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SIX-YEAR FINANCIAL SUMMARY

For the years ended March 31

1. Key Financial Indicators

	Billions of Yen						Millions of U.S. Dollars
	2008	2007	2006	2005	2004	2003	2008
Total assets	7,571.4	8,430.5	6,711.9	5,533.1	5,012.5	4,856.2	75,714
Shareholders' equity	1,492.7	1,473.1	1,304.0	934.9	730.8	618.7	14,927
Shareholders'equity ratio (%)	19.7	17.5	19.4	16.9	14.6	12.7	19.7
Return on equity (%)	16.1	15.2	14.3	10.2	9.9	2.2	16.1
Return on assets (%)	3.0	2.8	2.6	1.6	1.4	0.3	3.0
Interest-bearing liabilities (gross)	3,709.8	3,355.6	3,152.5	2,840.1	2,795.9	2,830.6	37,098
Interest-bearing liabilities (net)	3,247.6	2,913.3	2,622.2	2,376.0	2,377.6	2,502.8	32,476
Debt-equity ratio (gross) (times)	2.5	2.3	2.4	3.0	3.8	4.6	2.5
Debt-equity ratio (net) (times)	2.2	2.0	2.0	2.5	3.3	4.0	2.2
Working capital	990.4	1,310.3	1,021.8	897.0	694.0	346.9	9,904

2. Consolidated Statements of Income

	Billions of Yen						Millions of U.S. Dollars
	2008	2007	2006	2005	2004	2003	2008
Revenues:							
Sales of tangible products	3,040.7	2,495.0	2,079.6	1,586.1	1,284.1	1,129.4	30,407
Sales of services and others	630.2	582.2	501.8	463.2	424.5	408.9	6,302
Total revenues	3,670.9	3,077.2	2,581.4	2,049.3	1,708.6	1,538.3	36,709
Cost:							
Cost of tangible products sold	2,551.7	2,076.6	1,737.7	1,361.8	1,097.5	948.2	25,517
Cost of services and others	184.7	142.9	137.1	124.4	109.8	93.7	1,847
Total cost	2,736.4	2,219.5	1,874.8	1,486.2	1,207.3	1,041.9	27,364
Gross profit	934.5	857.7	706.6	563.1	501.3	496.4	9,345
Other income (expenses):							
Selling, general and administrative expenses	(669.4)	(609.9)	(515.8)	(437.9)	(422.4)	(406.3)	(6,694)
Settlements on copper trading litigation	—	9.6	(0.1)	2.8	(7.1)	0.2	—
Provision for doubtful receivables	(11.1)	(8.0)	(14.7)	(12.9)	(8.0)	(5.6)	(111)
Impairment losses on long-lived assets	(13.5)	(9.8)	(12.4)	(29.5)	(5.2)	(20.4)	(135)
Gain (loss) on sale of property and equipment, net	3.5	2.4	(0.4)	11.5	13.3	3.3	35
Interest income	28.3	32.9	19.0	14.6	15.7	24.9	283
Interest expense	(71.1)	(70.0)	(39.0)	(23.2)	(22.0)	(30.9)	(711)
Dividends	15.3	14.1	10.4	6.4	6.9	6.4	153
Gain (loss) on marketable securities and other investments, net	94.9	44.4	41.8	20.0	16.3	(47.1)	949
Equity in earnings of associated companies, net	56.9	70.3	51.4	37.4	20.7	9.8	569
Other, net	(0.7)	(1.8)	1.0	(1.0)	(0.5)	(2.1)	(7)
Total other income (expenses)	(566.9)	(525.8)	(458.8)	(411.8)	(392.3)	(467.8)	(5,669)
Income before income taxes and minority interests in earnings of subsidiaries	367.6	331.9	247.8	151.3	109.0	28.6	3,676
Income taxes	119.8	114.8	80.7	57.8	35.7	8.4	1,198
Income before minority interests in earnings of subsidiaries	247.8	217.1	167.1	93.5	73.3	20.2	2,478
Minority interests in earnings of subsidiaries, net	(8.9)	(6.1)	(6.9)	(8.4)	(6.7)	(6.3)	(89)
Net income	238.9	211.0	160.2	85.1	66.6	13.9	2,389
Total trading transactions*	11,484.6	10,528.3	10,336.3	9,898.6	9,197.9	9,229.6	114,846

* 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
	2008	2007	2006	2005	2004	2003	2008
Net income	238.9	211.0	160.2	85.1	66.6	13.9	2,389
Net unrealized holding gains (losses) on securities available-for-sale	(134.7)	11.9	152.4	28.5	79.5	(30.5)	(1,347)
Foreign currency translation adjustments	(56.4)	25.7	46.0	0.7	(26.1)	(13.9)	(564)
Net unrealized gains (losses) on derivatives	2.7	4.7	(8.2)	(1.0)	0.4	0.1	27
Pension liability adjustments	(11.0)	—	—	—	—	—	(110)
Total comprehensive income (loss)	39.5	253.3	350.4	113.3	120.4	(30.4)	395

4. Consolidated Balance Sheets

	Billions of Yen						Millions of U.S. Dollars
	2008	2007	2006	2005	2004	2003	2008
Current assets:							
Cash and cash equivalents	456.8	436.8	522.0	453.9	415.6	324.4	4,568
Time deposits	5.4	5.5	8.3	10.2	2.7	3.4	54
Marketable securities	19.9	17.3	22.1	23.1	2.8	7.7	199
Receivables—trade:							
Notes and loans	242.3	292.6	265.0	307.1	238.2	270.7	2,423
Accounts	1,782.1	1,722.1	1,646.1	1,355.7	1,178.0	1,095.8	17,821
Associated companies	109.3	100.0	98.3	84.9	151.2	138.3	1,093
Allowance for doubtful receivables	(14.8)	(13.6)	(15.3)	(11.0)	(8.9)	(9.8)	(148)
Inventories	756.2	757.5	705.2	503.8	412.3	413.1	7,562
Deferred income taxes	39.3	39.3	32.0	39.2	37.6	29.3	393
Advance payments to suppliers	73.9	55.6	50.2	56.9	51.6	47.8	739
Assets held for sale	—	1,516.4	—	—	—	—	—
Other current assets	253.4	228.1	310.4	271.2	140.1	116.1	2,534
Total current assets	3,723.8	5,157.8	3,644.3	3,095.0	2,621.2	2,436.8	37,238
Investments and long-term receivables:							
Investments in and advances to associated companies	883.6	559.5	469.5	394.6	384.0	375.7	8,836
Other investments	655.2	833.8	783.0	502.7	469.0	413.6	6,552
Long-term receivables	832.8	706.1	662.1	620.8	597.5	666.1	8,328
Allowance for doubtful receivables	(22.1)	(28.4)	(40.7)	(45.7)	(50.0)	(76.2)	(221)
Total investments and long-term receivables	2,349.5	2,071.0	1,873.9	1,472.4	1,400.5	1,379.2	23,495
Property and equipment, at cost	1,596.4	1,371.7	1,263.7	1,129.7	1,157.4	1,126.8	15,964
Accumulated depreciation	(599.3)	(507.0)	(444.2)	(409.3)	(388.8)	(365.8)	(5,993)
	997.1	864.7	819.5	720.4	768.6	761.0	9,971
Goodwill and other intangible assets	379.4	255.5	259.3	113.6	78.4	68.8	3,794
Prepaid expenses, non-current	47.8	47.4	94.7	94.8	98.6	110.7	478
Deferred income taxes, non-current	14.2	11.6	13.5	10.2	9.4	46.3	142
Other assets	59.6	22.5	6.7	26.7	35.8	53.4	596
Total	7,571.4	8,430.5	6,711.9	5,533.1	5,012.5	4,856.2	75,714
Current liabilities:							
Short-term debt	625.1	461.9	539.6	412.2	452.1	615.8	6,251
Current maturities of long-term debt	428.9	416.5	428.5	438.5	330.6	382.2	4,289
Payables—trade:							
Notes and acceptances	84.6	107.9	93.3	101.7	107.5	115.2	846
Accounts	1,159.2	1,103.8	1,070.9	879.0	771.1	728.7	11,592
Associated companies	26.7	38.7	29.7	18.3	22.8	25.6	267
Income taxes	37.4	54.9	33.0	20.2	15.9	17.1	374
Accrued expenses	101.5	103.8	93.0	60.5	61.2	47.7	1,015
Advances from customers	107.3	79.1	90.5	85.4	66.2	60.4	1,073
Liabilities associated with assets held for sale	—	1,329.3	—	—	—	—	—
Other current liabilities	162.7	151.5	244.0	182.2	99.8	97.2	1,627
Total current liabilities	2,733.4	3,847.4	2,622.5	2,198.0	1,927.2	2,089.9	27,334
Long-term debt, less current maturities	3,012.0	2,764.4	2,447.2	2,213.7	2,218.5	2,046.0	30,120
Accrued pension and retirement benefits	14.1	9.8	13.2	11.8	10.9	9.1	141
Deferred income taxes, non-current	189.3	239.5	230.3	85.7	38.8	3.9	1,893
Minority interests	129.9	96.3	94.7	89.0	86.3	88.6	1,299
Commitments and contingent liabilities							
Shareholders' equity:							
Common stock	219.3	219.3	219.3	219.3	169.4	169.4	2,193
Additional paid-in capital	291.0	279.7	279.5	238.9	189.6	189.5	2,910
Retained earnings:							
Appropriated for legal reserve	17.7	17.7	17.7	17.7	17.7	17.7	177
Unappropriated	943.1	755.2	579.2	442.6	365.9	307.8	9,431
	960.8	772.9	596.9	460.3	383.6	325.5	9,608
Accumulated other comprehensive income (loss)	22.8	222.2	213.8	17.1	(11.2)	(65.0)	228
Treasury stock, at cost	(1.2)	(21.0)	(5.5)	(0.7)	(0.6)	(0.7)	(12)
Total shareholders' equity	1,492.7	1,473.1	1,304.0	934.9	730.8	618.7	14,927
Total	7,571.4	8,430.5	6,711.9	5,533.1	5,012.5	4,856.2	75,714

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.
3. The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥100=U.S.$1, the approximate exchange rate on March 31, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 eight industry-based business segments and two sets of regional operations (domestic and overseas). Our 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

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 eight 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.

While promoting the autonomous management style of each business unit and having the corporate group focus on its core functions, we reformed our nine business unit segments to eight on April 1, 2007 in order to further expand our earnings base and strengthen services and functions we offer to our customers. Accordingly, the four operating segments in the previous year, the "Media, Electronics & Network", the "Chemical", the "Consumer Goods & Service" and the "Materials & Real Estate" Business Unit segment were reorganized to three, the "Media, Network & Lifestyle Retail", the "Chemical & Electronics" and the "General Products & Real Estate" Business Unit Segment. The "Machinery & Electric" Business Unit segment name was changed to "Infrastructure" Business Unit segment.

As of March 31, 2008, we had total assets of ¥7,571.4 billion and 65,494 employees worldwide. For the fiscal year ended March 31, 2008, our consolidated net income was ¥238.9 billion.

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, 2008. 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. We have positioned the GG Plan, a new medium-term management plan launched in April 2007, as a phase to strengthen the accomplishments of the reform process since fiscal year 1999 and to head toward a new stage of development. We will rigorously strengthen and expand our core businesses and establish a truly solid earnings base. We will improve our management quality and thoroughly firm up our footing so as to ensure sustained growth. We will continue leveraging the integrated corporate strength of the Sumitomo Corporation Group and move toward the sound achievement of our goals under the GG Plan.

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 2007 and 2008 respectively, a two-year total of ¥470 billion. In the first year of the plan, we reached our targets smoothly with a consolidated net income of ¥238.9 billion. As of April 30 2008, we expect to earn a consolidated net income of ¥243.0 billion for the fiscal year ending March 31, 2009.

3. ECONOMIC ENVIRONMENT

On the international scene during the period under review, while emerging market countries continued to grow at a rapid pace, international financial markets experienced some turbulence triggered by the United States subprime lending crisis, leading to an increasing sense of a slowdown in growth, particularly in the United States and other developed countries. In international commodity markets, prices of crude oil, nonferrous metal, grains and other goods, remained in a high range, reflecting the effects of strong demand and geopolitical risks as well as unseasonable weather and a looser monetary policy.

Domestically, capital investment by private businesses sustained its positive momentum. Exports also continued strong, particularly to East Asia, Europe, and the Middle East, but the implementation of the revised Building Standard Law caused a sharp drop in residential investment, and the combination of higher prices for raw materials, appreciation of the yen and a falling stock market further dampened confidence in the economy. As a result, there was a sense that the expansion was decelerating as the end of fiscal 2007 approached.

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 revenues 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 aircrafts; 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, 2008, sales of services and others accounted for 17.2% of our total revenues, but the gross profit from sales of services and others accounted for 47.7% of our gross profit.

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 issues 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 May 22, 2007, 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, which owned shares in Jupiter Shop Channel Co., Ltd. ("Shop") and the programming provisioning business.

The Company purchased one share of JTV to be issued under the third-party share allocation on May 23, 2007, automatically turning JTV into a consolidated subsidiary of the Company, holding shares of over 50%.

Corporate spin-off and establishment of a new company ("the Spin-off") under which JTV was the Spin-off company and the new company established on July 2, 2007 ("JTV1") was the Successor company.

JTV changed its name to "SC Media & Commerce Inc." beginning July 2, 2007.

The Company acquired SC Media & Commerce Inc. which owned 70% of the Shop, as a wholly-owned subsidiary through a share exchange between the Company and SC Media & Commerce Inc. ("the Share Exchange") on July 3, 2007, which was conditional on the Spin-off being effective.

This transaction promoted the further growth of the Shop business by directly linking the Shop operation with the strategy of the Company, strengthening the business foundations of the Company's overall retail business that the Company is actively expanding. In Addition, the Company intends to maximize revenues by expanding new retail business opportunities from e-commerce and Web marketing, etc.

