, Limited, a wholly owned subsidiary of SMBC Leasing announced that they reached a basic agreement to pursue strategic joint businesses in leasing and auto leasing.

The Sumitomo Corporation Group and the SMFG Group agreed to position their leasing as a strategic joint business and to jointly aim to establish the best leasing businesses in Japan through the merger of SCL and SMBC Leasing. SCL, utilizing various value chain of the Sumitomo Corporation Group, has a unique customer base and know-how. On the other hand, SMBC Leasing, leveraging capabilities of the SMFG Group to provide financial solutions, has a different customer base and know-how. This merger will enable two groups to combine the different customer bases and know-how of each group.

SCL and SMBC Leasing plan to merge on October 1, 2007. In anticipation of this merger, on December 14, the Company acquired 26,177,722 shares of SCL through the tender offer (the "TOB") between October 31 and December 7, 2006, which meant all shares subscribed in the TOB. As a result of the TOB, the Company owns approximately 97% of the shares of SCL and SCL has become a consolidated subsidiary of the Company. On May 22, 2007, the Company and SCL entered into a Share Exchange Agreement to make SCL a wholly-owned subsidiary of the Company, based on the resolution of their respective Board of Directors held on the same day. The share exchange is expected to take place on July 1, 2007, and approvals of the general meetings of shareholders will not be needed at each company because the Share Exchange will be executed through a simplified share exchange for the Company and through a short-form share exchange for SCL, based on Article 796, Paragraph 3 and Article 784, Paragraph 1 of the Company Law of Japan, respectively. In accordance with the Share Exchange Agreement, the Company will pay ¥7,000 ($59) per common stock to the shareholders of SCL, exclusive of the Company.

The accompanying consolidated financial statements for the year ended March 31, 2007 include the operating results of SCL based on ownership of approximately 37% of shares outstanding prior to the TOB and 97% of SCL shares outstanding after December 13, 2006.

In connection with this purchase, ¥92,580 million ($785 million) was assigned to goodwill.

The following table summarizes the estimated fair values of the assets purchased and liabilities assumed at the date of purchase.

	Millions of Yen	Millions of U.S. Dollars
Cash and cash equivalents	¥ 3,629	$ 31
Receivables—trade	1,271,771	10,777
Property and equipment	48,235	409
Goodwill and other intangible assets	95,561	810
Other investments	41,014	348
Other assets	28,742	243
Total assets purchased	1,488,952	12,618
Payables—trade	(64,853)	(549)
Debt	(1,131,843)	(9,592)
Other liabilities	(75,863)	(643)
Total liabilities assumed	(1,272,559)	(10,784)
Treasury stock	15,468	131
Book value of investment before acquisition	(48,387)	(410)
Net assets purchased	¥ 183,474	$ 1,555

SCL and SMBC Leasing plan to merge on October 1, 2007 and the new leasing company is expected to become an associated company of the Company. Thus, assets and liabilities of SCL have been presented as assets held for sale and liabilities associated with assets held for sale on the consolidated financial statements.

The following table shows the components of assets held for sale and liabilities associated with assets held for sale as of March 31, 2007, respectively. Assets held for sale are included in the Corporate segment.

	Millions of Yen	Millions of U.S. Dollars
Cash and cash equivalents	¥ 7,636	$ 65
Receivables—trade	1,296,549	10,988
Property and equipment	47,802	405
Goodwill and other intangible assets	95,625	810
Other investments	40,986	347
Other assets	27,787	236
Assets held for sale	¥1,516,385	$12,851
Payables—trade	¥ 60,515	$ 513
Debt	1,188,245	10,070
Other liabilities	80,528	682
Liabilities associated with assets held for sale	¥1,329,288	$11,265

For the year ended March 31, 2007, other than the SCL acquisition, the Companies made material business acquisitions of an aggregate purchase amount of ¥12,492 million ($106 million) with respect to five companies, including operations such as the sales of basic Petrochemicals in the U.S., a drugstore chain, men's and women's apparel, shearing, slitting and sale of steel plates, and manufacturing and sales of electric equipment, industrial facilities and others. In connection with these business combinations, ¥1,612 million ($14 million) and ¥4,351 million ($37 million) were recognized in other intangible assets and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships and a noncompete agreement.

The Companies recognized preliminary estimates with respect to the value of the underlying net assets of the above acquisitions in determining amounts of goodwill. The amount of goodwill may be adjusted upon completion of the purchase price allocation.

2006

On April 28, 2005, the Company entered into a Share Exchange Agreement with SAL, a majority-owned subsidiary, pursuant to which the Company exchanged shares of the Company for shares of SAL held by minority shareholders (included Sumisho Lease Co.,Ltd, an associated company). SAL became a wholly-owned subsidiary of the Company. The share exchange was consummated on August 2, 2005, and was implemented in accordance with Article 358 of the Code which was superseded. For each SAL share, 5.03 shares of the Company were allotted. In connection with the share exchange, the Company issued 45,994,320 new shares. There was no increase in the Companies' "Common stock" but there was an increase of ¥39,896 million in the Companies' "Additional paid-in capital" on the Consolidated Balance Sheets as a result of the share exchange.

In connection with this purchase, ¥13,863 million and ¥13,795 million were assigned to intangible assets subject to amortization and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships, trademarks, and lease agreements with the weighted-average amortization period of 13 years.

On September 18, 2005, the Company and Sumitomo Corporation of America ("SCOA"), its U.S. subsidiary, entered into an agreement to purchase TBC Corporation ("TBC"), one of the leading marketers of automotive replacement tires in the U.S., from its shareholders, for approximately $1.1 billion. The purchase was consummated on November 17, 2005. As of March 31, 2006, the Company had a 100% ownership of the voting shares of TBC, including a 60% ownership interest held directly by SCOA.

TBC is a U.S. tire wholesaler and retailer founded in 1956. TBC engages in the retail chain business and franchise outlets throughout the U.S. as well as the wholesales business. TBC is the nation's largest independent marketer of tire. The company has been engaged in the tire wholesale business through SCOA and Treadways Corporation, a wholly owned subsidiary. The purpose of the acquisition is to greatly expand our tire business in the retail market, where we see substantial opportunities for growth and profitability.

The accompanying consolidated financial statements for the year ended March 31, 2006 include the operating results of TBC from the date of purchase.

In connection with this purchase, ¥49,867 million and ¥49,577 million were assigned to intangible assets subject to amortization and goodwill, respectively. The intangible assets subject to amortization consist primarily of trademarks, sales licenses and customer relationships with the weighted-average amortization period of 25 years.

The following table summarizes the estimated fair values of the assets purchased and liabilities assumed at the date of purchase.

	Millions of Yen
Current assets	¥ 63,883
Property and equipment	17,924
Goodwill and other intangible assets	99,444
Other assets	3,805
Total assets purchased	185,056
Current liabilities	(32,725)
Non-current liabilities	(19,673)
Total liabilities assumed	(52,398)
Net assets purchased	¥132,658

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the Companies' consolidated financial statements.

For the year ended March 31, 2006, other than the SAL and TBC acquisitions, the Companies made material business acquisitions of an aggregate purchase amount of ¥29,580 million with respect to eleven companies, including operations such as a steel pipe distributor in the U.S., the manufacturing and sales of fertilizers in Australia, a cinema complex business, and shearing, slitting, and sale of steel plates. In connection with these business combinations, ¥10,112 million and ¥5,564 million were recognized in other intangible assets and goodwill, respectively. The intangible assets subject to amortization consist primarily of sales licenses, trademarks and customer relationships.

4. CASH FLOW INFORMATION

Supplemental disclosure of cash flow information for the years ended March 31, 2007, 2006 and 2005 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Cash paid during the year for:				
Interest	¥ 70,886	¥ 37,483	¥ 22,178	$ 601
Income taxes	78,349	52,541	34,884	664
Non-cash investing and financing activities:				
Capital lease obligations incurred	26,710	30,398	13,155	226
Stock issued under Share Exchange Agreement (Note 3)	—	39,896	—	—
Acquisition of subsidiaries:				
Fair value of assets acquired	1,545,745	266,916	137,063	13,100
Fair value of liabilities assumed	(1,306,466)	(96,206)	(62,191)	(11,072)
Minority interests assumed	(3,759)	(6,056)	(1,250)	(32)
Fair value of treasury stock	15,468	—	—	131
Book value of investment before acquisition	(50,355)	—	—	(427)
Cash paid, net	200,633	164,654	73,622	1,700

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

Marketable securities and other investments as of March 31, 2007 and 2006 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Marketable securities—current:			
Trading	¥13,835	¥19,248	$117
Available-for-sale	359	678	4
Held-to-maturity	3,110	2,161	26
	¥17,304	¥22,087	$147

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Other investments:			
Available-for-sale	¥681,367	¥637,899	$5,774
Held-to-maturity	15,766	18,989	134
Non-marketable securities and other investments	136,692	126,127	1,158
	¥833,825	¥783,015	$7,066

(a) Marketable Equity Securities and All Debt Securities

Information regarding each category of securities classified as trading, available-for-sale and held-to-maturity as of March 31, 2007 and 2006 is as follows (excluding non-marketable securities and other investments discussed below):

	Millions of Yen			
As of March 31, 2007:	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	¥ 13,835	¥ —	¥ —	¥ 13,835
Available-for-sale:				
Equity securities	198,364	466,163	(5,314)	659,213
Debt securities	22,119	394	—	22,513
Held-to-maturity	18,876	1	(1)	18,876
	¥253,194	¥466,558	¥(5,315)	¥714,437

As of March 31, 2006:	Millions of Yen Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	¥ 19,248	¥ —	¥ —	¥ 19,248
Available-for-sale:				
Equity securities	170,959	446,257	(169)	617,047
Debt securities	21,370	160	—	21,530
Held-to-maturity	21,150	4	(33)	21,121
	¥232,727	¥446,421	¥(202)	¥678,946

As of March 31, 2007:	Millions of U.S. Dollars Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	$ 117	$ —	$ —	$ 117
Available-for-sale:				
Equity securities	1,681	3,951	(45)	5,587
Debt securities	188	3	—	191
Held-to-maturity	160	0	(0)	160
	$2,146	$3,954	$(45)	$6,055

Debt securities classified as available-for-sale securities and held-to-maturity securities mainly consist of preferred stock that must be redeemed, Japanese government and municipal bonds, and corporate debt securities. Gross unrealized losses on marketable securities that had been in a continuous unrealized loss position for twelve months or longer as of March 31, 2007 were immaterial.

The carrying values of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2007 and 2006 are summarized by contractual maturities as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2007		2006		2007	
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
Due in one year or less	¥ 359	¥ 3,110	¥ 678	¥ 2,161	$ 4	$ 26
Due after one year through five years	22,140	15,585	20,834	18,742	187	132
Due after five years through ten years	14	137	18	178	0	1
Due after ten years	—	44	—	69	—	1
Total	¥22,513	¥18,876	¥21,530	¥21,150	$191	$160

Proceeds from sales and gross gain and loss on sale of securities on available-for-sale securities for the years ended March 31, 2007, 2006 and 2005 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Proceeds from sales	¥48,246	¥58,381	¥30,268	$409
Gross gain on sale of securities	¥35,725	¥12,382	¥15,811	$303
Gross loss on sale of securities	235	22	343	2
Net realized gains	¥35,490	¥12,360	¥15,468	$301

(b) Non-Marketable Securities and Other Investments

Other investments as of March 31, 2007 and 2006 included investments in non-traded, unassociated companies, and others, amounting to ¥136,692 million ($1,158 million) and ¥126,127 million, respectively. As of March 31, 2007 and 2006, investments in non-traded securities of unassociated companies, and others carried at cost were ¥125,060 million ($1,060 million) and ¥113,893 million, respectively. If there is decline in the fair value of an investment below its carrying amount that is determined to be other than temporary, the investment is written down to its fair value. As of March 31, 2007 and 2006, investments with aggregate cost of ¥121,203 million ($1,027 million) and ¥109,103 million were not evaluated for fair value because no events or changes in circumstances that might have a significant adverse effect on the fair value were identified in the impairment evaluation, and estimation of fair value is not practicable.

6. RECEIVABLES

Receivables by operating segment as of March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen				
As of March 31, 2007:	Notes and loans receivable	Accounts receivable	Receivables from associated companies	Long-term receivables	Total
Metal Products	¥ 76,701	¥ 290,875	¥ 20,126	¥ 15,251	¥ 402,953
Transportation & Construction Systems	57,236	193,041	40,301	294,946	585,524
Machinery & Electric	10,567	92,959	1,055	241,669	346,250
Media, Electronics & Network	2,659	120,941	2,231	51,145	176,976
Chemical	16,402	137,792	5,405	1,844	161,443
Mineral Resources & Energy	30,409	224,761	397	29,125	284,692
Consumer Goods & Service	11,056	64,878	464	41,806	118,204
Materials & Real Estate	21,313	83,565	2,433	19,408	126,719
Financial & Logistics	22,786	86,898	100	62,371	172,155
Others	43,501	426,408	27,502	39,934	537,345
	292,630	1,722,118	100,014	797,499	2,912,261
Less: Allowance for doubtful receivables	(2,072)	(11,315)	(207)	(28,454)	(42,048)
Total	¥290,558	¥1,710,803	¥ 99,807	¥769,045	¥2,870,213

	Millions of Yen				
As of March 31, 2006:	Notes and loans receivable	Accounts receivable	Receivables from associated companies	Long-term receivables	Total
Metal Products	¥ 67,115	¥ 239,740	¥18,262	¥ 8,332	¥ 333,449
Transportation & Construction Systems	46,779	185,530	27,445	266,574	526,328
Machinery & Electric	10,954	65,433	1,309	256,286	333,982
Media, Electronics & Network	1,416	121,156	2,716	43,829	169,117
Chemical	16,829	114,179	1,674	5,309	137,991
Mineral Resources & Energy	26,861	214,058	17,705	30,099	288,723
Consumer Goods & Service	13,652	63,651	304	42,557	120,164
Materials & Real Estate	18,443	79,780	3,750	29,874	131,847
Financial & Logistics	22,747	105,793	48	30,568	159,156
Others	40,226	456,806	25,065	16,630	538,727
	265,022	1,646,126	98,278	730,058	2,739,484
Less: Allowance for doubtful receivables	(2,417)	(12,464)	(454)	(40,703)	(56,038)
Total	¥262,605	¥1,633,662	¥97,824	¥689,355	¥2,683,446

As of March 31, 2007:	Millions of U.S. Dollars				
	Notes and loans receivable	Accounts receivable	Receivables from associated companies	Long-term receivables	Total
Metal Products	$ 650	$ 2,465	$171	$ 129	$ 3,415
Transportation & Construction Systems	485	1,636	341	2,500	4,962
Machinery & Electric	89	788	9	2,048	2,934
Media, Electronics & Network	22	1,025	19	433	1,499
Chemical	139	1,168	46	16	1,369
Mineral Resources & Energy	258	1,905	3	247	2,413
Consumer Goods & Service	94	550	4	354	1,002
Materials & Real Estate	181	708	21	164	1,074
Financial & Logistics	193	736	1	529	1,459
Others	369	3,613	233	338	4,553
	2,480	14,594	848	6,758	24,680
Less: Allowance for doubtful receivables	(17)	(96)	(2)	(241)	(356)
Total	$2,463	$14,498	$846	$6,517	$24,324

The following analysis of activity in the allowance for credit losses for the years ended March 31, 2007, 2006 and 2005 encompasses allowance for receivables.