Jupiter Telecommunications Co., Ltd. (equity method affiliate of the Company; "J:COM") and JTV1 which operated the programming provisioning business had merged on September 1, 2007, which was conditional on the Spin-off being effective. By merging J:COM and JTV1, the Company intends to maximize revenues of the J:COM business and the programming provisioning business through utilizing the financial strength and customer information of J:COM to provide more attractive programming service for customers.

The accompanying consolidated financial statements for the year ended March 31, 2008 include the operating results of JTV based on the increase of ownership from 50% to over 50% of shares outstanding after the purchase of newly issued shares of SC Media & Commerce Inc. (previous JTV) on May 23, 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 ("SMBC Auto Leasing") announced that they had reached a basic agreement to pursue strategic joint businesses in leasing and auto leasing.

SAL and SMBC Auto Leasing merged on October 1, 2007 and the newly merged company's name was changed to "Sumitomo Mitsui Auto Service Company, Limited."

This transaction's objective is to win a place in the leasing industry that is becoming increasingly competitive and to establish a structure aimed at being ranked number one with respect to market share based upon the high-quality of customer bases of both the Companies' Group and SMFG by combining high-value-added service based on SAL's value chain and business network of SMBC Auto Leasing.

The Company had a wholly-owned ownership of the voting shares of SAL prior to this merger and a 60% ownership of the voting shares of Sumitomo Mitsui Auto Service Company, Limited.

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 Infrastructure 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, 2008 Compared to Fiscal Year Ended March 31, 2007

Total Revenues. Total revenues increased by ¥593.7 billion, or 19.3%, from ¥3,077.2 billion in the fiscal year ended March 31, 2007, to ¥3,670.9 billion in the fiscal year ended March 31, 2008. 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 ¥76.8 billion, or 9.0%, from ¥857.7 billion in the fiscal year ended March 31, 2007, to ¥934.5 billion in the fiscal year ended March 31, 2008. The increase was mainly contributed from the effect of the consolidation of newly acquired subsidiaries and strong performances in our steel service center operations, automobile and construction equipment business mainly in Europe, IPP (Independent Power Producer) business mainly in Asia, and condominium sales in the Tokyo Metropolitan Area.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥59.5 billion, or 9.8%, from ¥609.9 billion in the fiscal year ended March 31, 2007, to ¥669.4 billion in the fiscal year ended March 31, 2008, in line with the growth in gross profit.

Provision for Doubtful Receivables. The provision for doubtful receivables increased by ¥3.1 billion, or 38.8%, to ¥11.1 billion in the fiscal year ended March 31, 2008, compared to ¥8.0 billion in the fiscal year ended March 31, 2007. The provision for doubtful receivables recognized for the fiscal year ended March 31, 2008 was mainly related to receivables in the automobile lease and finance business in Asia .

Impairment Losses on Long-Lived Assets. Impairment losses on long-lived assets increased by ¥3.7 billion, or 37.8%, from ¥9.8 billion in the fiscal year ended March 31, 2007 to ¥13.5 billion in the fiscal year ended March 31, 2008. Impairment losses recognized for the fiscal year ended March 31, 2008 were mainly related to a mining right for gas development in North America.

Gain on Sale of Property and Equipment, Net. Gain on sale of property and equipment increased by ¥1.1 billion, or 45.8%, from ¥2.4 billion in the fiscal year ended March 31, 2007 to ¥3.5 billion in the fiscal year ended March 31, 2008.

Interest Income. Interest income decreased by ¥4.6 billion, or 14.0%, from ¥32.9 billion in the fiscal year ended March 31, 2007 to ¥28.3 billion in the fiscal year ended March 31, 2008. This was mainly due to a lower U.S. dollar interest rate.

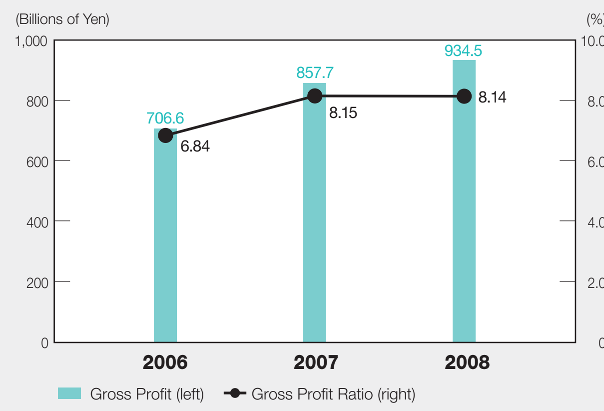
Interest Expense. Interest expense slightly increased by ¥1.1 billion, or 1.6%, from ¥70.0 billion in the fiscal year ended March 31, 2007 to ¥71.1 billion in the fiscal year ended March 31, 2008. The increase was mainly due to a higher Japanese yen interest rate while the increase was partly offset by a lower U.S. dollar interest rate.

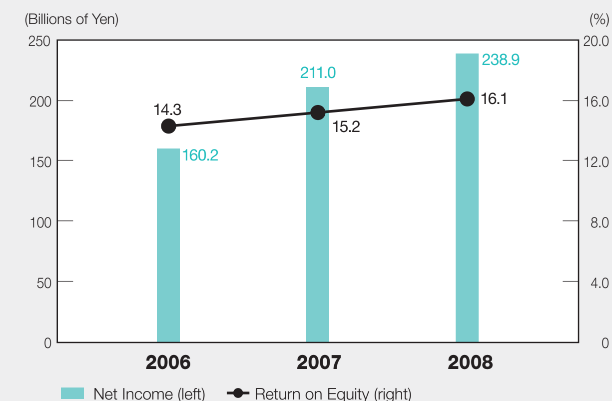
Dividends. Total dividend income increased by ¥1.2 billion, or 8.5%, from ¥14.1 billion in the fiscal year ended March 31, 2007 to ¥15.3 billion in the fiscal year ended March 31, 2008. This was mainly due to the increased dividends from domestic listed companies.

Other than Temporary Impairment Losses on Securities. Other than temporary impairment losses on securities increased by ¥13.1 billion, or 451.7%, from ¥2.9 billion in the fiscal year ended March 31, 2007 to ¥16.0 billion in the fiscal year ended March 31, 2008. Impairment losses recognized for the fiscal year ended March 31, 2008 were mainly related to the investment in The Seiyu, Ltd.

Gain on Sale of Marketable Securities and Other Investments, Net. Gain on sale of marketable securities and other investments increased by ¥23.5 billion, or 50.0%, from ¥47.0 billion for the fiscal year ended March 31, 2007 to ¥70.5 billion for the fiscal year ended March 31, 2008. Capital gains on sales of INPEX Holdings Inc. and the business restructuring of Jupiter TV Co., Ltd. contributed for the fiscal year ended March 31, 2008.

Gain on Issuances of Stock by Subsidiaries and Associated Companies. Gain on issuances of stock by subsidiaries and associated companies increased by ¥40.0 billion from ¥0.4 billion for the fiscal year ended March 31, 2007 to ¥40.4 billion for the





fiscal year ended March 31, 2008. Gains from the merger of leasing companies of Sumitomo Mitsui Financial Group and Sumitomo Corporation contributed for the fiscal year ended March 31, 2008.

Equity in Earnings of Associated Companies, Net. Equity in earnings of associated companies decreased by ¥13.4 billion, or 19.1%, from ¥70.3 billion in the fiscal year ended March 31, 2007 to ¥56.9 billion in the fiscal year ended March 31, 2008. Although Nusa Tenggara Mining Corporation (Batu Hijau copper & gold mine project in Indonesia) and the copper business in the Americas contributed to the increase, we recognized hedge valuation losses related to the San Cristobal silver-zinc-lead mining project in Bolivia*.

*The hedge transactions are one of the conditions for the project finance and for a part of products sales prices over 7 years. As the commodity prices have risen high after our entry into the project, we recognized evaluation losses at the end of this period. As hedge accounting is not applicable to this transactions, these evaluation losses were recorded ahead of the production sales. Therefore, these hedge evaluation losses have no impact on long-term profitability of this project.

Income Taxes. Income taxes increased by ¥5.0 billion, or 4.4%, from ¥114.8 billion in the fiscal year ended March 31, 2007 to ¥119.8 billion in the fiscal year ended March 31, 2008, 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 increased by ¥2.8 billion, or 45.9%, from ¥6.1 billion in the fiscal year ended March 31, 2007 to ¥8.9 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the consolidation of Jupiter Shop Channel (SC Media & Commerce Inc.).

Net Income. As a result of the factors discussed above, net income increased by ¥27.9 billion, or 13.2%, from ¥211.0 billion in the fiscal year ended March 31, 2007 to ¥238.9 billion in the fiscal year ended March 31, 2008.

Total Trading Transactions. Total trading transactions increased by ¥956.3 billion, or 9.1%, from ¥10,528.3 billion in the fiscal year ended March 31, 2007 to ¥11,484.6 billion in the fiscal year ended March 31, 2008. This was mainly due to the strong performance in mineral resources businesses and the effect of newly consolidated subsidiaries.

8. OPERATING SEGMENT ANALYSIS

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

We conduct our business through eight business segments based on industries, including: Metal Products; Transportation & Construction Systems; Infrastructure; Media, Network & Lifestyle Retail; Chemical & Electronics; Mineral Resources & Energy; General Products & 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, revenues 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.

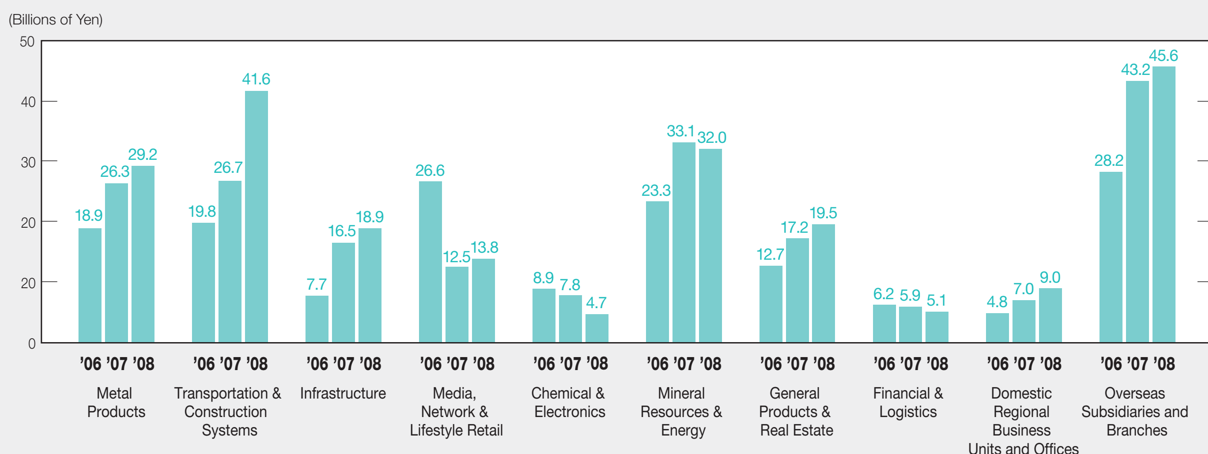
The following table sets forth our operating results by operating segments for the fiscal years ended March 31, 2008 and 2007. (The operating segment information for the year ended March 31, 2007 have been reclassified to conform to presentation for March 31, 2008.)

Breakdown of Gross Profit by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2008 and 2007	2008	2007	increase/ decrease	increase/ decrease	2008
Metal Products	¥ 80.2	¥ 77.6	¥ 2.6	3.4%	$ 802
Transportation & Construction Systems	157.7	134.6	23.1	17.2	1,577
Infrastructure	41.0	38.3	2.7	7.0	410
Media, Network & Lifestyle Retail	168.7	126.1	42.6	33.8	1,687
Chemical & Electronics	46.0	47.9	(1.9)	(4.0)	460
Mineral Resources & Energy	48.0	48.1	(0.1)	(0.2)	480
General Products & Real Estate	122.0	118.1	3.9	3.3	1,220
Financial & Logistics	31.8	29.2	2.6	8.9	318
Domestic Regional Business Units and Offices	43.7	41.7	2.0	4.8	437
Overseas Subsidiaries and Branches	200.7	226.4	(25.7)	(11.4)	2,007
Segment Total	939.8	888.0	51.8	5.8	9,398
Corporate and Eliminations	(5.3)	(30.3)	25.0	82.5	(53)
Consolidated	¥934.5	¥857.7	¥ 76.8	9.0%	$9,345

Breakdown of Net Income by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2008 and 2007	2008	2007	increase/ decrease	increase/ decrease	2008
Metal Products	¥ 29.2	¥ 26.3	¥ 2.9	11.0%	$ 292
Transportation & Construction Systems	41.6	26.7	14.9	55.8	416
Infrastructure	18.9	16.5	2.4	14.5	189
Media, Network & Lifestyle Retail	13.8	12.5	1.3	10.4	138
Chemical & Electronics	4.7	7.8	(3.1)	(39.7)	47
Mineral Resources & Energy	32.0	33.1	(1.1)	(3.3)	320
General Products & Real Estate	19.5	17.2	2.3	13.4	195
Financial & Logistics	5.1	5.9	(0.8)	(13.6)	51
Domestic Regional Business Units and Offices	9.0	7.0	2.0	28.6	90
Overseas Subsidiaries and Branches	45.6	43.2	2.4	5.6	456
Segment Total	219.4	196.2	23.2	11.8	2,194
Corporate and Eliminations	19.5	14.8	4.7	31.8	195
Consolidated	¥238.9	¥211.0	¥ 27.9	13.2%	$2,389



Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007

Metal Products

Gross profit increased by ¥2.6 billion, or 3.4%, from ¥77.6 billion in the fiscal year ended March 31, 2007 to ¥80.2 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the strong performance in our steel service center operations and steel plates business. Net income increased by ¥2.9 billion, or 11.0%, from ¥26.3 billion in the fiscal year ended March 31, 2007 to ¥29.2 billion in the fiscal year ended March 31, 2008.

Transportation & Construction Systems

Gross profit increased by ¥23.1 billion, or 17.2%, from ¥134.6 billion in the fiscal year ended March 31, 2007 to ¥157.7 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the continuing strong performance in the automobile and construction equipment business mainly in Europe, and the ship business contributed strongly, reflecting good market conditions. Net income increased by ¥14.9 billion, or 55.8%, from ¥26.7 billion in the fiscal year ended March 31, 2007 to ¥41.6 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the increase in gross profit and the gain from the merger of auto leasing operation.

Infrastructure

Gross profit increased by ¥2.7 billion, or 7.0%, from ¥38.3 billion in the fiscal year ended March 31, 2007 to ¥41.0 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the strong performance in the IPP business mainly in Asia. Net income increased by 2.4 billion, or 14.5%, from ¥16.5 billion in the fiscal year ended March 31, 2007 to ¥18.9 billion in the fiscal year ended March 31, 2008.

Media, Network & Lifestyle Retail

Gross profit increased by ¥42.6 billion, or 33.8%, from ¥126.1 billion in the fiscal year ended March 31, 2007 to ¥168.7 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the consolidation of the Jupiter Shop Channel (SC Media & Commerce Inc.) and strong performance by Summit, Inc., a food supermarket. Net income increased by ¥1.3 billion, or 10.4%, from ¥12.5 billion in the fiscal year ended March 31, 2007 to ¥13.8 billion in the fiscal year ended March 31, 2008. The increase was due to the increase in gross profit and capital gain from the exchange of shares for the business restructuring of Jupiter TV Co., Ltd.

Chemical & Electronics

Gross profit decreased by ¥1.9 billion, or 4.0%, from ¥47.9 billion in the fiscal year ended March 31, 2007 to ¥46.0 billion in the fiscal year ended March 31, 2008. The decrease was mainly due to Cantex Inc., the U.S. polyvinyl chloride pipe manufacturer, which was affected by housing market downturn. Net income decreased by ¥3.1 billion, or 39.7%, from ¥7.8 billion in the fiscal year ended March 31, 2007 to ¥4.7 billion in the fiscal year ended March 31, 2008.

Mineral Resources & Energy

Gross profit of 48.0 billion in the fiscal year ended March 31, 2008 was at the same level as the gross profit of 48.1 billion in the fiscal year ended March 31, 2007. Net income decreased by ¥1.1 billion, or 3.3%, from ¥33.1 billion in the fiscal year ended March 31, 2007 to ¥32.0 billion in the fiscal year ended March 31, 2008. Nusa Tenggara Mining Corporation (Batu Hijau copper & gold mine project in Indonesia) and the copper business in the Americas showed strong performance. The decrease in net income was mainly due to the hedge evaluation losses related to the San Cristobal silver-zinc-lead project in Bolivia, though the losses were partly offset by capital gains.

General Products & Real Estate

Gross profit increased by ¥3.9 billion, or 3.3%, from ¥118.1 billion in the fiscal year ended March 31, 2007 to ¥122.0 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the strong performance in condominium sales in Tokyo Metropolitan Area. Net income increased by ¥2.3 billion, or 13.4%, from ¥17.2 billion in the fiscal year ended March 31, 2007 to ¥19.5 billion in the fiscal year ended March 31, 2008.

Financial & Logistics

Gross profit increased by ¥2.6 billion, or 8.9%, from ¥29.2 billion in the fiscal year ended March 31, 2007 to ¥31.8 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the expansion of the asset management business. Net income decreased by ¥0.8 billion or 13.6%, from ¥5.9 billion in the fiscal year ended March 31, 2007 to ¥5.1 billion in the fiscal year ended March 31, 2008. The decrease was mainly due to the decrease of earnings in the commodity trading business.

Domestic Regional Business Units and Offices

Gross profit increased by ¥2.0 billion, or 4.8%, from ¥41.7 billion in the fiscal year ended March 31, 2007 to ¥43.7 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the strong performances in the metal products businesses. Net income increased by ¥2.0 billion, or 28.6%, from ¥7.0 billion in the fiscal year ended March 31, 2007 to ¥9.0 billion in the fiscal year ended March 31, 2008.

Overseas Subsidiaries and Branches

Gross profit decreased by ¥25.7 billion, or 11.4%, from ¥226.4 billion in the fiscal year ended March 31, 2007 to ¥200.7 billion in the fiscal year ended March 31, 2008. The decrease was mainly due to the decreased earning in tubular products businesses primarily in Sumitomo Corporation of America and the effect of foreign exchange rates (appreciation of the yen). Net income increased by ¥2.4 billion, or 5.6%, from ¥43.2 billion in the fiscal year ended March 31, 2007 to ¥45.6 billion in the fiscal year ended March 31, 2008. The increase was mainly due to the strong performances in business in Europe and Asia.

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, 2008, we had ¥4,089.9 billion of short-term and long-term debt. Our short-term debt, excluding current maturities of long-term debt was ¥625.1 billion, an increase of ¥163.2 billion from the previous year. Our short-term debt consisted of ¥356.0 billion of loans, principally from bank, and ¥269.1 billion of commercial paper.

As of March 31, 2008, we had long-term debt of ¥3,464.8 billion, an increase of ¥272.0 billion from the previous year, including current maturities of ¥452.9 billion. As of March 31, 2008, the balance of our borrowings from banks and insurance companies was ¥2,508.7 billion, an increase of ¥139.9 billion from the previous year, and the balance of notes and bonds was ¥575.9 billion, an increase of ¥51.0 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."

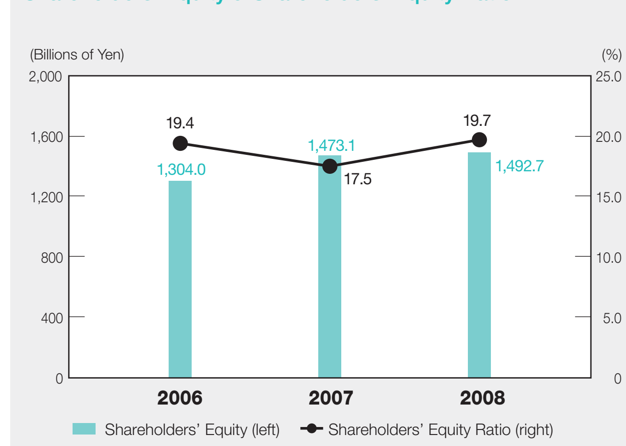
In addition, as of March 31, 2008, we had several committed lines of credit available for immediate borrowing providing an aggregate of up to $1,050 million and ¥445 billion in short-term loans. To date, we have not drawn on any of these lines of credit. We believe these lines of credit do not contain 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 $1,000 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.

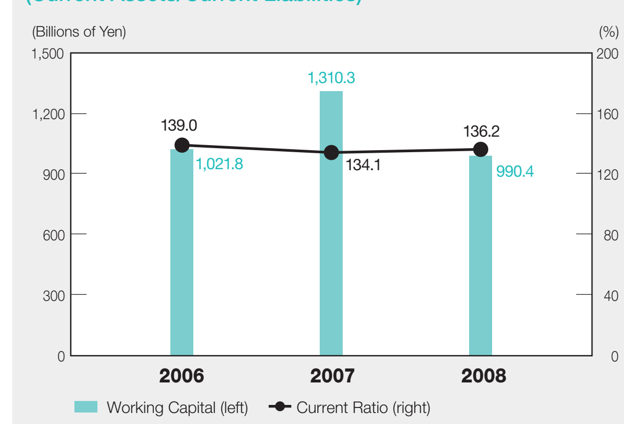
As of March 31, 2008, our long-term and short-term credit ratings are A2/P-1 from Moody's Investors Service, A/A-1 from Standard & Poor's and AA-/a-1+ from Rating and Investment Information, Inc. In order to facilitate our access to capital markets for funding, we have established several funding programs, 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.
- 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 decreased by ¥859.1 billion from March 31, 2007, to ¥7,571.4 billion due to the deconsolidation of Sumisho Lease Co., Ltd. which had temporarily been our subsidiary in the process of leasing business restructuring and the decrease of unrealized holding gains on marketable securities. On the other hand, assets increased through the merger of Sumitomo Mitsui Auto Service Co., Ltd. and the consolidation of newly acquired companies.

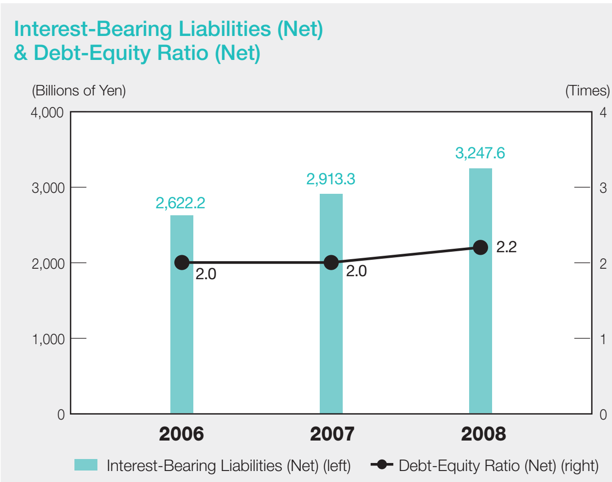
As of March 31, 2008, our shareholders' equity was ¥1,492.7 billion, representing an increase of ¥19.6 billion from March 31, 2007, due to the increase in retained earnings. Our ratio of shareholders' equity to total assets was 19.7%, up 2.2 points from the end of the previous fiscal year. Our interest-bearing liabilities (net) were ¥3,247.6 billion, an increase of ¥334.3 billion. As a result, our net debt-to-equity ratio was 2.2 as of March 31, 2008.

As of March 31, 2008, we had current trade receivables of ¥2,024.4 billion from third parties and ¥109.4 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, 2008 were ¥14.8 billion. As of March 31, 2008, we had current trade payables of ¥1,243.8 billion to third parties and ¥26.7 billion to associated companies.

We had working capital of ¥990.4 billion as of March 31, 2008 compared to ¥1, 310.3 billion as of March 31, 2007.

Liquidity and Capital Resources

	Billions of Yen			Millions of U.S. Dollars
As of March 31, 2008, 2007 and 2006	2008	2007	2006	2008
Short-term				
Loans, principally from banks	¥ 356.0	¥ 316.2	¥ 408.7	$ 3,560
Commercial paper	269.1	145.7	130.9	2,691
	625.1	461.9	539.6	6,251
Long-term, including current maturities of long-term debt				
Secured long-term debt				
Loans	214.1	237.4	208.5	2,141
Bonds	35.1	25.3	10.8	351
Unsecured long-term debt				
Loans	2,294.7	2,131.4	1,898.0	22,947
Bonds and notes	540.8	499.6	495.6	5,408
	3,084.7	2,893.7	2,612.9	30,847
Interest-bearing liabilities (gross)	3,709.8	3,355.6	3,152.5	37,098
Cash and cash equivalents & time deposits	462.2	442.3	530.3	4,622
Interest-bearing liabilities (net)	3,247.6	2,913.3	2,622.2	32,476
Total assets	7,571.4	8,430.5	6,711.9	75,714
Shareholders' equity	1,492.7	1,473.1	1,304.0	14,927
Shareholders' equity ratio (%)	19.7	17.5	19.4	
Debt-equity ratio (gross) (times)	2.5	2.3	2.4	
Debt-equity ratio (net) (times)	2.2	2.0	2.0	



The following table sets forth our cash flow information for the fiscal years ended March 31, 2008, 2007 and 2006:

Summary Statements of Consolidated Cash Flows

	Billions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2008, 2007 and 2006	2008	2007	2006	2008
Net cash provided by (used in) operating activities	¥ 320.6	¥ 191.2	¥ (62.8)	$ 3,206
Net cash used in investing activities	(299.8)	(453.1)	(141.4)	(2,998)
Free cash flow	20.8	(261.9)	(204.2)	208
Net cash provided by financing activities	12.7	176.1	262.1	127
Effect of exchange rate changes on cash and cash equivalents	(15.8)	4.4	8.3	(158)
Effect of the change in the reporting period of subsidiaries and associated companies	—	3.8	1.9	—
Net increase (decrease) in cash and cash equivalents included in assets held for sale	2.3	(7.6)	—	23
Net increase (decrease) in cash and cash equivalents	¥ 20.0	¥ (85.2)	¥ 68.1	$ 200

Net cash provided by operating activities was ¥320.6 billion for the fiscal year ended March 31, 2008, compared to ¥191.2 billion provided in operating activities for the fiscal year ended March 31, 2007. This was due to the strong business performances in each segment.

Net cash used in investing activities was ¥299.8 billion for the fiscal year ended March 31, 2008 compared to ¥453.1 billion for the fiscal year ended March 31, 2007. This was mainly due to the enhancement of core businesses including the expansion of the leasing business.

As a result, free cash flow, calculated as net cash provided by operating activities plus net cash used in investing activities, was ¥20.8 billion cash in for the fiscal year ended March 31, 2008 compared to ¥261.9 billion cash out for the fiscal year ended March 31, 2007.

Net cash provided by financing activities was ¥12.7 billion for the fiscal year ended March 31, 2008 compared to ¥176.1 billion for the fiscal year ended March 31, 2007. As a result of the factors discussed above, cash and cash equivalents increased by ¥20.0 billion from the fiscal year ended March 31, 2007, to ¥456.8 billion.

As of March 31, 2008, 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	¥3,464.8	¥452.9	¥445.4	¥519.0	¥535.4	¥390.3	¥1,121.8
Operating leases	338.6	38.6	35.1	32.8	31.0	27.9	173.2
Total	¥3,803.4	¥491.5	¥480.5	¥551.8	¥566.4	¥418.2	¥1,295.0

Long-term debt includes capital lease obligations.

As of March 31, 2008, we had long-term financing commitments in the aggregate amount of ¥15.5 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 ¥1,087.9 billion as of March 31, 2008. Scheduled deliveries are at various dates through 2016.