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Balance, beginning of year	¥ 56,038	¥ 56,677	¥ 58,808	$ 475
Provision for allowance for doubtful receivables	8,041	14,707	12,896	68
Charge-off	(22,819)	(16,459)	(14,990)	(194)
Foreign currency translation adjustments	788	1,113	(37)	7
Balance, end of year	42,048	56,038	56,677	356
Less: Current portion	(13,594)	(15,335)	(11,005)	(115)
Long-term portion	¥ 28,454	¥ 40,703	¥ 45,672	$ 241

As of March 31, 2007 and 2006, the total gross amount of long-term receivables considered impaired was ¥45,711 million ($387 million) and ¥56,984 million, respectively, and the related valuation allowance provided as at each year-end was ¥28,435 million ($241 million) and ¥37,853 million, respectively. The amount of long-term receivables considered impaired, for which no allowance for doubtful receivable was provided, was ¥1,119 million ($9 million) and ¥1,142 million as of March 31, 2007 and 2006, respectively.

The average investment in impaired receivables for the years ended March 31, 2007 and 2006 was ¥51,781 million ($439 million) and ¥60,541 million, respectively.

The Companies recognize interest income on impaired loans on a cash basis. Interest income on impaired loans recognized for the years ended March 31, 2007, 2006 and 2005 was not material.

7. INVENTORIES

Major segments that hold inventories are Overseas Subsidiaries and Branches, Transportation & Construction Systems, Metal Products, and Materials & Real Estate, described in Note 19. Real estate held for development and resale aggregated ¥48,003 million ($407million) and ¥51,416 million as of March 31, 2007 and 2006, respectively, mainly in Materials & Real Estate.

8. INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES

Associated companies operate principally in the manufacturing and service industries and participate substantially in the Companies' revenue generating transactions as either purchasers or suppliers.

Investments in and advances to associated companies as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Investments in common stock	¥468,145	¥401,498	$3,968
Advances	91,392	67,984	774
Total	¥559,537	¥469,482	$4,742

Investments in common stock in the above include goodwill amounting to ¥64,950 million ($550 million) and ¥52,959 million as of March 31, 2007 and 2006, respectively. Ending balance as of March 31, 2007 includes goodwill still under purchase price allocation. Associated companies numbered 249 and 249 and weighted average ownership percentages for those associated companies were approximately 32% and 28% as of March 31, 2007 and 2006, respectively. Investments in common stock of certain associated companies as of March 31, 2007 and 2006 included marketable securities of public associated companies with carrying amounts of ¥23,698 million ($201million) and ¥66,396 million, respectively, with corresponding aggregate quoted market values of ¥27,254 million ($231 million) and ¥112,247 million, respectively.

Summarized combined financial information of associated companies accounted for by the equity method as of March 31, 2007 and 2006 and for the years ended March 31, 2007, 2006 and 2005 are presented below:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Current assets	¥1,247,873	¥1,560,025	$10,575
Property and equipment, net	1,203,942	999,600	10,203
Other assets	631,902	1,372,427	5,355
Total assets	¥3,083,717	¥3,932,052	$26,133
Current liabilities	¥ 901,544	¥1,663,068	$ 7,640
Non-current liabilities	926,856	1,091,247	7,855
Shareholders' equity	1,255,317	1,177,737	10,638
Total liabilities and shareholders' equity	¥3,083,717	¥3,932,052	$26,133

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Gross profit	¥590,183	¥538,771	¥479,725	$5,002
Net income	¥223,310	¥175,254	¥110,452	$1,892

The two major associated companies accounted for by the equity method which are contained in the above summarized combined financial information are Jupiter Telecommunication Co., Ltd. (approximately 25.7% owned), and P.T. Newmont Nusa Tenggara (economic interest approximately 30.5% owned). The following summarized financial information for these two associated companies has been presented due to the relative significance of these entities to the Company's operations.

Jupiter Telecommunication Co., Ltd.

Jupiter Telecommunication Co., Ltd. ("Jupiter")'s summarized financial information as of March 31, 2007 and 2006 and for the years ended March 31, 2007, 2006 and 2005:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Current assets	¥ 54,644	¥ 61,100	$ 463
Property and equipment, net	333,797	282,432	2,829
Other assets	239,109	177,496	2,026
Total assets	¥627,550	¥521,028	$5,318
Current liabilities	¥ 70,111	¥ 54,148	$ 594
Non-current liabilities	273,271	210,306	2,316
Shareholders' equity	284,168	256,574	2,408
Total liabilities and shareholders' equity	¥627,550	¥521,028	$5,318

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Revenues	¥234,466	¥191,803	¥165,492	$1,987
Net income	¥ 25,598	¥ 20,352	¥ 10,301	$ 217

Jupiter is a Multiple System Operator (MSO) in Japan that provides multi-channel broadcasting, internet, and telephony services. As of March 31, 2007, the Company held an approximately 25.7% interest in Jupiter, which is indirectly owned through LGI/Sumisho Super Media, LLC ("Super Media"), a holding company that owns shares in Jupiter. Super Media is 41.3%-owned by the Company and 58.7%-owned by Liberty Global, Inc. ("LGI"). In March 2005, Jupiter issued 1,091,500 common shares at ¥80,000 per share, or ¥87,320 million in total, in an initial public offering. As a result of this offering, the Companies recognized a gain of ¥12,603 million, related to the difference between the Companies' book value per share in the investment and the price at which shares were sold to third parties, classified as "Gain on issuances of stock by subsidiaries and associated companies" and recognized deferred income taxes of ¥5,167 million on the gain for the year ended March 31, 2005.

In April 2005, Jupiter issued 114,608 common shares at ¥76,000 per share, the same price as the subscription price of the shares issued and sold in an initial public offering, or ¥8,710 million in total to facilitate the settlement of shares offered through over-allotment. As a result of this over-allotment, the Companies recognized a gain of ¥1,011 million, related to the difference between the Companies' book value per share in the investment and the price at which shares were sold to third parties, classified as "Gain on issuances of stock by subsidiaries and associated companies" and recognized deferred income taxes of ¥414 million on the gain for the year ended March 31, 2006.

The Company and LGI have an agreement whereby the Company contribute substantially all of its remaining ownership interest in Jupiter to Super Media in September, 2005. Super Media will dissolve in March 2010 unless the Company and LGI agree otherwise.

As to the reorganization of the Company's media business field, including Jupiter, is planned, refer to Note 23.

P.T. Newmont Nusa Tenggara

P.T. Newmont Nusa Tenggara ("PTNNT")'s summarized financial information as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Current assets	¥ 71,123	¥ 67,565	$ 603
Property and equipment, net	173,468	171,104	1,470
Other assets	50,760	42,127	430
Total assets	¥295,351	¥280,796	$2,503
Current liabilities	¥ 74,950	¥ 83,078	$ 635
Non-current liabilities	91,615	107,973	776
Shareholders' equity	128,786	89,745	1,092
Total liabilities and shareholders' equity	¥295,351	¥280,796	$2,503

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Revenues	¥108,860	¥109,876	¥116,015	$923
Net income	¥ 24,337	¥ 27,490	¥ 24,160	$206

PTNNT, an Indonesian corporation holds a Contract of Work ("COW") issued by the Indonesian government, under which it explores on and develops on an exclusive basis mineral resources within certain defined areas in Sumbawa, Lombok and Nusa Tenggara Barat, Indonesia.

PTNNT is 80%-owned by Nusa Tenggara Partnership V.O.F. ("NTP"), a general partnership organized under the laws of the Netherlands, and 20%-owned by P.T. Pukuafu Indah ("PTPI").

NTP is 43.75%-owned by Nusa Tenggara Mining Corporation, an approximately 74.3%-owned subsidiary of the Company, and 56.25%-owned by Newmont Indonesia Limited ("NIL"), a subsidiary of Newmont Mining Corporation ("Newmont"), both U.S. corporations. Both the Company and Newmont have significant participating rights in the NTP business and unanimous approval is needed for vital NTP decisions.

PTPI owned a 20% "carried interest," as its capital interest, in PTNNT totaling ¥16,280 million ($138 million) as of March 31, 2007. NTP funded indirectly this carried interest and PTPI agreed to assign 70% of its rights to dividends from PTNNT to NTP, pursuant to an agreement with NIL. Including its share of this carried interest, the Company's economic interest in PTNNT amounted to approximately 30.5% as of March 31, 2007. On May 25, 2007, PTPI fully repaid the carried interest funded by NTP. As a result of the carried interest repayment, the Company's economic interest in PTNNT has been reduced from approximately 30.5% to approximately 26.0%.

Under the COW, a portion of NTP must be offered for sale to the Indonesian government or to Indonesian nationals. If this offer is accepted, the effect of this provision, combined with the effect of the repayment of the carried interest, could potentially reduce NTP's economic interest in PTNNT to 49%, and that of the Company's to approximately 15.9%.

Newmont consolidated PTNNT in accordance with FIN46R. NTP accounted for its 94% investment in PTNNT under the equity method of accounting. PTNNT's summarized financial information is included in the summarized combined financial information of associated companies accounted for by equity method as of March 31, 2007 and 2006 and for the years ended March 31, 2007, 2006 and 2005.

The Companies engage in various agency transactions with associated companies involving sales by third parties to associated companies and sales by associated companies to third parties. Net fees earned on these transactions are not material. Transactions with associated companies are summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Management and secondment fee, received	¥3,662	¥3,880	¥3,879	$31
Interest income	2,332	1,982	3,001	20
Interest expense	133	646	706	1

9. PROPERTY AND EQUIPMENT

Property and equipment, including property and equipment under capital leases (see Note 21) as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Land and land improvements	¥ 191,039	¥ 189,222	$ 1,619
Buildings, including leasehold improvements	379,189	354,788	3,213
Machinery and equipment	705,391	626,900	5,978
Projects in progress	26,571	21,705	225
Mining rights	69,460	71,067	589
Total	1,371,650	1,263,682	11,624
Less: Accumulated depreciation	(506,959)	(444,179)	(4,296)
Property and equipment, net	¥ 864,691	¥ 819,503	$ 7,328

Depreciation expense for the years ended March 31, 2007, 2006 and 2005 was ¥93,812 million ($795 million), ¥77,222 million and ¥64,548 million, respectively.

For the year ended March 31, 2005, wholly-owned subsidiary of the Company sold a part of its office buildings and recognized a gain amounting to approximately ¥12.8 billion, which was included in "Gain (loss) on sale of property and equipment, net" in the accompanying Consolidated Statements of Income.

The Companies assess the potential impairment of all material long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Certain assets, primarily mining rights of gas development in North America in Mineral Resources & Energy, were deemed to be impaired in the year ended March 31, 2007, and certain assets, primarily real estate held for rent in Yokohama in Materials & Real Estate, were deemed to be impaired in the year ended March 31, 2005. The losses recognized from the impairment for the years ended March 31, 2007, 2006 and 2005 were applicable to the following segments:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Metal Products	¥ 53	¥ 725	¥ 156	$ 0
Transportation & Construction Systems	37	1,921	418	0
Machinery & Electric	141	35	42	1
Media, Electronics & Network	319	—	—	3
Chemical	12	—	—	0
Mineral Resources & Energy	6,790	98	1,670	58
Consumer Goods & Service	442	904	938	4
Materials & Real Estate	15	338	12,736	0
Domestic Regional Business Units and Offices	117	1,265	—	1
Overseas Subsidiaries and Branches	—	—	659	—
Corporate and Eliminations	1,490	543	865	13
Total	¥9,416	¥5,829	¥17,484	$80

These amounts were included in "Impairment losses on long-lived assets" in the accompanying Consolidated Statements of Income. Such impairment losses were calculated based on appraisals for assets or using the best estimates of discounted future cash flows based on realistic assumptions as to continuing operations.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Intangible Assets

The components of intangible assets subject to amortization as of March 31, 2007 and 2006 are as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2007			2007		
	Gross amount	Accumulated amortization	Net carrying value	Gross amount	Accumulated amortization	Net carrying value
Software	¥ 70,704	¥48,405	¥ 22,299	$ 599	$410	$ 189
Sales licenses, trademarks and customer relationships	116,011	19,514	96,497	983	165	818
Other	11,268	3,036	8,232	95	26	69
Total	¥197,983	¥70,955	¥127,028	$1,677	$601	$1,076

	Millions of Yen		
	2006		
	Gross amount	Accumulated amortization	Net carrying value
Software	¥ 62,560	¥38,263	¥ 24,297
Sales licenses, trademarks and customer relationships	124,471	13,154	111,317
Other	12,086	2,528	9,558
Total	¥199,117	¥53,945	¥145,172

Intangible assets subject to amortization acquired during the year ended March 31, 2007 and 2006 were ¥12,564 million ($106 million) and ¥86,374 million, respectively, which were related primarily to acquisitions described in Note 3. During the years ended March 31, 2007 and 2006, some subsidiaries changed their fiscal year-ends to March 31, mainly from December 31, in order to conform the subsidiaries' year ends with that of the Company. The earnings or losses of the subsidiaries for the stub period of the fiscal year exceeding 12 months were directly credited or charged to unappropriated retained earnings in order to maintain the comparability of periodic earnings. Intangible assets subject to amortization acquired during such a stub period of the year ended March 31, 2007 were ¥2 million ($0.02 million) and the year ended March 31, 2006 were ¥4,346 million. The weighted-average amortization periods are five years for software, nine years for sales licenses, trademarks and customer relationships, and thirteen years for other. Aggregate amortization expense for the years ended March 31, 2007, 2006 and 2005 was ¥19,466 million ($165 million), ¥17,017 million and ¥13,419 million, respectively. Estimated amortization expenses for the next five years ending March 31 are: ¥18,384 million ($156 million) in 2008, ¥14,425 million ($122 million) in 2009, ¥11,044 million ($94 million) in 2010, ¥9,211 million ($78 million) in 2011, and ¥8,074 million ($68 million) in 2012, respectively.