As of March 31, 2008, 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 ¥496.6 billion in property, equipment and other assets and made ¥107.0 billion of other investments in the fiscal year ended March 31, 2008. 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, 2008, we were contingently liable to certain banks for the aggregate amount of ¥145.4 billion for discounted trade notes receivable (principally relating to export transactions maturing through 2010) sold to those banks on a recourse basis.

As of March 31, 2008, we were contingently liable for guarantees (continuing through 2033) in the aggregate amount of ¥100.8 billion, including ¥70.5 billion relating to our associated companies and ¥3.3 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 to 2015 in the aggregate amount of ¥11.6 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, 2008.

11. LITIGATION

The Companies are 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 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.

In December, 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired arising from business combinations. SFAS No. 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective as of the

beginning of an entity's first fiscal year that begins after December 14, 2008. The Companies are evaluating the effect of the adoption of SFAS No. 141R.

In December, 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51". SFAS No. 160 defines the accounting for noncontrolling interests (previously referred to as minority interests) which should be reported as a component of equity. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective as of the beginning of an entity's first fiscal year that begins after December 14, 2008. The Companies are evaluating the effect of the adoption of SFAS No. 160.

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 commodities such as 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, 2008 and 2007 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, 2008 and 2007	2008	2007	2008
Cost	¥238.1	¥198.4	$2,381
Fair value	467.6	659.2	4,676
Net unrealized gains	¥229.5	¥460.8	$2,295

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, 2008:

VaR

	Billions of Yen			
For the year ended March 31, 2008	At year-end	High	Low	Average
	¥4.3	¥6.9	¥3.8	¥5.9

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, 2007, 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, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars
ASSETS	2008	2007	2008
Current assets:			
Cash and cash equivalents (Note 11)	¥ 456,809	¥ 436,814	$ 4,568
Time deposits (Note 11)	5,369	5,514	54
Marketable securities (Notes 5 and 11)	19,856	17,304	199
Receivables—trade (Notes 6, 11 and 21):			
Notes and loans	242,312	292,630	2,423
Accounts	1,782,114	1,722,118	17,821
Associated companies	109,354	100,014	1,093
Allowance for doubtful receivables	(14,789)	(13,594)	(148)
Inventories (Note 7)	756,190	757,473	7,562
Deferred income taxes (Note 12)	39,300	39,314	393
Advance payments to suppliers	73,881	55,617	739
Assets held for sale (Note 3)	—	1,516,385	—
Other current assets (Note 13)	253,354	228,161	2,534
Total current assets	3,723,750	5,157,750	37,238
Investments and long-term receivables (Notes 6, 11 and 21):			
Investments in and advances to associated companies (Note 8)	883,635	559,537	8,836
Other investments (Note 5)	655,190	833,825	6,552
Long-term receivables	832,761	706,107	8,328
Allowance for doubtful receivables	(22,099)	(28,454)	(221)
Total investments and long-term receivables	2,349,487	2,071,015	23,495
Property and equipment, at cost (Notes 9, 11 and 21)	1,596,457	1,371,650	15,964
Accumulated depreciation	(599,329)	(506,959)	(5,993)
	997,128	864,691	9,971
Goodwill and other intangible assets (Notes 3, 10 and 21)	379,405	255,526	3,794
Prepaid expenses, non-current (Note 13)	47,836	47,428	478
Deferred income taxes, non-current (Note 12)	14,228	11,632	142
Other assets	59,565	22,435	596
Total (Note 19)	¥7,571,399	¥8,430,477	$75,714

See the accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2008	Millions of Yen 2007	Millions of U.S. Dollars 2008
Current liabilities:			
Short-term debt (Note 11)	¥ 625,106	¥ 461,931	$ 6,251
Current maturities of long-term debt (Note 11)	428,869	416,491	4,289
Payables—trade (Note 21):			
Notes and acceptances	84,610	107,865	846
Accounts	1,159,158	1,103,839	11,592
Associated companies	26,716	38,654	267
Income taxes (Note 12)	37,419	54,919	374
Accrued expenses	101,557	103,755	1,015
Advances from customers	107,269	79,152	1,073
Liabilities associated with assets held for sale (Note 3)	—	1,329,288	—
Other current liabilities (Note 12)	162,667	151,509	1,627
Total current liabilities	2,733,371	3,847,403	27,334
Long-term debt, less current maturities (Notes 11, 21 and 22)	3,011,992	2,764,352	30,120
Accrued pension and retirement benefits (Note 13)	14,074	9,835	141
Deferred income taxes, non-current (Note 12)	189,273	239,507	1,893
Minority interests	129,947	96,252	1,299
Commitments and contingent liabilities (Note 23)			
Shareholders' equity (Notes 14 and 18):			
Common stock — authorized 2,000,000,000 shares; issued 1,250,602,867 shares in 2008 and 2007	219,279	219,279	2,193
Additional paid-in capital	291,032	279,711	2,910
Retained earnings:			
Appropriated for legal reserve	17,696	17,696	177
Unappropriated	943,114	755,159	9,431
	960,810	772,855	9,608
Accumulated other comprehensive income (Note 15)	22,845	222,290	228
Treasury stock, at cost: 607,954 and 15,118,112 shares in 2008 and 2007, respectively	(1,224)	(21,007)	(12)
Total shareholders' equity	1,492,742	1,473,128	14,927
Total	¥7,571,399	¥8,430,477	$75,714

CONSOLIDATED STATEMENTS OF INCOME

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2008, 2007 and 2006

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Revenues (Note 19):				
Sales of tangible products	¥ 3,040,712	¥ 2,495,030	¥ 2,079,576	$ 30,407
Sales of services and others	630,184	582,180	501,835	6,302
Total revenues	3,670,896	3,077,210	2,581,411	36,709
Cost (Notes 9 and 20):				
Cost of tangible products sold	2,551,640	2,076,591	1,737,706	25,517
Cost of services and others	184,714	142,930	137,058	1,847
Total cost	2,736,354	2,219,521	1,874,764	27,364
Gross profit (Note 19)	934,542	857,689	706,647	9,345
Other income (expenses):				
Selling, general and administrative expenses (Notes 9, 10 and 13)	(669,364)	(609,900)	(515,807)	(6,694)
Settlements on copper trading litigation	—	9,584	(109)	—
Provision for doubtful receivables (Note 6)	(11,077)	(8,041)	(14,707)	(111)
Impairment losses on long-lived assets (Notes 9 and 10)	(13,545)	(9,822)	(12,423)	(135)
Gain (loss) on sale of property and equipment, net	3,471	2,355	(362)	35
Interest income	28,273	32,936	18,998	283
Interest expense	(71,111)	(70,022)	(38,951)	(711)
Dividends	15,260	14,095	10,423	153
Other than temporary impairment losses on securities	(15,996)	(2,850)	(3,723)	(160)
Gain on sale of marketable securities and other investments, net (Note 5)	70,529	46,970	43,966	705
Gain on issuances of stock by subsidiaries and associated companies (Notes 3 and 8)	40,411	360	1,534	404
Equity in earnings of associated companies, net (Notes 8 and 12)	56,942	70,307	51,374	569
Other, net	(742)	(1,732)	947	(7)
Total other income (expenses)	(566,949)	(525,760)	(458,840)	(5,669)
Income before income taxes and minority interests in earnings of subsidiaries (Note 12)	367,593	331,929	247,807	3,676
Income taxes (Note 12)	119,772	114,843	80,737	1,198
Income before minority interests in earnings of subsidiaries	247,821	217,086	167,070	2,478
Minority interests in earnings of subsidiaries, net	(8,893)	(6,082)	(6,833)	(89)
Net income (Note 19)	¥ 238,928	¥ 211,004	¥ 160,237	$ 2,389
Total trading transactions* (Note 19)	¥11,484,585	¥10,528,277	¥10,336,265	$114,846

	Yen			U.S. Dollars
Net income per share of common stock (Note 18):				
Basic	¥ 192.51	¥ 169.93	¥ 130.18	$ 1.93
Diluted	192.47	169.90	130.17	1.92

*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, 2008, 2007 and 2006

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Common stock:				
Balance, beginning of year	¥ 219,279	¥ 219,279	¥ 219,279	$ 2,193
Balance, end of year	¥ 219,279	¥ 219,279	¥ 219,279	$ 2,193
Additional paid-in capital:				
Balance, beginning of year	¥ 279,711	¥ 279,470	¥ 238,859	$ 2,797
Increase due to Share Exchange Agreement (Note 3)	11,190	—	39,896	112
Increase due to grant of stock options	341	263	742	3
Loss on sale of treasury stock	(210)	(22)	(27)	(2)
Balance, end of year	¥ 291,032	¥ 279,711	¥ 279,470	$ 2,910
Retained earnings appropriated for legal reserve:				
Balance, beginning of year	¥ 17,696	¥ 17,696	¥ 17,686	$ 177
Reclassification due to merger under common control (Note 14)	—	—	10	—
Balance, end of year	¥ 17,696	¥ 17,696	¥ 17,696	$ 177
Unappropriated retained earnings:				
Balance, beginning of year	¥ 755,159	¥ 579,217	¥ 442,630	$ 7,552
Effect of adoption of new accounting standard (Notes 12 and 14)	(6,099)	—	—	(61)
Net income	238,928	211,004	160,237	2,389
Cash dividends	(44,874)	(36,188)	(22,140)	(449)
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)	—
Effect of the change of the accounting principles and others (Note 14)	—	(1,280)	—	—
Balance, end of year	¥ 943,114	¥ 755,159	¥ 579,217	$ 9,431
Accumulated other comprehensive income (loss), net of tax (Note 15):				
Balance, beginning of year	¥ 222,290	¥ 213,767	¥ 17,083	$ 2,222
Other comprehensive income (loss), net of tax	(199,445)	42,329	190,138	(1,994)
Adjustment to initially apply SFAS No.158 (Note 13)	—	(30,436)	—	—
Effect of the change in the reporting period of subsidiaries and associated companies	—	(3,370)	6,546	—
Balance, end of year	¥ 22,845	¥ 222,290	¥ 213,767	$ 228
Treasury stock, common stock:				
Balance, beginning of year	¥ (21,007)	¥ (5,454)	¥ (646)	$ (210)
Increase due to Sumisho Lease becoming a Subsidiary (Note 3)	—	(15,468)	—	—
Increase due to Share Exchange Agreement (Note 3)	(72,245)	—	(4,625)	(722)
Decrease due to Share Exchange Agreement (Note 3)	91,680	—	—	917
Other, net	348	(85)	(183)	3
Balance, end of year	¥ (1,224)	¥ (21,007)	¥ (5,454)	$ (12)
Total	¥1,492,742	¥1,473,128	¥1,303,975	$14,927
Comprehensive income:				
Net income	¥ 238,928	¥ 211,004	¥ 160,237	$ 2,389
Other comprehensive income (loss), net of tax (Note 15)				
Net unrealized holding gains (losses) on securities available-for-sale	(134,662)	11,925	152,393	(1,347)
Foreign currency transaction adjustments	(56,441)	25,688	45,974	(564)
Net unrealized gains (losses) on derivatives	2,697	4,716	(8,229)	27
Pension liability adjustments	(11,039)	—	—	(110)
Comprehensive income	¥ 39,483	¥ 253,333	¥ 350,375	$ 395

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2008, 2007 and 2006

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Operating activities:				
Net income	¥ 238,928	¥ 211,004	¥ 160,237	$ 2,389
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	146,624	113,278	94,239	1,466
Provision for doubtful receivables	11,077	8,041	14,707	111
Impairment losses on long-lived assets	13,545	9,822	12,423	135
(Gain) loss on sale of property and equipment, net	(3,471)	(2,355)	362	(35)
Other than temporary impairment losses on securities	15,996	2,850	3,723	160
Gain on sale of marketable securities and other investments, net	(70,529)	(46,970)	(43,966)	(705)
Gain on issuances of stock by subsidiaries and associated companies	(40,411)	(360)	(1,534)	(404)
Equity in earnings of associated companies, less dividends received	(17,041)	(44,412)	(32,114)	(170)
Changes in operating assets and liabilities, excluding effect of acquisitions and divestitures:				
Increase in receivables	(3,611)	(92,375)	(267,595)	(36)
Increase in inventories	(41,415)	(87,503)	(96,570)	(414)
Increase in payables	69,990	106,887	146,392	700
(Increase) decrease in prepaid expenses	(21,576)	10,266	(18,360)	(216)
Other, net	22,545	3,062	(34,696)	226
Net cash provided by (used in) operating activities	320,651	191,235	(62,752)	3,207
Investing activities:				
Expenditures for property, equipment and other assets	(496,554)	(317,034)	(188,505)	(4,966)
Proceeds from sale of property, equipment and other assets	63,562	43,174	163,500	636
Acquisition of available-for-sale securities	(58,022)	(35,327)	(63,542)	(580)
Proceeds from sale of available-for-sale securities	51,391	48,246	58,381	514
Proceeds from maturities of available-for-sale securities	102	75	1,093	1
Acquisition of held-to-maturity securities	(310)	(165)	(14,014)	(3)
Proceeds from maturities of held-to-maturity securities	1,795	2,395	3,350	18
Acquisition of other investments	(106,971)	(300,749)	(238,692)	(1,070)
Proceeds from sale of other investments	83,446	35,368	91,149	834
Increase in loans and other receivables	(483,953)	(434,036)	(338,038)	(4,839)
Collection of loans and other receivables	646,327	497,551	382,620	6,463
Net (increase) decrease in time deposits	(656)	7,382	1,270	(7)
Net cash used in investing activities	(299,843)	(453,120)	(141,428)	(2,999)
Financing activities:				
Net increase (decrease) in short-term debt	38,162	(28,140)	115,389	382
Proceeds from issuance of long-term debt	681,881	779,713	728,289	6,819
Repayment of long-term debt	(592,987)	(539,739)	(551,063)	(5,930)
Cash dividends paid	(44,874)	(36,188)	(22,140)	(449)
Capital contribution from minority interests	1,286	565	2,233	13
Repayment from securities lending activities	—	—	(10,349)	—
Acquisition of treasury stock, net	(70,789)	(105)	(214)	(708)
Net cash provided by financing activities	12,679	176,106	262,145	127
Effect of exchange rate changes on cash and cash equivalents	(15,823)	4,414	8,284	(158)
Effect of the change in the reporting period of subsidiaries and associated companies	—	3,815	1,860	—
Net increase (decrease) in cash and cash equivalents included in assets held for sale (Note 3)	2,331	(7,636)	—	23
Net increase (decrease) in cash and cash equivalents	19,995	(85,186)	68,109	200
Cash and cash equivalents, beginning of year	436,814	522,000	453,891	4,368
Cash and cash equivalents, end of year	¥ 456,809	¥ 436,814	¥ 522,000	$ 4,568

See the accompanying notes to consolidated financial statements.