The components of intangible assets not subject to amortization as of March 31, 2007 and 2006 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Leaseholds on land	¥17,051	¥17,441	$145
Trademarks	1,223	1,112	10
Other	522	893	4
Total	¥18,796	¥19,446	$159

In accordance with SFAS No. 142, these intangible assets were tested for impairment. During the year ended March 31, 2007, 2006 and 2005, the Companies recognized impairment losses of ¥93 million ($1 million), ¥6,103 million and ¥11,772 million, respectively. These amounts were included in "Impairment losses on long-lived assets" in the accompanying Consolidated Statements of Income. Impairment losses recorded for the year ended March 31, 2006 consist primarily of ¥4,785 million for the write-down of intangible assets related to an acquired brand name in the U.S. Fair value was determined based on the discounted cash flow of a revised business plan. The brand name intangible asset of ¥9,328 million (net of the impairment charge) was reclassified from intangible assets not subject amortization to intangible assets subject to amortization in 2006 and is being amortized over its estimated useful life. This impaired asset was included in the Chemical Business Unit segment and Overseas Subsidiaries and Branches segment. Impairment losses recorded for the year ended March 31, 2005 were primarily related to a leasehold on land of real estate for rent in Yokohama of ¥10,851 million, the amount of which was based on appraised value. This impaired asset was included in the Materials & Real Estate Business Unit segment.

(b) Goodwill

The following table shows changes in the carrying amount of goodwill by operating segment for the years ended March 31, 2007 and 2006:

	Millions of Yen				
As of March 31, 2007:	Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Metal Products	¥ 1,359	¥ 1,210	¥ —	¥ 620	¥ 3,189
Transportation & Construction Systems	15,536	870	(32)	4,309	20,683
Media, Electronics & Network	8,857	610	—	—	9,467
Chemical	5,636	1,401	—	496	7,533
Consumer Goods & Service	1,915	2,311	(281)	2,453	6,398
Materials & Real Estate	19,465	574	—	593	20,632
Overseas Subsidiaries and Branches	41,878	687	—	(765)	41,800
Total	¥94,646	¥ 7,663	¥ (313)	¥7,706	¥109,702

	Millions of Yen				
As of March 31, 2006:	Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Metal Products	¥ —	¥ 1,349	¥ —	¥ 10	¥ 1,359
Transportation & Construction Systems	861	14,897	—	(222)	15,536
Media, Electronics & Network	3,813	5,044	—	—	8,857
Chemical	4,253	65	—	1,318	5,636
Consumer Goods & Service	896	1,003	—	16	1,915
Materials & Real Estate	—	19,831	—	(366)	19,465
Overseas Subsidiaries and Branches	10,552	29,945	(491)	1,872	41,878
Total	¥20,375	¥72,134	¥ (491)	¥2,628	¥94,646

	Millions of U.S. Dollars				
As of March 31, 2007:	Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Metal Products	$ 11	$10	$—	$ 6	$ 27
Transportation & Construction Systems	132	7	(0)	36	175
Media, Electronics & Network	75	5	—	—	80
Chemical	48	12	—	4	64
Consumer Goods & Service	16	20	(2)	20	54
Materials & Real Estate	165	5	—	5	175
Overseas Subsidiaries and Branches	355	6	—	(6)	355
Total	$802	$65	$ (2)	$65	$930

*Foreign currency translation adjustments and other consists of primarily reclassification to/from other accounts.

In accordance with SFAS No. 142, these goodwill amounts were tested for impairment. During the years ended March 31, 2007, 2006 and 2005, the Companies recognized impairment losses of ¥313 million ($2 million), ¥491 million and ¥292 million, respectively. These amounts were included in "Impairment losses on long-lived assets" in the accompanying Consolidated Statements of Income.

The Companies recognized preliminary estimates with respect to the value of the underlying net assets of the acquired companies in determining amounts of goodwill. These amounts of goodwill may be adjusted upon completion of the purchase price allocation.

11. SHORT-TERM AND LONG-TERM DEBT

Short-term debt as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen				Millions of U.S. Dollars
	2007		2006		2007
		Weighted average interest rate		Weighted average interest rate	
Loans, principally from banks	¥316,201	3.64%	¥408,684	3.67%	$2,680
Commercial paper	145,730	4.76	130,883	2.18	1,235
Total	¥461,931		¥539,567		$3,915

The interest rates represent weighted average rates in effect as of March 31, 2007 and 2006 though the range of the interest rates varies by borrowing currency.

The Companies have line of credit agreements available for immediate borrowing with syndicates of domestic and foreign banks, in the amount of $1,150 million with foreign banks and ¥445,000 million ($3,771 million) with domestic banks. All of these lines of credit were unused as of March 31, 2007.

Long-term debt as of March 31, 2007 and 2006 and interest rates as of March 31, 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Secured long-term debt:			
Banks and insurance companies, maturing serially through 2019, average rate 3.94%	¥ 237,369	¥ 208,496	$ 2,012
Bonds payable in Indonesian rupee due,			
2006, fixed rate	—	3,863	—
2007, fixed rates 10.62% to 13.37%	9,310	5,615	79
2008, fixed rates 10.85% to 13.22%	11,305	1,366	96
2009, fixed rate 12.89%	4,655	—	39
Unsecured long-term debt:			
Banks and insurance companies, maturing serially through 2025, average rate 1.73%	2,131,429	1,897,985	18,063
Bonds payable in Japanese yen due,			
2006, fixed rate	—	20,000	—
2007, floating rate 1.75%	10,040	20,313	85
2008, fixed rate 0.84%	13,993	13,972	119
2010, fixed rates 0.81% to 2.07%	29,968	29,626	254
2011, fixed rates 0.82% to 1.28%	31,604	30,983	268
2012, fixed and floating rates 1.07% to 1.57%	29,513	28,843	250
2013, fixed and floating rates 1.08% to 1.69%	54,555	53,217	462
2014, fixed rates 1.51% to 1.81%	30,090	29,481	255
2015, floating rate 1.26%	14,828	14,530	126
2016, fixed rates 1.70% to 2.12%	50,483	24,455	428
2017, floating rate 1.63%	9,498	9,189	80
2018, fixed and floating rates 1.89% to 1.97%	24,386	23,493	207
Various notes and bonds, maturing serially through 2018, average rate 1.99%	200,627	197,513	1,700
Capital lease obligations	44,001	67,867	373
Other	255,142	213,714	2,162
Total	3,192,796	2,894,521	27,058
Less: Current maturities	(428,444)	(447,351)	(3,631)
Long-term debt, less current maturities	¥2,764,352	¥2,447,170	$23,427

Annual maturities of long-term debt as of March 31, 2007 are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2008	¥ 428,444	$ 3,631
2009	382,731	3,243
2010	372,042	3,153
2011	412,146	3,493
2012	502,551	4,259
2013 and thereafter	1,094,882	9,279
Total	¥3,192,796	$27,058

Most of short-term and long-term loans from banks contain certain covenants. The banks may, under certain conditions, require the Companies to provide collateral (or additional collateral) or guarantors. The banks may treat any collateral as collateral for all indebtedness to such banks. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Default provisions of certain agreements grant certain rights of possession to the banks. The borrower may be required to make early repayments of outstanding amounts under some agreements, principally with government-owned financial institutions, if the lender concludes that the borrower is able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and makes such prepayment request. Certain agreements provide that the banks may require the borrower to receive bank approval prior to the payment of dividends and other appropriations of earnings, before presentation to the shareholders. The Companies have not been asked to make any such prepayment during the years ended March 31, 2007, 2006 and 2005 and currently do not anticipate any prepayment request.

The Companies have been in compliance with all of the short-term borrowing and long-term debt obligation covenants for the years ended March 31, 2007, 2006 and 2005.

Pledged Assets

The following table summarizes the book value of assets pledged as collateral for short-term debt and long-term debt, including current maturities of long-term debt of the Companies as of March 31, 2007:

	Millions of Yen	Millions of U.S. Dollars
Marketable securities and investments	¥103,688	$ 879
Trade receivables and long-term receivables	323,234	2,739
Property and equipment, net	44,067	373
Total	¥470,989	$3,991

Such collateral secured the following obligations:

	Millions of Yen	Millions of U.S. Dollars
Short-term debt	¥ 23,570	$ 200
Long-term debt, including current maturities of long-term debt	318,214	2,696
Total	¥341,784	$2,896

In addition to the above, marketable securities and investments of ¥33,271 million ($282 million) are pledged as substitution for guarantee deposit.

Trust receipts issued under customary import financing arrangements give recipient banks a security interest in the merchandise imported and/or the accounts receivable or sales proceeds resulting from the sale of such merchandise. The Companies repay the related notes and acceptances payable at the maturity dates without applying the sales proceeds to specific notes or acceptances. The large number of transactions makes it impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.

12. INCOME TAXES

The Company is subject to a national corporate tax of 30%, an inhabitant tax of 6.21% and a deductible business tax of 7.56%, which in the aggregate resulted in a statutory income tax rate of approximately 41%. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income before income taxes and minority interests in earnings of subsidiaries for the years ended March 31, 2007, 2006 and 2005 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Domestic	¥186,258	¥132,613	¥ 76,638	$1,578
Foreign	145,671	115,194	74,711	1,235
Total	¥331,929	¥247,807	¥151,349	$2,813

Income tax provision for the years ended March 31, 2007, 2006 and 2005 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Current:				
Domestic	¥ 59,723	¥35,398	¥17,538	$506
Foreign	40,076	30,066	17,613	340
Deferred:				
Domestic	13,448	13,105	16,016	114
Foreign	1,596	2,168	6,682	13
Total	¥114,843	¥80,737	¥57,849	$973

The reconciliation between the statutory income tax rate in Japan and the Companies' effective income tax rate reflected in the accompanying Consolidated Statements of Income for the years ended March 31, 2007, 2006 and 2005 is summarized as follows:

	2007	2006	2005
Tax statutory income tax rate in Japan	41.0%	41.0%	41.0%
Increases (decreases) in tax rate due to:			
Expenses not deductible for tax purposes	0.7	1.2	2.1
Tax effect on undistributed earnings of associated companies and corporate joint ventures	(1.9)	(1.8)	(0.7)
Changes in valuation allowance	0.8	0.3	0.6
Difference in statutory tax rate of foreign subsidiaries	(4.2)	(5.3)	(4.7)
Other—net	(1.8)	(2.8)	(0.1)
The Companies' effective income tax rate	34.6%	32.6%	38.2%

Total income taxes recognized for the years ended March 31, 2007, 2006 and 2005 are allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Income before income taxes and minority interests in earnings of subsidiaries	¥114,843	¥ 80,737	¥57,849	$ 973
Shareholders' equity:				
Net unrealized holding gains on securities available-for-sale	3,745	107,680	22,176	32
Foreign currency translation adjustments	1,416	3,316	507	12
Net unrealized gains (losses) on derivatives	2,507	(4,964)	(386)	21
Pension liability adjustments	(21,079)	—	—	(178)
Total income taxes	¥101,432	¥186,769	¥80,146	$ 860

The tax effects of temporary difference that give rise to significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Assets:			
Net operating loss carry forwards	¥ 20,387	¥ 16,660	$ 173
Investment securities	46,796	46,787	396
Inventories and long-lived assets	46,092	44,280	391
Allowance for doubtful receivables	1,800	9,873	15
Accrued pension and retirement benefits	28,563	10,179	242
Accrual and other	14,962	19,882	127
Gross deferred tax assets	158,600	147,661	1,344
Less: Valuation allowance	(13,051)	(12,271)	(111)
Deferred tax assets, less valuation allowance	145,549	135,390	1,233
Liabilities:			
Investment in marketable securities	(189,964)	(183,874)	(1,610)
Deferred gain on sales of property for tax purposes	(25,083)	(27,824)	(213)
Securities contributed to the Trust	(22,580)	(22,773)	(191)
Undistributed earnings of subsidiaries and associated companies	(55,241)	(40,625)	(468)
Long-lived assets	(31,322)	(33,893)	(265)
Other	(11,430)	(12,288)	(97)
Gross deferred tax liabilities	(335,620)	(321,277)	(2,844)
Net deferred tax liabilities	¥(190,071)	¥(185,887)	$(1,611)

Deferred income taxes as of March 31, 2007 and 2006 are reflected in the accompanying Consolidated Balance Sheets as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Assets:			
Deferred income taxes	¥ 39,314	¥ 31,998	$ 333
Deferred income taxes, non-current	11,632	13,511	99
Liabilities:			
Other current liabilities	(1,510)	(1,032)	(13)
Deferred income taxes, non-current	(239,507)	(230,364)	(2,030)
Net deferred tax liabilities	¥(190,071)	¥(185,887)	$(1,611)

In assessing the realizability of deferred tax assets, management considers whether it is 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. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2007. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The net change in the total valuation allowance for the years ended March 31, 2007, 2006 and 2005 was an increase of ¥780 million ($7 million), an increase of ¥1,712 million, and a decrease of ¥82 million, respectively.

The valuation allowance primarily relates to valuation allowance for deferred tax assets associated with net operating loss carryforwards incurred by certain foreign subsidiaries. The Company has performed an analysis for each of these subsidiaries to assess their ability to realize such deferred tax assets. Considering scheduled reversals of deferred tax liabilities, projections for future taxable income, historical performance, tax planning strategies, market conditions and other factors, as appropriate, management believes it is more likely than not that these subsidiaries will realize their respective deferred tax assets (principally net operating loss carryforwards) net of existing valuation allowance, as of March 31, 2007.

As of March 31, 2007 and 2006, the Company has not provided a deferred tax liability on the undistributed earnings of its foreign subsidiaries and foreign corporate joint ventures because the Company intends to reinvest those unremitted earnings indefinitely. A deferred tax liability will be recognized when the Company no longer plans to permanently reinvest the undistributed earnings. As of March 31, 2007 and 2006, the amounts of undistributed earnings of such foreign subsidiaries and foreign corporate joint ventures on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements totaled to ¥347,967 million ($2,949 million) and ¥248,401 million, respectively. Calculation of the unrecognized deferred tax liability is not practicable.

As of March 31, 2007, the Companies have aggregate net operating loss carryforwards of ¥53,979 million ($457 million), which may be used as a deduction in the determination of taxable income in future periods. If not utilized, such loss carryforwards expire as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2008	¥ 342	$ 3
2009	738	6
2010	2,194	18
2011	2,007	17
2012	1,030	9
2013 and thereafter	47,668	404
Total	¥53,979	$457

13. ACCRUED PENSION AND RETIREMENT BENEFITS

The Company has non-contributory defined benefit pension plans (the "Plans") covering substantially all employees other than directors and executive officers. The Plans provide benefits based upon years of service, compensation at the time of severance, and other factors.

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, lump-sum retirement benefits based on compensation at the time of retirement, years of service and other factors.

On March 31, 2007, the Companies adopted the rule of the recognition of funded status in SFAS No.158,"Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." Thus, the Companies recognized funded status (the difference between fair value of plan assets and projected benefit obligations) of its pension plans in consolidated balance sheets, with a corresponding adjustment to accumulated other comprehensive income, net of tax.

As a result of this amendment, prepaid expenses, non-current, has decreased by ¥52,577 million ($446 million), accrued pension and retirement benefits has decreased by ¥1,258 million ($11 million) and accumulated other comprehensive income, net of tax, has decreased by ¥30,436 million ($258 million), while minority interests has increased by ¥115 million ($1 million) and deferred income taxes, non-current, has increased by ¥20,998 million ($178 million). This amendment has no impact on earnings.

Net periodic pension costs for the years ended March 31, 2007, 2006 and 2005 include the following components:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Service cost—benefits earned during the year	¥ 7,297	¥ 7,185	¥ 7,143	$ 62
Interest cost on projected benefit obligation	5,047	4,862	4,280	43
Expected return on plan assets	(5,220)	(4,593)	(4,070)	(44)
Amortization of unrecognized actuarial loss	2,181	5,147	6,565	18
Amortization of unrecognized prior service cost	213	61	(11)	2
Loss on settlements and curtailments	(73)	1,430	383	(1)
Net periodic pension cost	¥ 9,445	¥14,092	¥14,290	$ 80

The reconciliation of beginning and ending balances of the projected benefit obligations and the fair value of the plan assets is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Change in benefit obligations:			
Projected benefit obligations, beginning of year	¥198,571	¥192,235	$1,683
Effect of the change in the reporting period of subsidiaries	(393)	(2,107)	(3)
Service cost	7,297	7,185	62
Interest cost	5,047	4,862	43
Actuarial (gain) loss	(4,155)	1,618	(35)
Plan amendments	155	852	1
Benefits paid	(8,976)	(8,385)	(76)
Settlements	(5,094)	(1,035)	(43)
Acquisitions and divestitures	875	2,833	7
Foreign currency translation adjustments	556	513	4
Projected benefit obligations, end of year	193,883	198,571	1,643
Change in plan assets:			
Fair value of plan assets, beginning of year	220,379	185,617	1,868
Effect of the change in the reporting period of subsidiaries	—	(1,971)	—
Actual return on plan assets	(3,024)	30,533	(26)
Employer contribution	12,432	13,756	105
Benefits paid from plan assets	(7,693)	(7,097)	(65)
Settlements	(4,696)	(2,380)	(40)
Acquisitions and divestitures	1,083	1,598	9
Foreign currency translation adjustments	461	323	4
Fair value of plan assets, end of year	218,942	220,379	1,855
Funded status	25,059	21,808	212
Unrecognized actuarial loss	—	48,363	—
Unrecognized prior service cost	—	933	—
Net amount recognized	¥ 25,059	¥ 71,104	$ 212
Amounts recognized in the accompanying Consolidated Balance Sheets consist of:			
Other current assets and Prepaid expenses, non-current (Prepaid cost for retirement benefits)	¥ 34,894	¥ 84,284	$ 295
Accrued pension and retirement benefits	(9,835)	(13,180)	(83)
Net amount recognized	¥ 25,059	¥ 71,104	$ 212

The amounts recognized in accumulated other comprehensive income (pretax amount) as of March 31, 2007 are as follows.

	Millions of Yen	Millions of U.S. Dollars
Actuarial loss	¥50,164	$425
Prior service cost	1,155	10
Total	¥51,319	$435

The measurement dates used to determine the benefit obligations are mainly March 31 of each year.

The Companies' funding policy is based on a number of factors including the tax deductibility of contributions, funded status, actuarial calculations and other considerations. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future. Also, the Company may contribute certain marketable equity securities, or cash to an employee retirement benefit trust in order to maintain a sufficient level of funding at the end of fiscal year.

The asset allocations are as follows:

	2007 Actual Allocation	2006 Actual Allocation
Equity securities	54%	56%
Debt securities	30%	30%
Other*	16%	14%
Total	100%	100%

*Other mainly includes cash, alternative investments and life insurance company general accounts.

The Companies set investment policies, strategies and target allocation and oversees the investment allocation process, which includes selecting investment managers, commissioning periodic asset-liability studies, setting long-term strategic targets and monitoring asset allocations. The target allocations are guidelines, not limitations, and occasionally the Companies will approve an allocation above or below a target allocation.

The Companies' target allocation is 50% equity securities, 31% debt securities and 19% other.

Assumptions used for the years ended March, 31 2007, 2006 and 2005 in determining costs and the funded status information shown above are principally as follows:

Weighted average assumptions used to determine the net periodic benefit cost

	2007	2006	2005
Discount rate	2.6%	2.6%	2.2%
Expected long-term rate of return on plan assets	2.3%	2.3%	2.2%
Rate of expectable salary increase	3.0%	2.7%	2.7%

Weighted average assumptions used to determine the benefit obligations

	2007	2006
Discount rate	2.6%	2.6%
Rate of expectable salary increase	3.2%	3.0%

The Companies' expected long-term rate of return on plan assets assumption is derived from a detailed study that includes a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, risks and correlations for each of the asset classes that comprise the funds' asset mix.

The accumulated benefit obligations for the defined benefit plans of the Companies are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Accumulated benefit obligations, end of year	¥186,490	¥190,931	$1,580

The employer's contributions expected to be paid for the year ending March 31, 2008 are ¥12,580 million ($107 million).

Benefits expected to be paid in the future are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2008	¥ 9,897	$ 84
2009	10,189	86
2010	9,939	84
2011	10,209	86
2012	11,086	94
2013 – 2017	53,871	457
Total	¥105,191	$891

The actuarial loss and prior service cost that will be amortized into net periodic pension costs for the year ending March 31, 2008 are ¥2,433 million ($21 million) and ¥347 million ($3 million), respectively.

In addition to unfunded retirement benefit plans or funded pension plans, certain domestic subsidiaries and associated companies also participate in a multiemployer defined benefit pension plan, recognizing the required contributions for a period as net pension cost and recognizing any contributions due and unpaid as a liability. The total amount of the domestic subsidiaries' contributions to the plan for the years ended March 31, 2007, 2006 and 2005 were ¥1,669 million ($14 million), ¥1,972 million and ¥1,179 million, respectively.

14. SHAREHOLDERS' EQUITY

(a) Common Stock and Additional Paid-in Capital

Under the Company Law of Japan ("the Company Law"), at least 50% of the proceeds of certain issues of common shares shall be credited to the common stock account. The remainder of the proceeds shall be credited to additional paid-in capital. The Company Law permits, upon approval of the general meeting of shareholders, transfer of amounts from additional paid-in capital to the common stock account.

As discussed in Note 3, under the Commercial Code of Japan which was superseded ("the Code"), the fair value of the Company shares transferred in accordance with Share Exchange Agreement related to Sumisho Auto Leasing Corporation was credited to additional paid-in capital for the year ended March 31, 2006.

(b) Appropriated for Legal Reserve

The Company Law provides that 10% of dividends of retained earnings shall be appropriated as additional paid-in capital or legal reserve until an aggregate amount of additional paid-in capital and legal reserve equals 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit, or transferred to retained earnings by resolution of the shareholders.

For the year ended March 31, 2006, under the Code, there was an increase of ¥10 million in "Appropriated for legal reserve" in the accompanying Consolidated Balance Sheets as a result of the merger between the Company and Osaka Hokko Development Co., Ltd.

(c) Unappropriated Retained Earnings

Retained earnings available for dividends under the Company Law is based on the amount recorded in the Company's general accounting records maintained in accordance with accounting principles generally accepted in Japan.

The Company Law limits the amount of retained earnings available for dividends. Retained earnings of ¥210,363 million ($1,783 million) and ¥177,211 million, shown by the Company's accounting records as of March 31, 2007 and 2006, respectively, exclusive of the amount previously appropriated for legal reserve, were not restricted by the limitations under the Company Law.

Dividends are approved by the shareholders at the general meeting of shareholders held subsequent to the statutory fiscal period to which the dividends are payable to shareholders. Interim dividends are approved by the Board of Directors for the interim six-month period. Dividends are reported in the accompanying Consolidated Statements of Shareholders' Equity and Comprehensive Income when approved.

On June 22, 2007, the shareholders authorized a cash dividend to shareholders of record as of March 31, 2007 of ¥18 ($0.15) per share for a total of ¥22,495 million ($191 million).

(d) Stock Option Plan

The Company has stock option plans for directors, executive officers of the Company, and corporate officers under the Company's qualification system. Under the plans, each stock option granted from September 1, 2006 entitles the recipient to acquire 100 shares of common stock at an exercise price equal to the greater of (i) 105% of the average closing market price of the Company's common stock on the Tokyo Stock Exchange for the calendar month before the grant date (excluding days when there were no transactions), or (ii) the closing market price of the Company's common stock on the Tokyo Stock Exchange on the grant date (or the closing market price on the day immediately preceding such date, if there were no transactions on such date). Each stock option granted until August 31, 2006 entitles the recipient to acquire 1,000 shares of common stock under the same conditions described above.

The options vest 100% at grant date. The options granted are exercisable starting April 1 of the fiscal year after the fiscal year in which they are granted. They are exercisable for four years and three months from that date.

On June 23, 2006, the shareholders authorized the issue of new stock options up to 189,000 shares of common stock. The options for 189,000 shares were granted under this authorization. On June 22, 2007, the shareholders authorized the issue of new stock options up to 196,000 shares of common stock.

The following table summarizes information about stock option activity for the years ended March 31, 2007, 2006 and 2005:

	2007			2006		2005	
	Number of shares	Weighted average exercise price	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen		Yen
Outstanding, beginning of year	367,000	¥ 882	$ 7	530,000	¥ 826	487,000	¥798
Granted	189,000	1,624	14	177,000	948	181,000	873
Exercised	142,000	831	7	218,000	714	48,000	738
Cancelled or expired	31,000	1,028	9	122,000	1,034	90,000	818
Outstanding, end of year	383,000	1,255	11	367,000	882	530,000	826
Options exercisable, end of year	199,000	¥ 914	$ 8	191,000	¥ 821	357,000	¥803

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2007:

	Outstanding				Exercisable		
Exercisable price range	Number of shares	Weighted average exercise price	Weighted average exercise price	Weighted average remaining life	Number of shares	Weighted average exercise price	Weighted average exercise price
Yen		Yen	U.S. Dollars			Yen	U.S. Dollars
¥ 601 ~ 800	13,000	¥ 654	$ 6	1.02	13,000	¥654	$ 6
801 ~ 1,000	186,000	932	8	3.04	186,000	932	8
1,600 ~ 1,800	184,000	1,624	14	4.25	—	—	—
	383,000	¥1,255	$11	3.55	199,000	¥914	$ 8

The fair value of these stock options was estimated using the Black-Scholes option pricing model with the following weighted-average valuation assumption:

	2007	2006
Expected life	4.5 years	4.5 years
Risk-free rate	1.30%	0.43%
Expected volatility	32.91%	34.64%
Expected dividend yield	1.2%	1.0%

The Company has stock-linked compensation plans for directors and executive officers. Under the plans, each stock option granted from September 1, 2006 entitles the recipient to acquire 100 shares of common stock at an exercise price equal to ¥1 ($0.01) per share. Each stock option granted until August 31, 2006 entitles the recipient to acquire 1,000 shares of common stock at an exercise price equal to ¥1 per share.

The options vest 100% at grant date. The options granted are exercisable starting the day after leaving their positions as both director and executive officer of the Company. The options are exercisable for ten years from that date.

On June 23, 2006, the shareholders authorized the issue of new stock options under these stock-linked compensation plans up to 150,000 shares of common stock based on the plans. Options for 111,000 shares were granted under this authorization. On June 22, 2007, the shareholders authorized the issue of new stock options up to 140,000 shares of common stock based on the plans.

The following table summarizes information about stock option activity under the stock-linked compensation plans for the year ended March 31, 2007:

	Number of shares
Outstanding, beginning of year	—
Granted	111,000
Exercised	—
Cancelled or expired	—
Outstanding, end of year	111,000
Options exercisable, end of year	—

The fair value of these stock options based on the plans was estimated using the Black-Scholes option pricing model with the following weighted-average valuation assumption:

	2007
Expected life	2.9 years
Risk-free rate	0.99%
Expected volatility	27.29%
Expected dividend yield	1.2%

Compensation expense incurred based on the stock option plans and the stock-linked compensation plans for the years ended March 31, 2007 and 2006 were ¥220 million ($2 million) and ¥45 million, respectively.