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2008, 2007 and 2006

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 eight industry-based business segments and two sets of regional operations (domestic and overseas) (see Note 19). The Companies' 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

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

We reformed our nine Business Unit segments to eight on April 1, 2007. Accordingly, the four operating segments in the previous year, the "Media, Electronics & Network", the "Chemical", the "Consumer Goods & Service" and the "Materials & Real Estate" Business Unit segment, were reorganized to the three, the "Media, Network & Lifestyle Retail", the "Chemical & Electronics" and the "General Products & Real Estate" Business Unit segment. The "Machinery & Electric" Business Unit segment changed the name to the "Infrastructure" Business Unit segment.

"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.

Infrastructure— The Infrastructure Business Unit segment engages in a wide range of large-scale infrastructure development projects relating to, power generation, telecommunications facilities, water and sewage facilities and so on. This segment also engages in constructing, investing and financing of infrastructure projects overseas and in supplying manufacturing equipment and systems, and electric power projects for various domestic industries. This segment also engages in trading and investing in businesses such as energy-saving and environment-friendly technology. This segment consists of the Telecommunication, Environment & Industrial Infrastructure Business Division and the Power & Social Infrastructure Business Division.

Media, Network & Lifestyle Retail— The Media, Network & Lifestyle Retail Business Unit segment engages in cable TV operations, production and distribution of programming, movie business, IT solution service business, cell-phone related business and internet related business. This segment also engages in retail business such as food supermarket, drugstore, various mail order business and fashion brand business. With these businesses, this segment intends to enhance the value of each business, as well as to expand synergy among them. This segment consists of the Media Division, the Network Division and the Lifestyle & Retail Business Division.

Chemical & Electronics— The Chemical & Electronics Business Unit segment handles an extensive range of products such as raw materials for plastics, plastic products, organic and inorganic chemicals, and is also involved and invests in businesses, relating to cutting-edge electronic materials including silicon wafers and blue LEDs, pharmaceuticals, medical services, agricultural chemicals, household insecticide and pet supplies. This segment is also actively operating EMS* mainly in Asia. This segment consists of the Basic & Performance Chemicals Division, the Electronics Division and Life Science Division.

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

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, precious 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.

General Products & Real Estate— The General Products & Real Estate Business Unit segment engages in trading, marketing, manufacturing, selling, processing and distribution of food, foodstuffs, fertilizers, cement, timber, building materials, paper pulp, used paper and tires. 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 Food Business Division, Materials & Supplies Division and the Construction & Real Estate Division.

Financial & Logistics— The Financial & Logistics Business Unit segment engages in finance-related businesses such as commodity futures trading, derivative transactions, private equity investments, mergers and acquisition-related activities, consumer and small-business financing, 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, 2008 is included solely for the convenience of readers and has been made at the rate of ¥100 = U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2008. 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 years ended March 31, 2007 and 2006, 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 No. 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 securities 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 securities 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 results 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 grant 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. As a result, no such compensation expense was incurred for the three months ended June 30, 2005.

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 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.

(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.

The Companies adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN No. 48") on April 1, 2007. 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. The Companies recognize interest and penalties accrued to be paid on an underpayment of income taxes in income taxes in the Consolidated Statement of Income. See Note 12 about the effect of the adoption of FIN No. 48.

(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 FASB EITF No. 00-21, "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], retail business operations such as supermarkets and drugstores [Media, Network & Lifestyle Retail], plastic products [Chemical & Electronics], and service station operations in which the Companies provide petroleum for automobiles [Mineral Resources & Energy].

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 [Infrastructure] 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, Network & Lifestyle Retail].

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 equipment 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 lives 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, or returned to accrual status.

Direct financing leases, sales type leases and leveraged leases are recorded at the aggregate of 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, aircraft leased to airlines [Transportation & Construction Systems], and rental of commercial real estate [General Products & 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 financing 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 of 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 implementation 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 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.

In December, 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired arising from business combinations. SFAS No. 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141R is effective as of the beginning of an entity's first fiscal year that begins after December 14, 2008. The Companies are evaluating the effect of the adoption of SFAS No. 141R.

In December, 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No.51". SFAS No. 160 defines the accounting for noncontrolling interests (previously referred to as minority interests) which should be reported as a component of equity. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No.160 is effective as of the beginning of an entity's first fiscal year that begins after December 14, 2008. The Companies are evaluating the effect of the adoption of SFAS No. 160.

(s) Reclassifications

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

3. ACQUISITIONS

2008

On May 22, 2007, 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, which owned shares in Jupiter Shop Channel Co., Ltd. ("Shop"). The business restructuring included following items;

(1) The Company purchased one share of JTV to be issued under the third-party share allocation on May 23, 2007, automatically turning JTV into a consolidated subsidiary of the Company, holding shares of over 50%.

The purchase price was determined based on the expected future cash flows JTV will generate. The accompanying consolidated financial statements for the year ended March 31, 2008 include the operating results of JTV based on the increase of ownership, from 50% to over 50% of shares outstanding after the purchase of newly issued shares of JTV on May 23, 2007.

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
Current assets	¥ 35,364	$ 354
Property and equipment	7,744	77
Goodwill and other intangible assets	7,492	75
Other assets	7,394	74
Total assets purchased	57,994	580
Current liabilities	(17,165)	(172)
Long-term liabilities	(3,743)	(37)
Minority interest	(23,433)	(234)
Total liabilities assumed	(44,341)	(443)
Book value of investment before acquisition	(13,652)	(137)
Net assets purchased	¥ 1	$ 0

(2) Corporate spin-off and establishment of a new company ("the Spin-off") under which JTV was the Spin-off company and the new company established on July 2, 2007 ("JTV1") was the Successor company. The company name of "JTV" was changed to "SC Media & Commerce Inc." beginning July 2, 2007.

(3) The Company acquired SC Media & Commerce Inc. as a wholly-owned subsidiary through a share exchange between the Company and SC Media & Commerce Inc. ("the Share Exchange") on July 3, 2007, which was conditional on the Spin-off being effective. The fair value of treasury stock granted to LPJ upon the Share Exchange was ¥102,124 million ($1,021million).

This transaction promoted the further growth of the Shop business by directly linking the Shop operation with the strategy of the Company, strengthening the business foundations of the Company's overall retail business that the Company is actively expanding. In addition, the Company intends to maximize revenues

by expanding new retail business opportunities from e-commerce and Web marketing, etc.

In connection with this transaction, ¥46,463 million ($465 million) and ¥58,708 million ($587 million) were assigned to intangible assets subject to amortization and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships with a weighted-average amortization period of 17 years.

(4) Jupiter Telecommunications Co., Ltd. (equity method affiliate of the Company; "J:COM") and JTV1 had merged on September 1, 2007, which was conditional on the Spin-off being effective. By merging J:COM and JTV1, the Company intends to maximize revenues of J:COM business and the programming provisioning business through utilizing the financial strength and customer information of J:COM to provide more attractive programming service for the customers.

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 ("SMBC Auto Leasing") announced that they had reached a basic agreement to pursue strategic joint businesses in leasing and auto leasing.

SAL and SMBC Auto Leasing merged on October 1, 2007 and the newly merged company's name was changed to "Sumitomo Mitsui Auto Service Company, Limited."

SAL issued 10,767,948 common shares at ¥4,139 ($41) per share, or ¥44,567 million ($446 million) in total, in this merger.

This transaction's objective is to win a place in the leasing industry that is becoming increasingly competitive and to establish a structure aimed at being ranked number one with respect to market share based upon the high-quality of customer bases of both the Companies' Group and SMFG by combining high-value-added service based on SAL's value chain and business network of SMBC Auto Leasing.

The Company had a wholly-owned ownership of the voting shares of SAL prior to this merger and a 60% ownership of the voting shares of Sumitomo Mitsui Auto Service Company, Limited. The merger ratio was determined based on the stock value of SAL and SMBC Auto Leasing.

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

	Millions of Yen	Millions of U.S. Dollars
Current assets	¥ 228,032	$ 2,280
Property and equipment	76,957	770
Other assets	24,085	241
Total assets purchased	329,074	3,291
Current liabilities	(222,772)	(2,228)
Long-term liabilities	(70,543)	(705)
Minority interest	(6,518)	(65)
Total liabilities assumed	(299,833)	(2,998)
Net assets purchased	¥ 29,241	$ 293

In connection with this transaction, ¥5,280 million ($53 million) and ¥13,983 million ($140 million) were assigned to intangible assets subject to amortization and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships with a weighted-average amortization period of 20 years.

As a result of this merger, the Companies recognized a gain of ¥13,021 million ($130 million), related to the difference between the Companies' book value of the investment and the price at which shares were sold to SMFG which is classified as "Gain on issuances of stock by subsidiaries and associated companies." The Companies have not recognized income taxes for this gain because the Companies have a tax planning strategy with an objective to avoid any future taxes on the gain.

For the year ended March 31, 2008, other than SC Media & Commerce Inc. and SMBC Auto Leasing acquisition, the Companies made material business acquisitions with an aggregate purchase amount of ¥20,069 million ($201 million) for six companies, including operations such as a leading oilfield services provider to OEM's, sale, import and design of Italian apparel, automobile lease, financial services provider focused on the domestic companies, internet drugstore, sales of U.S. natural soda ash and others. In connection with these business combinations, ¥8,053 million ($81 million) and ¥5,630 million ($56 million) were recognized in other intangible assets and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships.

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

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 the various value chains of the Sumitomo Corporation Group, has a unique customer base and know-how. SMBC Leasing, leveraging capabilities of the SMFG Group to provide financial solutions, has a different customer base and know-how. This merger will enable the two groups to combine the different customer bases and know-how of each group.

SCL and SMBC Leasing merged on October 1, 2007. In anticipation of this merger, on December 14, 2006 the Company acquired 26,177,722 shares of SCL through a tender offer (the "TOB") between October 31, 2006 and December 7, 2006, for 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 resolutions of their respective Board of Directors held on the same day. The share exchange took place on July 1, 2007, and approvals of the general meetings of shareholders were not needed by either company since the Share Exchange was 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 paid ¥7,000 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 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
Cash and cash equivalents	¥ 3,629
Receivables—trade	1,271,771
Property and equipment	48,235
Goodwill and other intangible assets	95,561
Other investments	41,014
Other assets	28,742
Total assets purchased	1,488,952
Payables—trade	(64,853)
Debt	(1,131,843)
Other liabilities	(75,863)
Total liabilities assumed	(1,272,559)
Treasury Stock	15,468
Book value of investment before acquisition	(48,387)
Net assets purchased	¥ 183,474

SCL and SMBC Leasing merged on October 1, 2007 and the new leasing company became an associated company of the Company. Assets and liabilities of SCL have been presented as assets held for sale and liabilities associated with assets held for sale in 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
Cash and cash equivalents	¥ 7,636
Receivables—trade	1,296,549
Property and equipment	47,802
Goodwill and other intangible assets	95,625
Other investments	40,986
Other assets	27,787
Assets held for sale	¥1,516,385
Payables—trade	¥ 60,515
Debt	1,188,245
Other liabilities	80,528
Liabilities associated with assets held for sale	¥1,329,288

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 of 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, manufacturing and sales of electric equipment, industrial facilities and others. In connection with these business combinations, ¥1,612 million and ¥4,351 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.

4. CASH FLOW INFORMATION

Supplemental disclosure of cash flow information for the years ended March 31, 2008, 2007 and 2006 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Cash paid during the year for:				
Interest	¥ 78,324	¥ 70,886	¥ 37,483	$ 783
Income taxes	147,062	78,349	52,541	1,471
Non-cash investing and financing activities:				
Capital lease obligations incurred	26,125	26,710	30,398	261
Acquisition of wholly-owned subsidiaries due to Share Exchange Agreement (Note 3)	102,870	—	—	1,029
Stock issued under Share Exchange Agreement	—	—	39,896	—
Acquisition of subsidiaries:				
Fair value of assets acquired	474,318	1,545,745	266,916	4,743
Fair value of liabilities assumed	(384,807)	(1,306,466)	(96,206)	(3,848)
Minority interests assumed	(37,761)	(3,759)	(6,056)	(377)
Fair value of treasury stock	—	15,468	—	—
Book value of investment before acquisition	(45,567)	(50,355)	—	(456)
Gain on issuances of stock by subsidiaries and associated companies	(13,021)	—	—	(130)
Cash paid (received), net	(6,838)	200,633	164,654	(68)
Deconsolidation of subsidiaries due to merger:				
Transferred assets	1,470,331	—	—	14,703
Transferred liabilities	(1,218,443)	—	—	(12,185)
Gain on issuances of stock by subsidiaries and associated companies	27,252	—	—	273
Acquired investment	279,140	—	—	2,791

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

Marketable securities and other investments as of March 31, 2008 and 2007 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Marketable securities—current:			
Trading	¥12,830	¥13,835	$128
Available-for-sale	855	359	9
Held-to-maturity	6,171	3,110	62
	¥19,856	¥17,304	$199

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Other investments:			
Available-for-sale	¥490,431	¥681,367	$4,904
Held-to-maturity	7,320	15,766	73
Non-marketable securities and other investments	157,439	136,692	1,575
	¥655,190	¥833,825	$6,552

(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, 2008 and 2007 is as follows (excluding non-marketable securities and other investments discussed below):

	Millions of Yen			
As of March 31, 2008:	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	¥ 12,830	¥ —	¥ —	¥ 12,830
Available-for-sale:				
Equity securities	238,142	236,715	(7,233)	467,624
Debt securities	21,259	2,403	—	23,662
Held-to-maturity	13,491	—	—	13,491
	¥285,722	¥239,118	¥(7,233)	¥517,607

	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

	Millions of U.S. Dollars			
As of March 31, 2008:	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	$ 128	$ —	$ —	$ 128
Available-for-sale:				
Equity securities	2,381	2,367	(72)	4,676
Debt securities	213	24	—	237
Held-to-maturity	135	—	—	135
	$2,857	$2,391	$(72)	$5,176

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, 2008 were immaterial.

The carrying values of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2008 and 2007 are summarized by contractual maturities as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2008		2007		2008	
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
Due in one year or less	¥ 573	¥ 6,171	¥ 359	¥ 3,110	$ 6	$ 62
Due after one year through five years	23,075	7,320	22,140	15,585	231	73
Due after five years through ten years	14	—	14	137	0	—
Due after ten years	—	—	—	44	—	—
Total	¥23,662	¥13,491	¥22,513	¥18,876	$237	$135

Proceeds from sales and gross gain and loss on sale of securities on available-for-sale securities for the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Proceeds from sales	¥51,391	¥48,246	¥58,381	$514
Gross gain on sale of securities	¥46,086	¥35,725	¥12,382	$461
Gross loss on sale of securities	1,269	235	22	13
Net realized gains	¥44,817	¥35,490	¥12,360	$448

(b) Non-Marketable Securities and Other Investments

Other investments as of March 31, 2008 and 2007 included investments in non-traded, unassociated companies, and others, amounting to ¥157,439 million ($1,575 million) and ¥136,692 million, respectively. As of March 31, 2008 and 2007, investments in non-traded securities of unassociated companies, and others carried at cost were ¥144,410 million ($1,444 million) and ¥125,060 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, 2008 and 2007, investments with aggregate cost of ¥118,041 million ($1,180 million) and ¥121,203 million, respectively, 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, 2008 and 2007 are summarized as follows:

	Millions of Yen				
As of March 31, 2008:	Notes and loans receivable	Accounts receivable	Receivables from associated companies	Long-term receivables	Total
Metal Products	¥ 58,745	¥ 268,898	¥ 20,719	¥ 8,894	¥ 357,256
Transportation & Construction Systems	66,294	281,919	48,954	455,685	852,852
Infrastructure	11,335	92,467	1,138	199,063	304,003
Media, Network & Lifestyle Retail	7,520	70,863	1,572	91,428	171,383
Chemical & Electronics	13,999	192,446	1,487	3,097	211,029
Mineral Resources & Energy	41,708	263,942	826	34,527	341,003
General Products & Real Estate	18,733	119,149	2,887	33,121	173,890
Financial & Logistics	21,569	91,549	712	46,578	160,408
Others	2,409	400,881	31,059	75,697	510,046
	242,312	1,782,114	109,354	948,090	3,081,870
Less: Allowance for doubtful receivables	(1,960)	(12,622)	(207)	(22,099)	(36,888)
Total	¥240,352	¥1,769,492	¥109,147	¥925,991	¥ 3,044,982

As of March 31, 2007:	Millions of Yen 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
Infrastructure	10,567	92,952	1,005	237,651	342,175
Media, Network & Lifestyle Retail	8,133	63,036	2,320	84,548	158,037
Chemical & Electronics	16,909	210,007	5,405	2,117	234,438
Mineral Resources & Energy	30,409	224,768	447	33,143	288,767
General Products & Real Estate	26,238	133,191	2,530	27,538	189,497
Financial & Logistics	22,786	86,898	100	62,371	172,155
Others	43,651	427,350	27,780	39,934	538,715
	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

As of March 31, 2008:	Millions of U.S. Dollars Notes and loans receivable	Accounts receivable	Receivables from associated companies	Long-term receivables	Total
Metal Products	$ 587	$ 2,689	$ 207	$ 89	$ 3,572
Transportation & Construction Systems	663	2,819	490	4,557	8,529
Infrastructure	113	925	11	1,991	3,040
Media, Network & Lifestyle Retail	75	709	16	914	1,714
Chemical & Electronics	140	1,924	15	31	2,110
Mineral Resources & Energy	417	2,640	8	345	3,410
General Products & Real Estate	188	1,191	29	331	1,739
Financial & Logistics	216	916	6	466	1,604
Others	24	4,008	311	757	5,100
	2,423	17,821	1,093	9,481	30,818
Less: Allowance for doubtful receivables	(20)	(126)	(2)	(221)	(369)
Total	$2,403	$17,695	$1,091	$9,260	$30,449

The following analysis of activity in the allowance for credit losses for the years ended March 31, 2008, 2007 and 2006 encompasses allowance for receivables.

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Balance, beginning of year	¥ 42,048	¥ 56,038	¥ 56,677	$ 420
Provision for allowance for doubtful receivables	11,077	8,041	14,707	111
Charge-off	(15,336)	(22,819)	(16,459)	(153)
Foreign currency translation adjustments	(901)	788	1,113	(9)
Balance, end of year	36,888	42,048	56,038	369
Less: Current portion	(14,789)	(13,594)	(15,335)	(148)
Long-term portion	¥ 22,099	¥ 28,454	¥ 40,703	$ 221

As of March 31, 2008 and 2007, the total gross amount of long-term receivables considered impaired was ¥27,979 million ($280 million) and ¥45,711 million, respectively, and the related valuation allowance provided as at each year-end was ¥20,138 million ($201 million) and ¥28,435 million, respectively. The amount of long-term receivables considered impaired, for which no allowance for doubtful receivable was provided, was ¥1,089 million ($11 million) and ¥1,119 million as of March 31, 2008 and 2007, respectively.

The average investment in impaired receivables for the years ended March 31, 2008 and 2007 was ¥39,809 million ($398 million) and ¥51,781 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, 2008, 2007 and 2006 was not material.

7. INVENTORIES

Major segments that hold inventories are Overseas Subsidiaries and Branches, General Products & Real Estate, Transportation & Construction Systems, and Metal Products, described in Note 19.

Real estate held for development and resale aggregated ¥55,405 million ($554million) and ¥48,003 million as of March 31, 2008 and 2007, respectively, mainly in General Products & 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, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Investments in common stock	¥768,306	¥468,145	$7,683
Advances	115,329	91,392	1,153
Total	¥883,635	¥559,537	$8,836

Investments in common stock in the above include goodwill amounting to ¥146,387 million ($1,464 million) and ¥64,950 million as of March 31, 2008 and 2007, respectively. The ending balance as of March 31, 2008 includes goodwill determined using an initial purchase price allocation. Associated companies numbered 232 and 249 and weighted average ownership percentages for those associated companies were approximately 34% and 32% as of March 31, 2008 and 2007, respectively. Investments in common stock of certain associated companies as of March 31, 2008 and 2007 included marketable securities of public associated companies with carrying amounts of ¥29,495 million ($295 million) and ¥23,698 million, respectively, with corresponding aggregate quoted market values of ¥41,818 million ($418 million) and ¥27,254 million, respectively.

Summarized combined financial information of associated companies accounted for by the equity method as of March 31, 2008 and 2007 and for the years ended March 31, 2008, 2007 and 2006 are presented below:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Current assets	¥2,020,526	¥1,247,873	$20,205
Property and equipment, net	2,760,265	1,203,942	27,603
Other assets	2,016,012	631,902	20,160
Total assets	¥6,796,803	¥3,083,717	$67,968
Current liabilities	¥2,618,427	¥ 901,544	$26,184
Non-current liabilities	2,383,764	926,856	23,838
Shareholders' equity	1,794,612	1,255,317	17,946
Total liabilities and shareholders' equity	¥6,796,803	¥3,083,717	$67,968

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Gross profit	¥665,940	¥590,183	¥538,771	$6,659
Net income	¥206,594	¥223,310	¥175,254	$2,066

The three major associated companies accounted for by the equity method included in the summarized combined financial information above are Sumitomo Mitsui Finance and Leasing Company, Limited (45% owned), Jupiter Telecommunication Co., Ltd. (approximately 27.8% owned), and P.T. Newmont Nusa Tenggara (economic interest 26% owned). The following summarized financial information for these three associated companies has been presented due to the relative significance of these entities to the Company's operations.

Sumitomo Mitsui Finance and Leasing Company, Limited

Sumitomo Mitsui Finance and Leasing Company, Limited's summarized financial information as of and for the year ended March 31, 2008:

	Millions of Yen	Millions of U.S. Dollars
	2008	2008
Current assets	¥ 680,372	$ 6,804
Property and equipment, net	1,419,700	14,197
Other assets	1,281,205	12,812
Total assets	¥3,381,277	$33,813
Current liabilities	¥1,571,836	$15,718
Non-current liabilities	1,284,471	12,845
Shareholders' equity	524,970	5,250
Total liabilities and shareholders' equity	¥3,381,277	$33,813

	Millions of Yen	Millions of U.S. Dollars
	2008	2008
Revenues	¥798,577	$7,986
Net income	¥ 13,344	$ 133

Sumitomo Mitsui Finance and Leasing Company, Limited engages in a variety of financial services, including leasing and leasing-related financing services. On October 1, 2007, Sumisho Lease Co., Ltd. merged with SMBC Leasing Company, Limited and changed its company name to Sumitomo Mitsui Finance and Leasing Company, Limited. Sumisho Lease Co., Ltd. was a consolidated subsidiary as of March 31, 2007. Sumisho Lease Co., Ltd. issued Sumitomo Mitsui Financial Group, Inc. 52,422,762 common shares at ¥7,011 ($70) per share, or ¥367,552 million ($3,676 million) in total, in this merger. As a result of this merger, the Companies recognized a gain of ¥27,252 million ($273 million), related to the difference between the Companies' book value of the investment and the price at which shares were issued to Sumitomo Mitsui Financial Group, Inc., classified as "Gain on issuances of stock by subsidiaries and associated companies" and recognized deferred income taxes of ¥11,174 million ($112 million) on the gain for the year ended March 31, 2008. As to Sumisho Lease Co., Ltd.'s summarized financial information as of March 31, 2007, refer to Note 3.

Jupiter Telecommunication Co., Ltd. ("J:COM")

J:COM's summarized financial information as of March 31, 2008 and 2007 and for the years ended March 31, 2008, 2007 and 2006:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Current assets	¥ 50,960	¥ 54,644	$ 510
Property and equipment, net	340,243	333,797	3,402
Other assets	290,117	239,109	2,901
Total assets	¥681,320	¥627,550	$6,813
Current liabilities	¥ 80,149	¥ 70,111	$ 801
Non-current liabilities	264,488	273,271	2,645
Shareholders' equity	336,683	284,168	3,367
Total liabilities and shareholders' equity	¥681,320	¥627,550	$6,813

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Revenues	¥272,328	¥234,466	¥191,803	$2,723
Net income	¥ 25,165	¥ 25,598	¥ 20,352	$ 252

J:COM is a Multiple System Operator (MSO) in Japan that provides multi-channel broadcasting, internet, and telephony services. As of March 31, 2008, the Company held an approximately 27.8% interest in J:COM. An approximately 24.1% interest* in J:COM is indirectly owned through LGI/Sumisho Super Media, LLC ("Super Media"), a holding company that owns shares in J:COM. Super Media is approximately 41.3%-owned by the Company and approximately 58.7%-owned by Liberty Global, Inc. ("LGI"). An approximately 3.7% interest** in J:COM is directly owned by the Company.

* The Company and LGI have an agreement whereby the Company contributed substantially all its remaining ownership interest in J:COM to Super Media in September, 2005. Super Media will dissolve in February 2010 unless the Company and LGI agree otherwise.

**As part of the reorganization of the Company's media business field, including J:COM, the Company acquired an approximately 3.7% interest in J:COM in September 2007. As to the reorganization of the Company's media business field, refer to Note 3.

P.T. Newmont Nusa Tenggara

P.T. Newmont Nusa Tenggara ("PTNNT")'s summarized financial information as of December 31, 2007 and 2006 and for the years ended December 31, 2007, 2006 and 2005:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Current assets	¥ 77,691	¥ 71,123	$ 777
Property and equipment, net	163,005	173,468	1,630
Other assets	44,612	50,760	446
Total assets	¥285,308	¥295,351	$2,853
Current liabilities	¥ 41,589	¥ 74,950	$ 416
Non-current liabilities	82,988	91,615	830
Shareholders' equity	160,731	128,786	1,607
Total liabilities and shareholders' equity	¥285,308	¥295,351	$2,853

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Revenues	¥99,483	¥108,860	¥109,876	$995
Net income	¥61,449	¥ 24,337	¥ 27,490	$614

PTNNT, an Indonesian corporation holds a Contract of Work ("COW") issued by the Indonesian government, under which it explores for 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, a 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. 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 30.5%. 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 30.5% to 26%.

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 15.9%. On January 28, 2008, NTP agreed to sell 2% of PTNNT's shares to Kabupaten Sumbawa, one of the local governments. On February 11, 2008, PTNNT received notification from the Indonesian government alleging that PTNNT is in breach of its divestiture requirements under the COW and threatening to issue a notice to terminate the COW if PTNNT does not agree to divest a 3% interest (required to be offered for sale in 2006) and a 7% interest (required to be offered for sale in 2007), in accordance with the direction of the Indonesian government, by March 3, 2008. NTP made an effort to offer for sale to the central government and local governments, but was unsuccessful. On March 3, 2008, the Indonesian government and PTNNT filed for international arbitration as provided for under the article 21 of the COW.