(e) Effect of the Change in the Reporting Period of Subsidiaries and Associated Companies

EITF Issue No. 06-9 "Reporting a Change in (or the Elimination of) a Previously Existing Difference between the Fiscal Year-End of a Parent Company and that of a Consolidated Entity or between the Reporting Period of an Investor and that of an Equity Method Investee" was effective in the year ended March 31, 2007. The adoption of this issue had no effect on the Companies' consolidated financial statements.

(f) Effect of the Change of the Accounting Principles and Others

The adoption of EITF Issue No. 04-6 "Accounting for Stripping Costs Incurred during Production in the Mining Industry" increased unappropriated retained earnings by ¥908 million ($8 million). EITF 04-6 provides guidance as to stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. In connection with EITF 04-6, the Companies has changed accounting policy as to cost of ongoing underground development in advance incurred before the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the cost of ongoing underground development in advance are incurred. This change decreased unappropriated retained earnings by ¥2,188 million ($18 million). As it is impracticable to determine the period-specific effects of this change on all prior periods presented, total amount is included directly in the consolidated statements of shareholders' equity and comprehensive income.

15. OTHER COMPREHENSIVE INCOME (LOSS)

Changes in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2007, 2006 and 2005 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2007	2006	2005	2007
Net unrealized holding gains (losses) on securities available-for-sale:				
Balance, beginning of year	¥251,013	¥ 98,651	¥ 70,108	$2,127
Adjustment for the year	11,279	152,362	28,543	96
Balance, end of year	¥262,292	¥251,013	¥ 98,651	$2,223
Foreign currency translation adjustments:				
Balance, beginning of year	¥ (27,750)	¥ (80,141)	¥(80,896)	$ (235)
Adjustment for the year	23,553	52,391	755	199
Balance, end of year	¥ (4,197)	¥ (27,750)	¥(80,141)	$ (36)
Net unrealized gains (losses) on derivatives:				
Balance, beginning of year	¥ (9,496)	¥ (1,427)	¥ (449)	$ (80)
Adjustment for the year	4,127	(8,069)	(978)	35
Balance, end of year	¥ (5,369)	¥ (9,496)	¥ (1,427)	$ (45)
Pension liability adjustments:				
Balance, beginning of year	¥ —	¥ —	¥ —	$ —
Adjustment for the year	(30,436)	—	—	(258)
Balance, end of year	¥ (30,436)	¥ —	¥ —	$ (258)
Total accumulated other comprehensive income (loss):				
Balance, beginning of year	¥213,767	¥ 17,083	¥(11,237)	$1,812
Adjustment for the year	8,523	196,684	28,320	72
Balance, end of year	¥222,290	¥213,767	¥ 17,083	$1,884

Tax effects allocated to each component of other comprehensive income (loss) are as follows:

	Millions of Yen		
2007:	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding gains on securities available-for-sale:			
Unrealized holding gains arising during the year	¥ 50,814	¥(18,184)	¥ 32,630
Effect of the change in the reporting period of subsidiaries and associated companies	(923)	277	(646)
Reclassification adjustment for gains included in net income	(34,867)	14,162	(20,705)
Adjustment for the year	15,024	(3,745)	11,279
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	27,732	(1,539)	26,193
Effect of the change in the reporting period of subsidiaries and associated companies	(2,135)	—	(2,135)
Reclassification adjustment for losses included in net income	(628)	123	(505)
Adjustment for the year	24,969	(1,416)	23,553
Net unrealized losses on derivatives:			
Unrealized losses arising during the year	(14,728)	6,734	(7,994)
Effect of the change in the reporting period of subsidiaries and associated companies	(841)	252	(589)
Reclassification adjustment for losses included in net income	22,203	(9,493)	12,710
Adjustment for the year	6,634	(2,507)	4,127
Pension liability adjustments:			
Adjustment to initially apply SFAS No. 158	(51,515)	21,079	(30,436)
Adjustment for the year	(51,515)	21,079	(30,436)
Other comprehensive income	¥ (4,888)	¥ 13,411	¥ 8,523

	Millions of Yen		
2006:	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding gains on securities available-for-sale:			
Unrealized holding gains arising during the year	¥272,421	¥(112,714)	¥159,707
Effect of the change in the reporting period of subsidiaries and associated companies	(48)	17	(31)
Reclassification adjustment for gains included in net income	(12,331)	5,017	(7,314)
Adjustment for the year	260,042	(107,680)	152,362
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	48,573	(3,300)	45,273
Effect of the change in the reporting period of subsidiaries and associated companies	6,423	(6)	6,417
Reclassification adjustment for losses included in net income	711	(10)	701
Adjustment for the year	55,707	(3,316)	52,391
Net unrealized losses on derivatives:			
Unrealized losses arising during the year	(14,780)	5,630	(9,150)
Effect of the change in the reporting period of subsidiaries and associated companies	246	(86)	160
Reclassification adjustment for losses included in net income	1,501	(580)	921
Adjustment for the year	(13,033)	4,964	(8,069)
Other comprehensive income	¥302,716	¥(106,032)	¥196,684

	Millions of Yen		
2005:	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding gains on securities available-for-sale:			
Unrealized holding gains arising during the year	¥ 62,481	¥ (27,133)	¥ 35,348
Reclassification adjustment for gains included in net income	(11,762)	4,957	(6,805)
Adjustment for the year	50,719	(22,176)	28,543
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	708	(436)	272
Reclassification adjustment for losses included in net income	554	(71)	483
Adjustment for the year	1,262	(507)	755
Net unrealized losses on derivatives:			
Unrealized losses arising during the year	(2,460)	782	(1,678)
Effect of the change in the reporting period of subsidiaries and associated companies	78	(32)	46
Reclassification adjustment for losses included in net income	1,018	(364)	654
Adjustment for the year	(1,364)	386	(978)
Other comprehensive income	¥ 50,617	¥ (22,297)	¥ 28,320

	Millions of U.S. Dollars		
2007:	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding gains on securities available-for-sale:			
Unrealized holding gains arising during the year	$ 430	$(154)	$ 276
Effect of the change in the reporting period of subsidiaries and associated companies	(8)	2	(6)
Reclassification adjustment for gains included in net income	(295)	120	(175)
Adjustment for the year	127	(32)	95
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	235	(13)	222
Effect of the change in the reporting period of subsidiaries and associated companies	(18)	—	(18)
Reclassification adjustment for losses included in net income	(5)	1	(4)
Adjustment for the year	212	(12)	200
Net unrealized losses on derivatives:			
Unrealized losses arising during the year	(125)	57	(68)
Effect of the change in the reporting period of subsidiaries and associated companies	(7)	2	(5)
Reclassification adjustment for losses included in net income	188	(80)	108
Adjustment for the year	56	(21)	35
Pension liability adjustments:			
Adjustment to initially apply SFAS No. 158	(436)	178	(258)
Adjustment for the year	(436)	178	(258)
Other comprehensive income	$ (41)	$ 113	$ 72

16. DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Policy

The Companies operate internationally, exposing them to the risk of changes in foreign exchange rates, interest rates and commodity prices. Derivative financial instruments are comprised principally of foreign exchange contracts, interest rate swaps and commodity future contracts utilized by the Company and certain of its subsidiaries to reduce these risks. The Companies assess foreign currency exchange rate risk, interest rate risk and commodity price risk by continually monitoring changes in these exposures and by evaluating hedging opportunities. The Companies hold or issue commodity derivatives for trading purposes. The Companies are also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and contracts are diversified across a number of major financial institutions.

Foreign Currency Exchange Rate Risk Management

The Companies operate internationally and are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Companies operate. The Companies' strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments by taking advantage of natural offsets, and purchase foreign exchange forward contracts and other contracts to preserve the economic value of cash flows in non-functional currencies.

Interest Rate Risk Management

The Companies' exposure to the market risk of changes in interest rates relate primarily to its debt obligations. The fixed-rate debt obligations expose the Companies to variability in their fair values due to changes in interest rates. To manage the variability in fair values caused by interest rate changes, the Companies enter into interest rate swaps when it is determined to be appropriate based on market conditions. The interest rate swaps change the fixed-rate debt obligations to variable-rate debt obligations by entering into receive-fixed, pay-variable interest rate swaps. The hedging relationship between the interest rate swaps and the hedged debt obligations is highly effective in achieving offsetting changes in fair values resulting from interest rate risk.

Commodity Price Risk Management

The Companies are exposed to price fluctuations of commodities used in their trading and other operating activities. To hedge the variability in commodity prices, the Companies enter into commodity futures, forwards and swaps contracts. These contracts relate principally to precious metals, nonferrous metals, crude oil and agricultural products.

Fair-Value Hedges

Fair-value hedges are hedges that eliminate the risk of changes in the fair values of assets and liabilities. The Companies use interest rate swaps to hedge the change of fair value on fixed-rate borrowings used to fund assets earning interest at variable rates. Changes in the fair value of derivatives designated as fair-value hedges are recorded in earnings and are offset by corresponding changes in the fair value of the hedged item to the extent of hedge effectiveness.

Cash-Flow Hedges

Cash-flow hedges are hedges that use derivatives to offset the variability of expected future cash flows. The Companies use commodity future contracts to hedge the variability of cash flows related to forecasted transactions and interest rate swaps to hedge the variability of cash flows related to floating-rate borrowings. The Companies record changes in the fair value of derivative instruments in other comprehensive income (loss) as a separate component of shareholders' equity. Such amounts are released to earnings contemporaneously when the hedged item affects earnings. For the year ended March 31, 2007, net derivative losses of ¥12,710 million ($108 million), net of related income tax benefit of ¥ 9,493 million ($80 million), were reclassified into earnings. For the year ended March 31, 2006, net derivative losses of ¥921 million, net of related income tax benefit of ¥580 million, were likewise reclassified. As of March 31, 2007, net derivative losses that were expected to be reclassified into earnings, net of the related tax benefit, within the next fiscal year were ¥3,956 million ($34 million).

Hedge of the Net Investment in Foreign Operations

The Companies use currency swaps to hedge the foreign currency risk of the net investments in foreign operations. The Companies recorded changes in fair values of hedging instruments in foreign currency translation adjustments within other comprehensive income (loss) as a separate component of shareholders' equity to the extent of hedge effectiveness. For the year ended March 31, 2007, net derivative losses of ¥639 million ($5 million), were included in foreign currency translation adjustments. For the year ended March 31, 2006, net derivative gains of ¥22 million, were likewise included.

Derivatives not Designated as Hedges

SFAS No. 133 specifies criteria that must be met in order to apply hedge accounting. For example, hedge accounting is not permitted for hedged items that are remeasured with the changes in fair-value attributable to the hedged risk reported currently in earnings. The Companies use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting.

The Companies use foreign exchange forward contracts to economically hedge the fluctuations of foreign exchange rates on foreign currency assets, liabilities and unrecognized firm commitments. The Companies also enter into commodity forwards, futures and swap contracts to economically hedge their inventories and unrecognized firm commitments against market price fluctuations. Certain commodity derivatives are entered into for trading purposes in extent of an approval of the management. These derivatives do not qualify for hedge accounting and any changes in their fair value are recognized to earnings.

Earnings Effects of Derivatives

For the years ended March 31, 2007, 2006 and 2005, the amount of hedge ineffectiveness recognized on fair-value hedges and hedge of the net investment in foreign operations was losses of ¥124 million ($1 million), losses of ¥1 million and gains of ¥3 million, respectively. There were no gains or losses excluded from the assessment of hedge effectiveness for the years ended March 31, 2007, 2006 and 2005.

In the context of hedging relationships, "Effectiveness" refers to the degree of achieving offsetting changes in fair value or offsetting the variability in cash flows attributable to the risk being hedged.

Management continuously assesses effectiveness of these derivative transactions and market risks surrounding these transactions to formulate the Companies' policy regarding derivative transactions.

17. FINANCIAL INSTRUMENTS

In accordance with the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," the Companies have provided the following fair value estimates and information about valuation methodologies.

Quoted market prices, where available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of the Companies' financial instruments, and, therefore, fair values for such financial instruments are estimated using discounted cash flow analysis or other valuation techniques as deemed appropriate.

Cash, Cash Equivalents, Short-Term Investments, Accounts Receivable, Accounts Payable and Notes Payable

The carrying amount approximates fair value of these instruments because of their short-term maturities.

Marketable Securities and Other Investments

The fair values of marketable securities are estimated using quoted market prices. Other investments include investments in common stock of non-traded and unaffiliated companies such as customers and suppliers, and investments in non-listed preferred stock of certain financial institutions. It is not practicable to estimate the fair value of investments in unlisted common stock because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost (see Note 5).

Non-Current Trade Receivables and Advances to Associated Companies

The fair values of non-current trade receivables including long-term loans receivable, except for loans with floating rates whose carrying amount approximates fair value, are estimated by discounted cash flow analysis, using interest rates currently being offered for loans or accounts receivable with similar terms to borrowers or customers of similar credit quality and remaining maturities.

Long-Term Debt

The fair values of long-term debt, except for debt with floating rates whose carrying amount approximates fair value, are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities.

Guarantee of Third Party Debt

As a result of the adoption of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," the fair values of financial guarantees are estimated based on the premiums received or receivables by guarantors in an arm's length transactions with unrelated parties (see Note 22).

Interest Rate Swaps, Currency Swap Agreements and Currency Option Contracts

The fair values of interest rate swaps, currency swap agreements and currency option contracts are estimated by obtaining quotes from brokers and other appropriate valuation techniques based on information available to the Companies.

Foreign Exchange Forward Contracts

The fair values of foreign exchange forward contracts are estimated based on market prices for contracts with similar terms.

Interest Rate Future Contracts and Bond Future Contracts

The fair values of interest rate future contracts and bond future contracts are estimated using quoted market prices.