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
	2008	2007	2006	2008
Management and secondment fees, received	¥2,811	¥3,662	¥3,880	$28
Interest income	2,398	2,332	1,982	24
Interest expense	763	404	646	8

9. PROPERTY AND EQUIPMENT

Property and equipment, including property and equipment under capital leases (see Note 21) as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Land and land improvements	¥ 208,425	¥ 191,039	$ 2,084
Buildings, including leasehold improvements	386,328	379,189	3,863
Machinery and equipment	916,313	705,391	9,163
Projects in progress	23,201	26,571	232
Mining rights	62,190	69,460	622
Total	1,596,457	1,371,650	15,964
Less: Accumulated depreciation	(599,329)	(506,959)	(5,993)
Property and equipment, net	¥ 997,128	¥ 864,691	$ 9,971

Depreciation expense for the years ended March 31, 2008, 2007 and 2006 was ¥123,681 million ($1,237 million), ¥93,812 million and ¥77,222 million, respectively.

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 were deemed to be impaired during the years ended March 31, 2008 and 2007. Those impairment losses were recognized in Mineral Resources & Energy and Overseas Subsidiaries and Branches. The losses recognized from the impairment for the years ended March 31, 2008, 2007 and 2006 were applicable to the following segments:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Metal Products	¥ 18	¥ 46	¥ 725	$ 0
Transportation & Construction Systems	15	37	1,921	0
Infrastructure	518	140	35	5
Media, Network & Lifestyle Retail	1,264	754	—	13
Chemical & Electronics	—	12	—	—
Mineral Resources & Energy	7,185	4,801	98	72
General Products & Real Estate	40	22	1,242	0
Domestic Regional Business Units and Offices	—	117	1,265	—
Overseas Subsidiaries and Branches	2,762	1,997	—	28
Corporate and Eliminations	—	1,490	543	—
Total	¥11,802	¥9,416	¥5,829	$118

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, 2008 and 2007 are as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2008			2008		
	Gross amount	Accumulated amortization	Net carrying value	Gross amount	Accumulated amortization	Net carrying value
Software	¥ 85,416	¥58,491	¥ 26,925	$ 854	$585	$ 269
Sales licenses, trademarks and customer relationships	175,222	29,067	146,155	1,752	290	1,462
Other	9,952	3,619	6,333	100	37	63
Total	¥270,590	¥91,177	¥179,413	$2,706	$912	$1,794

	Millions of Yen		
	2007		
	Gross amount	Accumulated amortization	Net carrying value
Software	¥ 70,704	¥48,405	¥ 22,299
Sales licenses, trademarks and customer relationships	116,011	19,514	96,497
Other	11,268	3,036	8,232
Total	¥197,983	¥70,955	¥127,028

Intangible assets subject to amortization acquired during the years ended March 31, 2008 and 2007 were ¥75,629 million ($756 million) and ¥12,564 million, respectively, which were related primarily to acquisitions described in Note 3. For the year ended March 31, 2007, certain subsidiaries changed their fiscal year-ends to March 31, mainly from December 31, in order to conform the subsidiaries' fiscal year ends with the fiscal year end 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 the stub period of the year ended March 31, 2007 were ¥2 million. The weighted-average amortization periods are five years for software, sixteen years for sales licenses, trademarks and customer relationships, and fourteen years for other. Aggregate amortization expense for the years ended March 31, 2008, 2007 and 2006 was ¥22,943 million ($229 million), ¥19,466 million and ¥17,017 million, respectively. Estimated amortization expense for the next five years ending March 31 is: ¥20,580 million ($206 million) in 2009, ¥18,158 million ($182 million) in 2010, ¥15,389 million ($154 million) in 2011, ¥12,952 million ($130 million) in 2012, and ¥11,012 million ($110 million) in 2013, respectively.

The components of intangible assets not subject to amortization as of March 31, 2008 and 2007 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Leaseholds on land	¥18,364	¥17,051	$184
Sales licenses and trademarks	6,812	1,223	68
Other	639	522	6
Total	¥25,815	¥18,796	$258

In accordance with SFAS No. 142 and No. 144, these intangible assets were tested for impairment. For the years ended March 31, 2008, 2007 and 2006, the Companies recognized impairment losses of ¥466 million ($5 million), ¥93 million and ¥6,103 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 flows in 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 to 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 & Electronics Business Unit segment and Overseas Subsidiaries and Branches segment.

(b) Goodwill

The following table shows changes in the carrying amount of goodwill by operating segment for the years ended March 31, 2008 and 2007:

	Millions of Yen				
As of March 31, 2008:	Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Metal Products	¥ 3,189	¥ 2,854	¥ —	¥ (815)	¥ 5,228
Transportation & Construction Systems	20,683	13,983	—	(5,956)	28,710
Media, Network & Lifestyle Retail	13,608	58,957	—	111	72,676
Chemical & Electronics	7,533	286	(867)	(845)	6,107
Mineral Resources & Energy	—	606	—	—	606
General Products & Real Estate	22,889	533	—	(4,969)	18,453
Financial & Logistics	—	108	—	—	108
Overseas Subsidiaries and Branches	41,800	8,086	(410)	(7,187)	42,289
Total	¥109,702	¥85,413	¥(1,277)	¥(19,661)	¥174,177

	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, Network & Lifestyle Retail	9,753	1,764	—	2,091	13,608
Chemical & Electronics	5,636	1,401	—	496	7,533
General Products & Real Estate	20,484	1,731	(281)	955	22,889
Overseas Subsidiaries and Branches	41,878	687	—	(765)	41,800
Total	¥94,646	¥7,663	¥ (313)	¥7,706	¥109,702

	Millions of U.S. Dollars				
As of March 31, 2008:	Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Metal Products	$ 32	$ 28	$ —	$ (8)	$ 52
Transportation & Construction Systems	207	140	—	(60)	287
Media, Network & Lifestyle Retail	136	590	—	1	727
Chemical & Electronics	75	3	(9)	(8)	61
Mineral Resources & Energy	—	6	—	—	6
General Products & Real Estate	229	5	—	(49)	185
Financial & Logistics	—	1	—	—	1
Overseas Subsidiaries and Branches	418	81	(4)	(72)	423
Total	$1,097	$854	$(13)	$(196)	$1,742

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

In accordance with SFAS No. 142, goodwill was tested for impairment. For the years ended March 31, 2008, 2007 and 2006, the Companies recognized impairment losses of ¥1,277 million ($13 million), ¥313 million and ¥491 million, respectively. These amounts were included in "Impairment losses on long-lived assets" in the accompanying Consolidated Statements of Income.

The Companies used preliminary estimates with respect to the value of the underlying net assets of the acquired companies in determining the amount of goodwill. The amount 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, 2008 and 2007 consisted of the following:

	Millions of Yen				Millions of U.S. Dollars
	2008		2007		2008
		Weighted average interest rate		Weighted average interest rate	
Loans, principally from banks	¥356,012	3.42%	¥316,201	3.64%	$3,560
Commercial paper	269,094	1.64	145,730	4.76	2,691
Total	¥625,106		¥461,931		$6,251

The interest rates represent weighted average rates in effect as of March 31, 2008 and 2007 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 $1,050 million with foreign banks and ¥445,000 million ($4,450 million) with domestic banks. All of these lines of credit were unused as of March 31, 2008.

Long-term debt as of March 31, 2008 and 2007 and interest rates as of March 31, 2008 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Secured long-term debt:			
Banks and insurance companies, maturing serially through 2019, average rate 4.87%	¥ 214,091	¥ 237,369	$ 2,141
Bonds payable in Indonesian rupee due,			
2007, fixed rate	—	9,310	—
2008, fixed rates 10.85% to 13.14%	10,285	11,305	103
2009, fixed rate 13.06%	4,235	4,655	42
2010, fixed rates 8.65% to 9.85%	20,570	—	206
Unsecured long-term debt:			
Banks and insurance companies, maturing serially through 2025, average rate 1.72%	2,294,652	2,131,429	22,947
Bonds payable in Japanese yen due,			
2007, floating rate	—	10,040	—
2008, fixed rate 0.84%	13,991	13,993	140
2010, fixed rates 0.81% to 2.07%	30,078	29,968	301
2011, fixed rates 0.82% to 1.28%	32,017	31,604	320
2012, fixed and floating rates 1.07% to 1.51%	29,924	29,513	299
2013, fixed and floating rates 1.08% to 1.48%	45,196	54,555	452
2014, fixed and floating rates 1.51% to 1.83%	40,797	30,090	408
2015, floating rate 1.17%	15,000	14,828	150
2016, fixed rates 1.70% to 2.12%	52,241	50,483	522
2017, fixed and floating rates 1.36% to 1.98%	20,545	9,498	205
2018, fixed and floating rates 1.86% to 1.89%	25,474	24,386	255
2019, fixed rate 2.21%	10,745	—	107
Various notes and bonds, maturing serially through 2018, average rate 3.57%	224,787	200,627	2,248
Capital lease obligations	93,814	44,001	938
Other	286,400	255,142	2,864
Total	3,464,842	3,192,796	34,648
Less: Current maturities	(452,850)	(428,444)	(4,528)
Long-term debt, less current maturities	¥3,011,992	¥2,764,352	$30,120

Annual maturities of long-term debt as of March 31, 2008 are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2009	¥ 452,850	$ 4,529
2010	445,410	4,454
2011	519,011	5,190
2012	535,430	5,354
2013	390,307	3,903
2014 and thereafter	1,121,834	11,218
Total	¥3,464,842	$34,648

Most 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 the 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 the 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 prepayments during the years ended March 31, 2008, 2007 and 2006 and currently do not anticipate any prepayment requests.

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, 2008, 2007 and 2006.

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, 2008:

	Millions of Yen	Millions of U.S. Dollars
Cash and deposits	¥ 16,902	$ 169
Marketable securities and investments	92,216	922
Trade receivables and long-term receivables	314,975	3,150
Property and equipment, net	11,615	116
Total	¥435,708	$4,357

Such collateral secured the following obligations:

	Millions of Yen	Millions of U.S. Dollars
Short-term debt	¥ 22,301	$ 223
Long-term debt, including current maturities of long-term debt	310,610	3,106
Total	¥332,911	$3,329

In addition to the above, marketable securities and investments of ¥17,409 million ($174 million) are pledged as substitution for a 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 the 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, 2008, 2007 and 2006 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Domestic	¥229,492	¥186,258	¥132,613	$2,295
Foreign	138,101	145,671	115,194	1,381
Total	¥367,593	¥331,929	¥247,807	$3,676

Income tax provision for the years ended March 31, 2008, 2007 and 2006 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Current:				
Domestic	¥ 47,581	¥ 59,723	¥35,398	$ 476
Foreign	37,444	40,076	30,066	375
Deferred:				
Domestic	33,999	13,448	13,105	340
Foreign	748	1,596	2,168	7
Total	¥119,772	¥114,843	¥80,737	$1,198

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, 2008, 2007 and 2006 is summarized as follows:

	2008	2007	2006
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	0.9	0.7	1.2
Tax effect on undistributed earnings of associated companies and corporate joint ventures	(2.3)	(1.9)	(1.8)
Changes in valuation allowance	0.2	0.8	0.3
Difference in statutory tax rate of foreign subsidiaries	(5.1)	(4.2)	(5.3)
Other—net	(2.1)	(1.8)	(2.8)
The Companies' effective income tax rate	32.6%	34.6%	32.6%

Total income taxes recognized for the years ended March 31, 2008, 2007 and 2006 are allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Income before income taxes and minority interests in earnings of subsidiaries	¥119,772	¥114,843	¥ 80,737	$1,198
Shareholders' equity:				
Net unrealized holding gains (losses) on securities available-for-sale	(94,696)	3,745	107,680	(947)
Foreign currency translation adjustments	(572)	1,416	3,316	(6)
Net unrealized gains (losses) on derivatives	1,365	2,507	(4,964)	14
Pension liability adjustments	(7,632)	(21,079)	—	(77)
Total income taxes	¥ 18,237	¥101,432	¥186,769	$ 182

The tax effects of temporary differences that give rise to significant components of deferred tax assets and liabilities as of March 31, 2008 and 2007 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Assets:			
Net operating loss carry forwards	¥ 20,554	¥ 20,387	$ 206
Investment securities	46,544	46,796	465
Inventories and long-lived assets	38,539	46,092	385
Allowance for doubtful receivables	2,211	1,800	22
Accrued pension and retirement benefits	33,982	28,563	340
Accrual and other	12,274	14,962	123
Gross deferred tax assets	154,104	158,600	1,541
Less: Valuation allowance	(13,030)	(13,051)	(130)
Deferred tax assets, less valuation allowance	141,074	145,549	1,411
Liabilities:			
Investment in marketable securities	(93,704)	(189,964)	(937)
Deferred gain on sales of property for tax purposes	(24,832)	(25,083)	(248)
Securities contributed to the Trust	(22,540)	(22,580)	(225)
Undistributed earnings of subsidiaries and associated companies	(73,318)	(55,241)	(733)
Long-lived assets	(52,174)	(31,322)	(522)
Other	(17,853)	(11,430)	(179)
Gross deferred tax liabilities	(284,421)	(335,620)	(2,844)
Net deferred tax liabilities	¥(143,347)	¥(190,071)	$(1,433)

Deferred income taxes as of March 31, 2008 and 2007 are reflected in the accompanying Consolidated Balance Sheets as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Assets:			
Deferred income taxes	¥ 39,300	¥ 39,314	$ 393
Deferred income taxes, non-current	14,228	11,632	142
Liabilities:			
Other current liabilities	(7,602)	(1,510)	(76)
Deferred income taxes, non-current	(189,273)	(239,507)	(1,892)
Net deferred tax liabilities	¥(143,347)	¥(190,071)	$(1,433)

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, 2008. 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, 2008, 2007 and 2006 was a decrease of ¥21 million ($0.2 million), an increase of ¥780 million and an increase of ¥1,712 million, respectively.

The valuation allowance relates primarily to the valuation allowance for deferred tax assets associated with net operating loss carryforwards of 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 the existing valuation allowance, as of March 31, 2008.

As of March 31, 2008 and 2007, 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, 2008 and 2007, 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 ¥449,615 million ($4,496 million) and ¥347,967 million, respectively. Calculation of the unrecognized deferred tax liability is not practicable. The domestic undistributed earnings would not, under present Japanese tax laws, be subject to additional taxation.