The estimated fair values of certain financial instruments and derivative financial instruments as of March 31, 2007 and 2006 were as follows:

As of March 31, 2007:	Millions of Yen			Millions of U.S. Dollars		
	Notional amount	Carrying amount	Fair value	Notional amount	Carrying amount	Fair value
Financial Assets:						
Non-current trade receivables and advances to associated companies, less allowance for doubtful receivables	¥ —	¥ 771,612	¥ 775,954	$ —	$ 6,539	$ 6,576
Financial Liabilities:						
Long-term debt, including current maturities	—	3,180,843	3,187,448	—	26,957	27,012
Derivative Financial Instruments (Assets):						
Interest rate swaps	352,270	1,457	1,457	2,985	12	12
Currency swap agreements, and currency options	129,876	1,882	1,882	1,101	16	16
Foreign exchange forward contracts	618,159	17,387	17,387	5,239	147	147
Bond future contracts	939	1	1	8	0	0
Derivative Financial Instruments (Liabilities):						
Interest rate swaps	910,507	5,034	5,034	7,716	43	43
Currency swap agreements, and currency options	328,921	11,256	11,256	2,787	95	95
Foreign exchange forward contracts	287,322	2,959	2,959	2,435	25	25
Bond future contracts	18,209	58	58	154	0	0

As of March 31, 2006:	Millions of Yen		
	Notional amount	Carrying amount	Fair value
Financial Assets:			
Non-current trade receivables and advances to associated companies, less allowance for doubtful receivables	¥ —	¥ 705,826	¥ 711,427
Financial Liabilities:			
Long-term debt, including current maturities	—	2,875,715	2,876,716
Derivative Financial Instruments (Assets):			
Interest rate swaps	62,226	604	604
Interest rate future contracts	19,880	20	20
Currency swap agreements, and currency options	196,416	1,472	1,472
Foreign exchange forward contracts	622,229	9,224	9,224
Bond future contracts	520	4	4
Derivative Financial Instruments (Liabilities):			
Interest rate swaps	966,589	18,367	18,367
Interest rate future contracts	50,259	11	11
Currency swap agreements, and currency options	163,986	8,868	8,868
Foreign exchange forward contracts	291,766	2,253	2,253
Bond future contracts	46,548	301	301

The Companies' global operation in a variety of businesses with diverse customers and suppliers reduces concentrations of credit risks. The Companies deal with selected international financial institutions, with a certain credit rating or higher from the international statistical credit rating agency, in order to mitigate the credit risk exposure of derivatives with off-balance-sheet risk. Credit risk represents the possibility that the counterparties may be unable to perform under the terms of the agreements. Management does not expect any material losses as a result of counterparty default on financial instruments. Credit risk is managed through the credit line approved by management and by monitoring the counterparties periodically. The Companies require collateral to the extent considered necessary. There was no major customer comprising more than 10% of the sales transactions with the Companies for the years ended March 31, 2007, 2006 and 2005.

18. NET INCOME PER SHARE

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the years ended March 31, 2007, 2006 and 2005 is as follows:

	Millions of Yen			Millions of U.S. Dollars
Income (Numerator)	2007	2006	2005	2007
Net income	¥211,004	¥160,237	¥85,073	$1,788

	Number of shares		
Shares (Denominator)	2007	2006	2005
Weighted-average shares—basic	1,241,708,656	1,230,871,223	1,168,142,925
Dilutive effect of:			
Stock options	191,223	110,759	54,334
Weighted-average shares—diluted	1,241,899,879	1,230,981,982	1,168,197,259

	Yen			U.S. Dollars
	2007	2006	2005	2007
Net income per share:				
Basic	¥169.93	¥130.18	¥72.83	$1.44
Diluted	169.90	130.17	72.82	1.44

19. SEGMENT INFORMATION

The Companies conduct business through the nine industry-based business segments as described in Note 1 and two sets of regional operations; domestic and overseas described as follows.

Domestic Regional Business Units and Offices—Domestic Regional Business Units and Offices segment conducts domestic regional operations in three regional business units, focused in the Kansai, Chubu and Kyushu-Okinawa regions, and two other regional offices. This region-focused operation conducts business activities in all industry sectors based on their specialized knowledge of the region. The region-focused operation also works together on certain projects with the industry-based business segments in order to develop products and services that are more focused on that particular region.

Overseas Subsidiaries and Branches—The Overseas Subsidiaries and Branches segment includes subsidiaries, branches located throughout the world and representative offices in China, with the largest operations in the Americas, Europe, China, and Southeast and Southwest Asia. This region-focused operation conducts business activities in all industry sectors based on their specialized knowledge of the region. The region-focused operation also works together on certain projects with the industry-based business segments in order to develop products and services that are more focused on that particular region.

Each business segment operates with a degree of autonomy in pursuing strategic goals, managing operations and ensuring accountability. Each business segment also has its own planning and administration department and separate financial reporting. The reportable segments are organized based on the nature of products and services provided and on certain specific domestic and overseas region that oversee the business activities of all business in those regions. Segment financial information is evaluated regularly by the chief operating decision maker in order to assess performance and determine the allocation of resources.

Information by operating segment for the years ended March 31, 2007, 2006 and 2005 are summarized as follows:

Operating Segments:

2007: Segment	Millions of Yen Revenues	Gross profit	Net income	Assets	Total trading transactions*
Metal Products	¥ 449,303	¥ 77,624	¥ 26,331	¥ 799,211	¥ 1,756,350
Transportation & Construction Systems	714,956	134,573	26,717	1,140,692	1,751,363
Machinery & Electric	141,998	38,444	16,619	481,668	326,576
Media, Electronics & Network	102,660	59,800	11,220	455,062	462,662
Chemical	83,364	34,593	5,082	272,682	762,221
Mineral Resources & Energy	140,917	47,884	33,010	717,356	2,007,272
Consumer Goods & Service	404,475	109,412	5,548	378,109	621,815
Materials & Real Estate	257,589	88,656	15,076	547,815	544,277
Financial & Logistics	140,305	29,154	5,864	430,059	170,568
Domestic Regional Business Units and Offices	70,730	41,377	7,568	501,278	1,109,864
Overseas Subsidiaries and Branches	690,664	226,436	43,208	1,035,653	2,055,666
Segment Total	3,196,961	887,953	196,243	6,759,585	11,568,634
Corporate and Eliminations	(119,751)	(30,264)	14,761	1,670,892	(1,040,357)
Consolidated	¥3,077,210	¥857,689	¥211,004	¥8,430,477	¥10,528,277

2006: Segment	Millions of Yen Revenues	Gross profit	Net income	Assets	Total trading transactions*
Metal Products	¥ 345,350	¥ 65,396	¥ 18,888	¥ 662,844	¥ 1,466,038
Transportation & Construction Systems	703,360	127,544	19,800	1,037,044	1,682,400
Machinery & Electric	111,617	29,329	8,038	475,384	1,165,440
Media, Electronics & Network	92,465	47,245	14,891	441,711	456,954
Chemical	80,301	35,483	5,409	243,216	612,551
Mineral Resources & Energy	129,543	48,672	22,915	618,169	1,657,622
Consumer Goods & Service	350,089	98,550	14,878	367,984	776,339
Materials & Real Estate	168,685	56,230	12,416	587,683	453,084
Financial & Logistics	123,760	24,950	6,178	470,771	162,040
Domestic Regional Business Units and Offices	75,474	41,089	5,343	424,773	1,157,840
Overseas Subsidiaries and Branches	450,093	141,632	28,182	1,054,635	1,801,619
Segment Total	2,630,737	716,120	156,938	6,384,214	11,391,927
Corporate and Eliminations	(49,326)	(9,473)	3,299	327,680	(1,055,662)
Consolidated	¥2,581,411	¥706,647	¥160,237	¥6,711,894	¥10,336,265

2005: Segment	Millions of Yen Revenues	Gross profit	Net income	Assets	Total trading transactions*
Metal Products	¥ 238,037	¥ 49,904	¥ 13,294	¥ 472,640	¥ 1,096,556
Transportation & Construction Systems	623,313	113,263	13,500	871,470	1,571,179
Machinery & Electric	124,204	32,176	3,836	457,367	1,462,786
Media, Electronics & Network	83,789	44,089	24,846	374,977	448,783
Chemical	57,952	28,498	4,669	217,234	525,677
Mineral Resources & Energy	82,294	35,155	14,881	497,078	1,732,578
Consumer Goods & Service	327,525	98,922	4,601	325,102	776,920
Materials & Real Estate	134,053	38,672	(8,441)	606,132	385,440
Financial & Logistics	108,341	17,043	2,768	232,792	134,205
Domestic Regional Business Units and Offices	66,274	41,222	4,701	396,207	1,070,653
Overseas Subsidiaries and Branches	221,373	78,133	22,435	625,377	1,318,628
Segment Total	2,067,155	577,077	101,090	5,076,376	10,523,405
Corporate and Eliminations	(17,856)	(13,947)	(16,017)	456,751	(624,807)
Consolidated	¥2,049,299	¥563,130	¥ 85,073	¥5,533,127	¥ 9,898,598

2007:	Millions of U.S. Dollars				
Segment	Revenues	Gross profit	Net income	Assets	Total trading transactions*
Metal Products	$ 3,808	$ 658	$ 223	$ 6,773	$14,884
Transportation & Construction Systems	6,059	1,140	226	9,667	14,842
Machinery & Electric	1,203	326	141	4,082	2,768
Media, Electronics & Network	870	507	95	3,856	3,921
Chemical	707	293	43	2,311	6,459
Mineral Resources & Energy	1,194	406	280	6,079	17,011
Consumer Goods & Service	3,428	927	47	3,204	5,270
Materials & Real Estate	2,183	751	128	4,643	4,612
Financial & Logistics	1,189	247	50	3,645	1,445
Domestic Regional Business Units and Offices	599	351	64	4,248	9,406
Overseas Subsidiaries and Branches	5,853	1,919	366	8,777	17,421
Segment Total	27,093	7,525	1,663	57,285	98,039
Corporate and Eliminations	(1,015)	(256)	125	14,160	(8,816)
Consolidated	$26,078	$7,269	$1,788	$71,445	$89,223

Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained for general corporate purposes. As of March 31, 2007,"Assets held for sale", which is recognized in relation to the strategic reorganization of the Companies' lease business, is included in Assets of Corporate and Eliminations segment.

Transfers between segments are made at arm's-length prices.

*Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under U.S. GAAP.

Geographic Information:

2007:	Millions of Yen		Millions of U.S. Dollars	
	Revenues	Long-lived assets	Revenues	Long-lived assets
Japan	¥1,509,414	¥ 652,885	$12,792	$5,533
Asia	231,842	40,956	1,965	347
North America:				
U.S.	817,141	245,662	6,925	2,082
Other	113,669	17,295	963	146
Europe	264,108	117,213	2,238	993
Other	141,036	93,634	1,195	794
Total	¥3,077,210	¥1,167,645	$26,078	$9,895

2006:	Millions of Yen	
	Revenues	Long-lived assets
Japan	¥1,308,055	¥ 673,578
Asia	195,007	30,767
North America:		
U.S.	533,309	250,740
Other	122,953	16,623
Europe	296,228	122,229
Other	125,859	79,540
Total	¥2,581,411	¥1,173,477

2005:	Millions of Yen	
	Revenues	Long-lived assets
Japan	¥1,182,592	¥ 646,031
Asia	144,541	23,041
North America:		
U.S.	267,088	82,667
Other	90,473	12,868
Europe	249,233	101,906
Other	115,372	62,284
Total	¥2,049,299	¥ 928,797

20. FOREIGN EXCHANGE GAINS AND LOSSES

Gains and losses resulting from translating assets and liabilities denominated in a currency other than the functional currency of the reporting entity or from settling such items are included in earnings as they arise. Net foreign currency transaction gains of ¥3,416 million ($29 million), losses of ¥6,945 million, and gains of ¥2,097 million were included in the determination of net income for the years ended March 31, 2007, 2006 and 2005, respectively.

21. LEASES

As Lessor

The Companies lease vehicles, vessels, power station, service equipment, and others under arrangements which are classified as direct financing leases, sales type leases or leveraged leases under SFAS No. 13, "Accounting for Leases."

Net investments in direct financing leases or sales type leases at March 31, 2007 and 2006, included in "Receivables—trade" and "Long-term receivables" in the accompanying Consolidated Balance Sheets, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Future minimum lease payments to be received	¥ 479,634	¥204,349	$4,065
Unguaranteed residual value	5,420	5,594	46
Less: Unearned income	(105,825)	(23,263)	(897)
Net investments	¥ 379,229	¥186,680	$3,214

The Companies also lease aircrafts, office buildings and other industrial properties and equipments to third parties under cancelable and non-cancelable operating leases. As of March 31, 2007 and 2006, the cost of the leased property was ¥576,272 million ($4,884 million) and ¥522,399 million, respectively, and the accumulated depreciation of that was ¥212,298 million ($1,799 million) and ¥185,931 million, respectively, and these are included in "Property and equipment" and "Goodwill and other intangible assets"(see Notes 9 and 10). Contingent rentals amounted to ¥5,550 million ($47 million) for the year ended March 31, 2007.

Future minimum lease payments to be received as of March 31, 2007 are as follows:

	Millions of Yen			Millions of U.S. Dollars		
Year ending March 31,	Direct financing leases and sales type leases	Non-cancelable operating leases	Total	Direct financing leases and sales type leases	Non-cancelable operating leases	Total
2008	¥ 94,059	¥ 70,358	¥164,417	$ 797	$ 596	$1,393
2009	75,095	51,841	126,936	637	439	1,076
2010	60,531	41,058	101,589	513	348	861
2011	46,502	29,768	76,270	394	252	646
2012	34,745	17,300	52,045	294	147	441
2013 and thereafter	168,702	50,925	219,627	1,430	432	1,862
Total	¥479,634	¥261,250	¥740,884	$4,065	$2,214	$6,279

The components of the net investment in leveraged leases at March 31, 2007 and 2006 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Future minimum lease payments to be received (net of principal and interest on third-party nonrecourse debt)	¥ 3,931	¥—	$ 33
Unguaranteed residual value	7,633	—	65
Less: unearned income	(3,443)	—	(29)
Investments in leveraged leases	8,121	—	69
Less: deferred tax liabilities arising from leveraged leases	(596)	—	(5)
Net investments	¥ 7,525	¥—	$ 64

As Lessee

During the year ended March 31, 2006, the Companies sold the corporate headquarter building (Harumi Triton Square Office Tower Y) for ¥86,000 million and leased back for a period of ten years. The lease was classified as an operating lease and the gain equivalent to the present value of the future minimum lease payments resulting from the sale-leaseback transaction was deferred and is recognized over the lease payments.

The Companies lease office space and certain other assets under cancelable and non-cancelable operating leases. Total rental expenses under such cancelable and non-cancelable leases for the years ended March 31, 2007, 2006 and 2005 were ¥54,207 million ($459 million), ¥38,966 million and ¥28,022 million, respectively. Certain lease contracts for equipment are classified as capital leases in conformity with SFAS No. 13 and are capitalized on the accompanying Consolidated Balance Sheets and included in "Property and equipment" (see Note 9).

As of March 31, 2007, the future minimum lease payments under capital lease and non-cancelable operating leases are as follows:

	Millions of Yen			Millions of U.S. Dollars		
Year ending March 31,	Capital leases	Non-cancelable operating leases	Total	Capital leases	Non-cancelable operating leases	Total
2008	¥14,343	¥ 42,387	¥ 56,730	$122	$ 359	$ 481
2009	10,390	38,915	49,305	88	330	418
2010	9,259	36,291	45,550	78	308	386
2011	6,858	37,491	44,349	58	318	376
2012	3,711	31,429	35,140	32	266	298
2013 and thereafter	5,331	192,694	198,025	45	1,633	1,678
	49,892	379,207	429,099	423	3,214	3,637
Less: amount representing interest	(5,891)			(50)		
	¥44,001			$373		

22. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

The Companies customarily enter into long-term purchase commitments for certain items, principally ocean transport vessels and industry materials, either at fixed prices or at basic purchase prices adjustable to market. Such purchase commitments are in most instances matched with counter-party sales contracts. Long-term purchase contracts at fixed prices or at basic purchase prices adjustable to market amounted to ¥1,080,674 million ($9,158 million) as of March 31, 2007. Scheduled deliveries are at various dates through 2012.

The Companies also had long-term financing commitments of ¥14,409 million ($122 million) as of March 31, 2007 for loans and investments in equity capital.

(b) Guarantees

The Companies enter into various guarantee agreements. These agreements arise in transactions related to enhancing the credit standings of associated companies, suppliers, buyers and employees, and residual values on operating leases.

FIN 45 requires that the Companies recognize the fair value of guarantee and indemnification arrangements issued or modified after December 31, 2002, if these arrangements are within the scope of the Interpretation. The carrying amounts of the liabilities recognized for the Companies' obligations as a guarantor under those guarantees as of March 31, 2007 were insignificant.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees:

As of March 31, 2007:	Millions of Yen	Millions of U.S. Dollars
Discounted trade notes receivable with banks	¥125,905	$1,067
Guarantees of indebtedness:		
Associated companies	81,538	691
Third parties	42,262	358
Employees	4,105	35
Residual value guarantees	15,606	132
Total	¥269,416	$2,283

Discounted trade notes receivable with banks

The Companies are contingently liable for trade notes receivable sold to banks on a discounted basis with recourse to the Companies. These notes arise mainly from export transactions and mature through 2009. If an issuer of a note defaults on its payment, the Companies would be required to pay the banks for any loss. ¥99,683 million ($845 million) of discounted trade notes receivable outstanding as of March 31, 2007 was covered by letters of credit, whereby other banks would be required to pay for any defaults by the issuers of the notes.

Guarantees of indebtedness for associated companies

The Companies provide guarantees on certain of their associated companies' borrowings from banks, payables to suppliers and other indebtedness. These guarantees mature through 2021. Guarantees with third party guarantee aggregated ¥983 million ($8 million) as of March 31, 2007. The Companies would be obligated to reimburse the banks for losses, if any, if a borrower defaults on a guaranteed loan.

Guarantees of indebtedness for third parties

The Companies also provide guarantees of indebtedness for third parties. These guarantees are arranged mainly with suppliers and customers and mature through 2025. The Companies must pay if a guaranteed party defaults on a guaranteed indebtedness. Guarantees with third party guarantee aggregated ¥910 million ($8 million) as of March 31, 2007. Certain of these guarantees are also collateralized by borrower assets.

Guarantees of indebtedness for employees

The Companies offer guarantees to banks for housing loans of employees as employee benefit. The maximum maturity of the guarantees is 25 years. The Companies would be obligated to reimburse the bank for losses, if any, if the employee defaults on a guaranteed loan. These guarantees are collateralized by the housing units related to the loans.

Residual value guarantees

The Companies also provide residual value guarantees to owners of transportation equipment leased by third parties under operating leases to compensate for the gap between fixed prices and actual disposal proceeds on dates specified in these contracts. These specified dates ranged from years 2012 to 2015 as of March 31, 2007. If the actual disposal amount of the equipment is less than the guaranteed value on the specified date, the Companies will be required to compensate for the shortfall so long as obligations by the lessee under the contract are satisfied. The current estimated future values of such transportation equipment are higher than the guaranteed values, and, accordingly, no allowance has been provided as of March 31, 2007.

Management does not anticipate incurring losses on the above commitments and guarantees in excess of established allowances.

(c) Litigation

(1) Copper trading litigation

All litigation resulting from the unauthorized copper trading by a former employee of the Company which was discovered in June 1996, in which the Company was involved as a defendant, was resolved by October 31, 2006.

The Company and UBS AG (headquarters: Switzerland) reached a settlement of a lawsuit filed by the Company against UBS AG in relation to the illicit copper trading by a former employee of the Company in the Tokyo High Court on April 7, 2006. Under the settlement, UBS AG, without any admission of wrongdoing or unlawful act, paid the Company the full amount of ¥10 billion ($85 million) on April 27, 2006, which was recognized in the year ending March 31, 2007.

(2) Other litigation

Except the preceding paragraph (1), the Companies are also involved in certain legal actions and claims incidental to its business. In the opinion of management, none of these actions or claims will have a material adverse effect on the financial position on result of operations of the Companies.

23. SUBSEQUENT EVENTS

(a) On May 22, 2007, the Company and Sumisho Lease Co., Ltd. ("SCL") entered into a Share Exchange Agreement to make SCL a wholly-owned subsidiary of the Company, based on the resolution of their respective Board of Directors held on the same day. The share exchange is expected to take place on July 1, 2007, and approvals of the general meetings of shareholders will not be needed at each company because the Share Exchange will be executed through a simplified share exchange for the Company and through a short-form share exchange for SCL, based on Article 796, Paragraph 3 and Article 784, Paragraph 1 of the Company Law of Japan, respectively. In accordance with the Share Exchange Agreement, the Company will pay ¥7,000 ($59) per common stock to the shareholders of SCL, exclusive of the Company.

(b) On May 22, 2007, the Company resolved the matter as follows at its Board of Directors held to promote the business expansion by strategic concentration and restructuring of management resources in the Company's media business field. The Company executed a comprehensive business restructuring agreement ("the Master Agreement") with Liberty Media International, Inc. ("LMI"), Liberty Programming Japan, Inc. (a wholly-owned subsidiary of LMI; "LPJ") and Jupiter TV Co., Ltd. (a joint venture with 50% investment by the Company and LPJ, respectively; "JTV") regarding the business restructuring of JTV. The Master Agreement includes the following items;

(1) The Company purchased one share of JTV to be issued under the third-party share allocation to turn JTV into a consolidated subsidiary of the Company on May 23, 2007.
(2) Corporate spin-off and establishment of a new company ("the Spin-off") under which JTV will be the Spin-off company and the new company to be established on and after July 2, 2007 ("JTV1") will be the Successor company. Company name of "JTV" will be changed to "SC Media & Commerce Inc." on and after July 2, 2007.
(3) The Company will acquire JTV as a wholly-owned subsidiary through a share exchange between the Company and JTV ("the Share Exchange") on July 3, 2007, which is conditional on the Spin-off being effective. The Company purchased for ¥105 billion ($890 million) all the shares of the Company for granting to LPJ upon the Share Exchange.
(4) Jupiter Telecommunications Co., Ltd. (approximately 25.7% owned by the Company) and JTV1 plan to merge on September 1, 2007, which is conditional on the Spin-off being effective.

(c) The Company has issued an uncollateralized bond as follows:
<The 34 round uncollateralized bond>

Issue date	Principal amount	Issue price (per value ¥100)	Coupon rate	Maturity date	Use of funds
June 13, 2007	¥10 billion ($85 million)	¥99.93 ($1)	1.98%	June 13, 2017	Working capital, repayment of debt and others

(d) The Company has early redeemed a callable uncollateralized bond as follows:
<The 14 round callable uncollateralized bond>

Redemption date	Redemption amount	Coupon rate	Original redemption date
June 18, 2007	¥10 billion ($85 million)	Until June 18, 2007, 1.14% Effective from June 19, 2007, 2.00%	June 18, 2013

KPMG

Independent Auditors' Report

The Board of Directors and Shareholders
Sumitomo Corporation :

We have audited the accompanying consolidated balance sheets of Sumitomo Corporation and subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2007, all expressed in yen. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 and subsidiaries as of March 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2007, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended March 31, 2007 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into dollars on the basis set forth in note 2 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 22, 2007

The factors described below may conceivably materially affect investors' decisions as risks relating to us and our subsidiaries. Unless otherwise specified, information concerning the future presented herein are forecasts based on our decisions, targets, certain premises or assumptions as of the last day (March 31, 2007) of the consolidated fiscal year and may differ materially from the actual results.

RISKS RELATED TO OUR BUSINESS

The risk of our revenues and profitability fluctuating from period to period unexpectedly

Our results of operations for any quarter, half year or year are not necessarily indicative of results to be expected in future periods. Our operating results have historically been, and we expect they will continue to be, subject to quarterly, half yearly and yearly fluctuations as a result of a number of factors, including:

- changes in prevailing economic and other conditions relating to our businesses;
- variations in costs, sales prices and the volume of our products and services, and the mix of products and services we offer;
- changes in customer demand and/or our supply chains, which in turn will often depend upon market conditions for the relevant products, the success of our customers' or suppliers' businesses, industry trends, and other factors;
- changes in the level of performance of our strategic investments, which in turn will affect our gains and losses on sales of such investments or may result in the write-off or impairment of such investments;
- changes in our asset prices, including equity, real estate and other assets, which in turn will affect our gains and losses on sales of such assets or may result in the write-off or impairment of such assets;
- changes in the financial and commodity markets; and
- changes in the credit quality of our customers.

As such, you should not rely on comparisons of our historical results of operations as an indication of our future performance.

The risk that we may not be able to achieve the managerial targets set forth in our medium-term business plans

As part of our efforts to strengthen our position as a leading global business enterprise, we intend to increase our profitability and our earnings base and to improve our financial strength and the efficiency and effectiveness of our operations. As part of these continuing efforts, we set and implement a medium-term business plan every two years. In the medium-term business plan, we set certain quantitative and qualitative targets and undertake efforts to achieve such targets while monitoring the status of progress. The targets are set based on the gathering and analysis of information deemed appropriate at the time of such target-setting. However, since we may not be able to always gather all the necessary information, we may not be able to achieve the targets due to changes in the operating environment and other factors.

In our business plan, we use two key management measures that we call "risk-adjusted assets" and "risk-adjusted return ratio," which are targets set for each of our industry-based business units and for our company as a whole. These targets involve a certain statistical confidence level, estimates and assumptions. Since they are different from return on assets or any other measure of performance determined in accordance with U.S. GAAP, they may not be useful to all investors in making investment decisions.

The risk that economic conditions may change adversely for our business

We undertake operations in over 70 countries, including Japan. Since we are engaged in business activities and other transactions in a broad range of industrial sectors in Japan and abroad, we are affected by not only general Japanese economic conditions but also the economic conditions of the relevant countries in which we operate and the world economy as a whole.

Moreover, economic conditions in key countries for our operations, such as the United States, Indonesia, Russia and other countries in Southeast Asia, have been adversely impacted by events such as the continued fear of future terrorist attacks and political instability. Although China has seen continuing growth, there have been increasing concerns with respect to its ability to maintain such growth. Some emerging markets in which we operate have experienced hyperinflation, currency depreciation and liquidity crises and may experience them again in the future.

As such, changes in economic conditions and consumer behavior in key countries for our operations, including Japan, may adversely affect our results of operations and financial condition.

Risks associated with intense competition

The markets for many of the industries in which we are involved are intensely competitive. For many of our businesses, we are involved at all levels of the supply chain and compete with companies that are engaged in certain of the same businesses as we are, but that are more concentrated in individual business segments. We also compete with other integrated trading companies in Japan that often establish and pursue similar strategic business plans as ours. Our competitors may have stronger relationships and associations with our current or potential customers, suppliers, counterparties and business partners. Our competitors may also have greater financial, technical, marketing, distribution, information, human and other resources than we do and may be stronger in certain of the market segments in which we operate.

In this intensely competitive environment, our results of operations will be adversely affected if we are unable to:

- anticipate and meet market trends to timely satisfy our customers' changing needs;

- maintain relationships with our customers and suppliers;
- maintain our global and regional network of associated companies and business partners;
- obtain financing to carry out our business plans on reasonable terms or at all; and
- adapt our cost structure to constantly changing market conditions so as to maintain our cost-competitiveness.

Credit risk arising from customers and counterparties

We extend credit to our customers in the form of accounts receivable, advances, loans, guarantees and other means and therefore bear credit risk. Some of our customers are also companies in which we invest. In those cases, our potential exposure includes both credit risk and the investment exposure. We also enter into various swap and other derivative transactions largely as a part of our hedging activities and thus incur counterparty payment risk on these contracts. If our customers or counterparties fail to meet their financial or contractual commitments to us, or if we fail to collect on our receivables, it could have an adverse material effect on our business, results of operations and financial condition.

We undertake efforts to manage credit risk by carrying out credit checks on customers based on our internal credit rating system, obtaining collateral or guarantees and having a diversified customer base. We make allowances for doubtful receivables based on certain assumptions, estimates and assessments about the creditworthiness of our customers, the value of collateral we hold and other items.

However, such efforts may fail or be insufficient. Furthermore, these assumptions, estimates and assessments might be wrong. And if general economic conditions deteriorate, if other factors which were the basis for our assumptions, estimates and assessments change or if we are adversely affected by other factors to an extent worse than anticipated, our actual losses could materially exceed our allowances.

Risks related to investment activities and our strategic business alliances

In connection with our corporate strategy and the development of our business opportunities, we have acquired or made investments in newly established or existing companies and intend to continue to do so in the future. And we sometimes extend credit, through such means as credit sales, loans and guarantees, to the companies in which we invest. As our business investments sometimes require the commitment of substantial capital resources, in some instances we may be required to contribute additional funds. We may not be able to achieve the benefits we expect from such investments. In addition, since a substantial portion of our business investments is illiquid, we may not be able to exit from such investments at the time or in the manner we would like.

In order to curb such risk as much as possible, we, in principle, invest only in projects that meet the specified hurdle rate at the inception of investment. At the same time, as for large, important projects that could have a major impact on the entire company, the Corporate Group has a restraining function on business segments through the Loan and Investment Committee, which analyzes project risks from an specialist viewpoint and assesses whether or not to go ahead with them prior to the investment.

We sometimes enter into partnerships, joint ventures or strategic business alliances with other industry participants in a number of business segments, including with our competitors. In some cases, we cannot control the operations and the assets of the companies in which we invest nor can we make major decisions without the consent of other shareholders or participants or at all. Our business could be adversely affected in such cases or if we are unable to continue with one or more of our partnerships, joint ventures or strategic business alliances.

Fluctuations of interest rates, foreign currency exchange rates and commodity prices

We rely on debt financing in the form of loans from financial institutions or the issuance of corporate bonds and commercial paper to finance our operations. We also often extend credit to our customers and suppliers in the form of loans, guarantees, advances and other financing means. For example, through several subsidiaries, we are engaged in motor vehicle financing and leasing businesses in Japan and other countries. Revenues and expenses and the fair price of our assets and liabilities arising from such business transactions, in some cases, are affected by interest rate fluctuations.

Foreign currency exchange rate fluctuations can affect the yen value of our investments denominated in foreign currencies as well as revenues and expenses and our foreign currency-denominated assets and liabilities arising from business transactions and investments denominated in foreign currencies. Exchange rate fluctuations can also affect the yen value of the foreign currency financial statements of our foreign subsidiaries. Although we attempt to reduce such interest rate fluctuations and foreign currency exchange risks, primarily by using various derivative instruments, we are not able to fully insulate ourselves from the effects of interest rate fluctuations and exchange rate fluctuations.

As a major participant in the global commodities markets, we trade in a variety of commodities, including mineral, metal, chemical, energy and agricultural products and invest in natural resource development projects. As such, we may be adversely affected by the fluctuations in the prices of the relevant commodities. Although we attempt to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing derivative instruments for hedging purposes, we are not able to fully insulate ourselves from the effects of commodity price movements.

Risks related to declines in Japanese real estate market or impairment loss on fixed assets, etc.

Our real estate business involves developing, renting and managing and providing services to office buildings and commercial and residential properties in Japan, especially in the Tokyo and Osaka metropolitan areas. If the real estate market in Japan deteriorates, our results of operations and financial condition could be adversely affected materially.

Also, if land prices and rental values decline, we may be forced to write down the value of our properties as well as the value of land and buildings held for lease and land held for development. Not only real estate but also our property holdings are exposed to impairment risk. As such, our business, operating results and financial condition could be adversely affected.

Risks related to the continued volatility of equity markets in Japan and elsewhere

A significant portion of our investments consists of marketable equity securities, particularly those of Japanese issuers. Our results of operation and financial conditions may be adversely affected if the Japanese equity market declines in the future because we would incur impairment losses for equity securities.

Risks regarding uncertainty about pension expenses

Declines in the Japanese and foreign stock market would reduce the value of our pension plan assets and could necessitate additional funding of the plan by us and an increase in pension expenses. This could adversely affect our results of operations and financial condition.

Concentration of risk exposure in specific fields

Some parts of our operations and businesses are concentrated in a few particular markets, entities and regions. As a result, if these operations and businesses do not perform as we expect or if the economic conditions in these markets and regions deteriorate unexpectedly, it could have a disproportionately negative effect on our businesses and results of operations. For example, we are involved in a large copper and gold mine project, a large power plant project, the automobile lease and finance business, liquefied natural gas projects and other business activities in Indonesia. As such, risk exposure is concentrated there.

Risks stemming from restrictions on access to liquidity and capital

We rely on debt financing in the form of loans from financial institutions or the issuance of corporate bonds and commercial paper, etc., to finance our operations. If financial markets are in turmoil and financial institutions reduce their lendings to us and there is a significant downgrade of our credit ratings by one or more credit rating agencies, we may not be able to access funds when we need them on acceptable terms, our access to debt capital markets may become more restricted or the cost of financing our operations through indebtedness may increase. This could adversely affect our results of operations and financial condition.

Risks regarding laws and regulations

Our operations are subject to extensive laws and regulations covering a wide range of fields in Japan and many other countries. These laws and regulations govern, among other things, tariffs and other taxation, the repatriation of profits, business and investment approvals, import and export activities (including restrictions based on national security interests), antitrust and competition issues, commercial activities, currency exchange, distributor protection, consumer protection and environmental protection. In some of the countries in which we operate, our operations may subject us to additional or future relevant laws and regulations. Also, particularly in developing countries with relatively nascent legal systems, our burden of compliance may further increase due to factors such as the lack of laws and regulations, unexpected interpretations of existing laws and regulations and changing practices of regulatory, judicial and administrative bodies. Failure to comply with current or future laws and regulations could lead to penalties and fines against us and restrictions in our operations or damage to our reputation. If such a case occurs, our business, results of operations and financial condition could be materially adversely affected.

Risks related to legal actions, etc.

We are party to a number of legal actions and other disputes in Japan and abroad. In performing our business, lawsuits arising incidentally and claims that do not develop into lawsuits may be brought against us.

Due to the inherent uncertainty of litigation, it is not possible to predict the ultimate outcome of the actions in which we are involved at this time. There can be no assurance that we will prevail in any action or that we will not be adversely affected materially by such action in the future.

Risks regarding internal control over executives and employees and regarding the management of our information and communications systems

Due to our size, as well as the diversity and geographic breadth of our activities, our day-to-day operations are necessarily decentralized. The nature of our operations requires extensive internal controls and management oversight to ensure compliance by our employees with applicable laws and regulations and our internal policies. There can be no assurance that we will succeed in preventing misconduct by our employees or that such misconduct, if it should occur, will be detected and remedied by our internal control and compliance systems. Employee misconduct could have an adverse material effect on our results of operations, expose us to legal and financial risks and compromise our reputation.

We are dependent on the proper functioning of our information and communications systems to maintain our global operations. System malfunction may result in disruptions of our operations. If we encounter any problems with respect to our current information and communications systems, our results of operations could be adversely affected materially.

There is no assurance that our risk management systems will effectively minimize various types of risks in our operations to appropriate levels.

Our extensive and diverse businesses expose us to various types of risks. We conduct our business through nine industry-based business units and two sets of regional operations, namely, domestic and overseas. At the same time, we are expanding our business activities into new areas. Accordingly, in addition to the risks and uncertainties that we face as a whole as an integrated trading company, each of our industry-based business units and regional operations may be subject to risks inherent in or relating to each industry, market and/or geographic focus.

Our existing risk management systems, which consist of various elements from risk measurement methodology and information systems to internal rules and organizational structure, may not work satisfactorily with respect to various risks. Furthermore, we may have no experience or only limited experience with the risks relating to our new business activities, products and services.

In such cases, our new business activities, products and services may require the introduction of more complex management systems and additional management resources, such as human resources.

Moreover, a shortage of management resources, such as human resources, may lead to a restriction of business operations.

CORPORATE INFORMATION (As of March 31, 2007)

Date of Establishment:	December 24, 1919	
Consolidated Shareholders' Equity:	¥1,473.1 billion	
Number of Consolidated Subsidiaries:	Overseas	453
	Domestic	196
Associated Companies: (equity method)	Overseas	177
	Domestic	72
	Total	898
Fiscal Year:	From April 1 of each year through March 31 of the following year	
Headquarters:	1-8-11, Harumi, Chuo-ku, Tokyo 104-8610, Japan	
Number of Employees:	Total, including Consolidated Subsidiaries	61,490
	Non-Consolidated	4,717

STOCK INFORMATION (As of April 1, 2007)

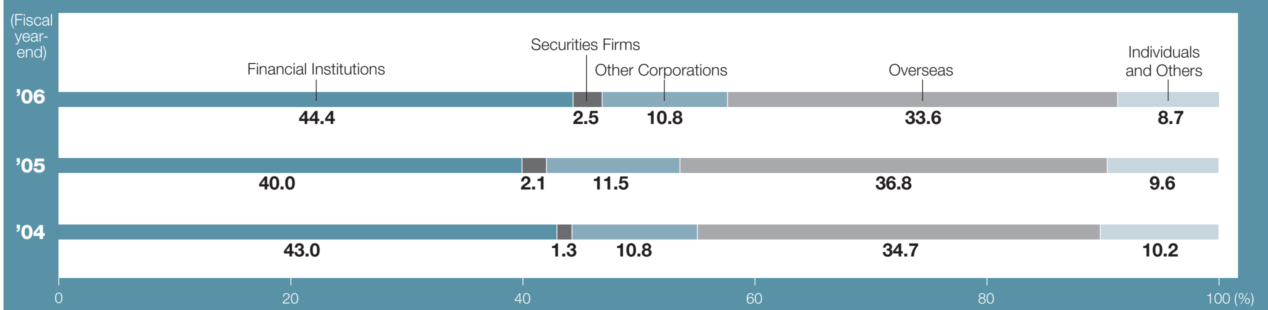
Stock Listings:	Tokyo, Osaka, Nagoya, Fukuoka
American Depository Receipts:	
Ratio:	1ADR:1ORD
Exchange:	OTC (Over-the-Counter)
Symbol:	SSUMY
CUSIP Number:	865613103
Depository and Registrar:	CITIBANK, N.A., Shareholder Services, P.O. Box 43077, Providence, Rhode Island 02940-3077, U.S.A.
Toll Free Number:	1-877-248-4237(CITI-ADR)
Overseas Dial-In:	1-816-843-4281
e-mail:	citibank@shareholders-online.com
URL:	http://www.citigroup.com/adr

Major Shareholders

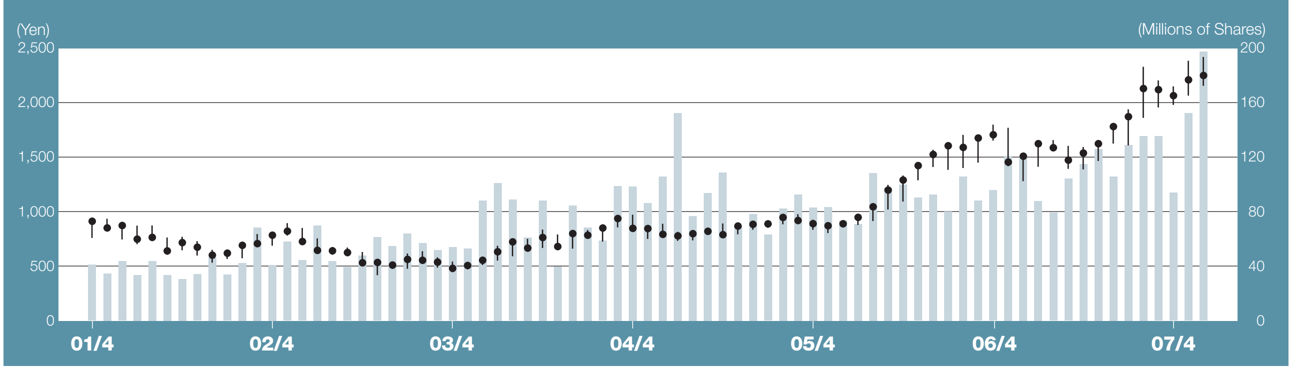
(As of March 31, 2007)

Name	Number of Shares (In Thousands of Shares)	Shareholding Ratio (%)
1. The Master Trust Bank of Japan, Ltd. (Trust Account)	108,597	8.68
2. Japan Trustee Services Bank, Ltd. (Trust Account)	93,110	7.45
3. Japan Trustee Services Bank, Ltd. (Trust Account 4)	40,329	3.22
4. Mitsui Sumitomo Insurance Co., Ltd.	33,227	2.66
5. Sumitomo Life Insurance Company	30,856	2.47
6. State Street Bank and Trust Company 505103	20,558	1.64
7. The Dai-ichi Mutual Life Insurance Company	17,889	1.43
8. Nippon Life Insurance Company	16,532	1.32
9. State Street Bank and Trust Company	16,183	1.29
10. Nomura Securities Co., Ltd.	15,696	1.26

Shareholder Composition



Stock Price and Trading Volume



— High and Low (left scale) ● Closing Price (left scale) Trading Volume (right scale)

		06/4	5	6	7	8	9	10	11	12	07/1	2	3	4	5	6
Stock Price	Closing Price	1,706	1,455	1,509	1,624	1,587	1,473	1,538	1,624	1,781	1,872	2,130	2,120	2,065	2,210	2,250
(Yen)	High	1,799	1,770	1,515	1,640	1,657	1,604	1,594	1,638	1,792	1,939	2,330	2,205	2,150	2,385	2,420
	Low	1,652	1,417	1,280	1,412	1,555	1,393	1,388	1,465	1,625	1,608	1,861	1,957	1,980	2,065	2,155
Trading Volume		95,737	120,864	119,325	87,835	79,275	104,153	114,975	126,024	105,870	129,069	135,675	135,420	93,920	152,210	197,472

Note: Above stock prices and trading volume are based on Tokyo Stock Exchange data.

For further information contact:

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