As of March 31, 2008, the Companies have aggregate net operating loss carryforwards of ¥52,631 million ($526 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
2009	¥ 1,709	$ 17
2010	1,825	18
2011	1,576	16
2012	2,001	20
2013	2,178	22
2014 and thereafter	43,342	433
Total	¥52,631	$526

The Companies adopted FIN No. 48 on April 1, 2007. As a result of implementation of FIN No. 48, the Companies recognized ¥5,196 million ($52 million) increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the April 1, 2007, balance of retained earnings.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	Millions of Yen	Millions of U.S. Dollars
Balance at April 1, 2007	¥6,630	$66
Increase related to current year tax positions	870	9
Increase related to prior year tax positions	49	1
Settlements	(192)	(2)
Balance at March 31, 2008	¥7,357	$74

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of March 31, 2008, are ¥7,357 million ($74 million). Given the uncertainty regarding when tax authorities will complete their examinations, the items subject to their examinations and the possible outcomes of their examinations, an accurate estimate of significant increases or decreases that may occur within the next 12 months cannot be made at this time. Based on the facts that the Companies have evaluated, any change in the unrecognized tax benefits within the next 12 months is not expected to be material to the financial statements.

Interest and penalties included in income taxes are not material for the year ended March 31, 2008.

The Companies file income tax returns in Japan and various foreign tax jurisdictions. In Japan and major foreign tax jurisdictions, including the United States and the United Kingdom, the Companies with few exceptions will not be subject to income tax examinations by tax authorities for the years before 2002.

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.

Net periodic pension costs for the years ended March 31, 2008, 2007 and 2006 include the following components:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Service cost—benefits earned during the year	¥ 6,936	¥ 7,297	¥ 7,185	$ 69
Interest cost on projected benefit obligation	4,905	5,047	4,862	49
Expected return on plan assets	(5,105)	(5,220)	(4,593)	(51)
Amortization of unrecognized actuarial loss	3,060	2,181	5,147	31
Amortization of unrecognized prior service cost	252	213	61	3
Loss on settlements and curtailments	4	(73)	1,430	0
Net periodic pension cost	¥10,052	¥ 9,445	¥14,092	$101

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
	2008	2007	2008
Change in benefit obligations:			
Projected benefit obligations, beginning of year	¥193,883	¥198,571	$1,939
Effect of the change in the reporting period of subsidiaries	—	(393)	—
Service cost	6,936	7,297	69
Interest cost	4,905	5,047	49
Actuarial gain	(9,129)	(4,155)	(91)
Plan amendments	5	155	0
Benefits paid	(9,806)	(8,976)	(98)
Settlements	(803)	(5,094)	(8)
Acquisitions and divestitures	1,734	875	17
Foreign currency translation adjustments	(803)	556	(8)
Projected benefit obligations, end of year	186,922	193,883	1,869
Change in plan assets:			
Fair value of plan assets, beginning of year	218,942	220,379	2,189
Actual return on plan assets	(26,856)	(3,024)	(269)
Employer contribution	13,919	12,432	139
Benefits paid from plan assets	(8,034)	(7,693)	(80)
Settlements	(678)	(4,696)	(7)
Acquisitions and divestitures	163	1,083	2
Foreign currency translation adjustments	(370)	461	(3)
Fair value of plan assets, end of year	197,086	218,942	1,971
Funded status	¥ 10,164	¥ 25,059	$ 102
Amounts recognized in the accompanying Consolidated Balance Sheets consist of:			
Other current assets and Prepaid expenses, non-current (Prepaid cost for retirement benefits)	24,238	34,894	243
Accrued pension and retirement benefits	(14,074)	(9,835)	(141)
Net amount recognized	¥ 10,164	¥ 25,059	$ 102

The amounts recognized in accumulated other comprehensive income (pretax amount) are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Actuarial loss	¥69,966	¥50,164	$699
Prior service cost	880	1,155	9
Total	¥70,846	¥51,319	$708

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 the fiscal year.

The asset allocations are as follows:

	2008	2007
	Actual Allocation	Actual Allocation
Equity securities	45%	54%
Debt securities	39%	30%
Other*	16%	16%
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 47% equity securities, 35% debt securities and 18% other.

Assumptions used for the years ended March 31, 2008, 2007 and 2006 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

	2008	2007	2006
Discount rate	2.6%	2.6%	2.6%
Expected long-term rate of return on plan assets	2.3%	2.3%	2.3%
Rate of expectable salary increase	3.2%	3.0%	2.7%

Weighted average assumptions used to determine the benefit obligations

	2008	2007
Discount rate	3.0%	2.6%
Rate of expectable salary increase	3.1%	3.2%

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
	2008	2007	2008
Accumulated benefit obligations, end of year	¥179,290	¥186,490	$1,793

The employer's contributions expected to be paid for the year ending March 31, 2009 are ¥14,061 million ($141million).

Benefits expected to be paid in the future are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2009	¥ 9,747	$ 97
2010	9,608	96
2011	9,780	98
2012	10,384	104
2013	10,514	105
2014 – 2018	52,611	526
Total	¥102,644	$1,026

The actuarial loss and prior service cost that will be amortized into net periodic pension costs for the year ending March 31, 2009 are ¥3,745 million ($37 million) and ¥211 million ($2 million), respectively.

Certain subsidiaries have defined contribution plans. The cost of defined contribution plans for the years ended March 31, 2008, 2007 and 2006 were ¥2,224 million ($22 million), ¥1,717 million and ¥584 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, 2008, 2007 and 2006 were ¥1,799 million ($18 million), ¥1,669 million and ¥1,972 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, the transfer of amounts from additional paid-in capital to the common stock account.

For the year ended March 31, 2008, under the Company Law, there was an increase of ¥11,190 million ($112 million) in "Additional paid-in capital" in the accompanying Consolidated Balance Sheets as a result of the Share Exchange described in Note 3 (3).

(b) Appropriated for Legal Reserve

The Company Law provides that a 10% dividend 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 Commercial Code of Japan which was superseded, 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 ¥243,255 million ($2,433 million) and ¥210,363 million, shown by the Company's accounting records as of March 31, 2008 and 2007, 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 for 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 20, 2008, the shareholders authorized a cash dividend to shareholders of record as of March 31, 2008 of ¥20 ($0.2) per share for a total of ¥25,000 million ($250 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 the grant date. The options granted are exercisable beginning 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 May 18, 2007, the Board of Directors, and on June 22, 2007, the shareholders authorized the issue of new stock options for up to 196,000 shares of common stock. The options for 196,000 shares were granted under these authorizations. On May 16, 2008, the Board of Directors, and on June 20, 2008, the shareholders authorized the issue of new stock options for up to 195,000 shares of common stock.

The following table summarizes information about stock option activity for the years ended March 31, 2008, 2007 and 2006:

	2008			2007		2006	
	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	383,000	¥1,255	$13	367,000	¥ 882	530,000	¥ 826
Granted	196,000	2,415	24	189,000	1,624	177,000	948
Exercised	174,000	981	10	142,000	831	218,000	714
Cancelled or expired	19,000	1,803	18	31,000	1,028	122,000	1,034
Outstanding, end of year	386,000	1,941	19	383,000	1,255	367,000	882
Options exercisable, end of year	196,000	¥1,481	$15	199,000	¥ 914	191,000	¥ 821

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2008:

	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
¥ 801 ~ 1,000	41,000	¥ 939	$ 9	2.13	41,000	¥ 939	$ 9
1,601 ~ 1,800	155,000	1,624	16	3.25	155,000	1,624	16
2,401 ~ 2,600	190,000	2,415	24	4.25	—	—	—
	386,000	¥1,941	$19	3.62	196,000	¥ 1,481	$15

The fair value of these stock options was estimated using the Black-Scholes option pricing model with the following weighted-average valuation assumptions:

	2008	2007
Expected life	4.5 years	4.5 years
Risk-free rate	1.31%	1.30%
Expected volatility	29.18%	32.91%
Expected dividend yield	1.37%	1.2%

The Company has stock-linked compensation plans for directors and executive officers. Under the plans, each stock option granted beginning 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 prior to and including 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 the grant date. The options granted are exercisable beginning 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 May 18, 2007, the Board of Directors, and on June 22, 2007, the shareholders authorized the issue of new stock options under these stock-linked compensation plans for up to 140,000 shares of common stock based on the plans. Options for 94,400 shares were granted under these authorizations. On May 16, 2008, the Board of Directors, and on June 20, 2008, the shareholders authorized the issue of new stock options for up to 240,000 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, 2008 and 2007:

	2008	2007
	Number of shares	Number of shares
Outstanding, beginning of year	111,000	—
Granted	94,400	111,000
Exercised	24,000	—
Cancelled or expired	—	—
Outstanding, end of year	181,400	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 assumptions:

	2008	2007
Expected life	3.6 years	2.9 years
Risk-free rate	1.16%	0.99%
Expected volatility	26.67%	27.29%
Expected dividend yield	1.36%	1.2%

Compensation expense incurred based on the stock option plans and the stock-linked compensation plans for the years ended March 31, 2008, 2007 and 2006 was ¥305 million ($3 million), ¥220 million and ¥45 million, respectively.

(e) Effect of Adoption of New Accounting Standard

As described in Note 12, the adoption of FIN No. 48 decreased unappropriated retained earnings by ¥5,196 million ($52 million). The adoption of EITF Issue No. 06-2 "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43" decreased unappropriated retained earnings by ¥903 million ($9 million). EITF 06-2 provides guidance as to compensation cost associated with a sabbatical or other similar benefit arrangement that requires the compensation of a minimum service period, in which the benefit does not increase with additional years of service, in which the individual continues to be a compensated employee and is not required to perform duties for the entity during the absence. The compensation cost associated with a sabbatical or other similar benefit arrangement should be accrued over the requisite service period.

(f) 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 for the year ended March 31, 2007. The adoption of this issue had no effect on the Companies' consolidated financial statements.

(g) Effect of the Change of the Accounting Principles and Others

For the year ended March, 2007, 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. EITF 04-6 provides guidance that 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 in which the stripping costs are incurred. In connection with EITF 04-6, the Companies has changed the accounting policy for costs of ongoing underground development 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. As it is impracticable to determine the period-specific effects of this change on all prior periods presented, the 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, 2008, 2007 and 2006 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Net unrealized holding gains (losses) on securities available-for-sale:				
Balance, beginning of year	¥ 262,292	¥251,013	¥ 98,651	$ 2,623
Adjustment for the year	(134,662)	11,279	152,362	(1,347)
Balance, end of year	¥ 127,630	¥262,292	¥251,013	$ 1,276
Foreign currency translation adjustments:				
Balance, beginning of year	¥ (4,197)	¥ (27,750)	¥ (80,141)	$ (42)
Adjustment for the year	(56,441)	23,553	52,391	(564)
Balance, end of year	¥ (60,638)	¥ (4,197)	¥ (27,750)	$ (606)
Net unrealized gains (losses) on derivatives:				
Balance, beginning of year	¥ (5,369)	¥ (9,496)	¥ (1,427)	$ (54)
Adjustment for the year	2,697	4,127	(8,069)	27
Balance, end of year	¥ (2,672)	¥ (5,369)	¥ (9,496)	$ (27)
Pension liability adjustments:				
Balance, beginning of year	¥ (30,436)	¥ —	¥ —	$ (305)
Adjustment for the year	(11,039)	(30,436)	—	(110)
Balance, end of year	¥ (41,475)	¥ (30,436)	¥ —	$ (415)
Total accumulated other comprehensive income (loss):				
Balance, beginning of year	¥ 222,290	¥213,767	¥ 17,083	$ 2,222
Adjustment for the year	(199,445)	8,523	196,684	(1,994)
Balance, end of year	¥ 22,845	¥222,290	¥213,767	$ 228

Tax effects allocated to each component of other comprehensive income (loss) are as follows:

	Millions of Yen		
2008:	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding losses on securities available-for-sale:			
Unrealized holding losses arising during the year	¥(196,126)	¥ 81,473	¥(114,653)
Reclassification adjustment for gains included in net income	(33,232)	13,223	(20,009)
Adjustment for the year	(229,358)	94,696	(134,662)
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	(56,689)	563	(56,126)
Reclassification adjustment for losses included in net income	(324)	9	(315)
Adjustment for the year	(57,013)	572	(56,441)
Net unrealized gains on derivatives:			
Unrealized losses arising during the year	(1,370)	945	(425)
Reclassification adjustment for losses included in net income	5,432	(2,310)	3,122
Adjustment for the year	4,062	(1,365)	2,697
Pension liability adjustments:			
Unrealized losses arising during the year	(21,983)	8,975	(13,008)
Reclassification adjustment for losses included in net income	3,312	(1,343)	1,969
Adjustment for the year	(18,671)	7,632	(11,039)
Other comprehensive income	¥(300,980)	¥101,535	¥(199,445)

2007:	Millions of Yen 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 gains 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

2006:	Millions of Yen 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

2008:	Millions of U.S. Dollars Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding losses on securities available-for-sale:			
Unrealized holding losses arising during the year	$(1,962)	$ 815	$(1,147)
Reclassification adjustment for gains included in net income	(332)	132	(200)
Adjustment for the year	(2,294)	947	(1,347)
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	(567)	6	(561)
Reclassification adjustment for losses included in net income	(3)	0	(3)
Adjustment for the year	(570)	6	(564)
Net unrealized gains on derivatives:			
Unrealized losses arising during the year	(13)	9	(4)
Reclassification adjustment for losses included in net income	54	(23)	31
Adjustment for the year	41	(14)	27
Pension liability adjustments:			
Unrealized losses arising during the year	(220)	90	(130)
Reclassification adjustment for losses included in net income	33	(13)	20
Adjustment for the year	(187)	77	(110)
Other comprehensive income	$(3,010)	$1,016	$(1,994)

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, 2008, net derivative losses of ¥3,122 million ($31 million), net of related income tax benefit of ¥2,310 million ($23 million), were reclassified into earnings. For the year ended March 31, 2007, net derivative losses of ¥12,710 million, net of related income tax benefit of ¥9,493 million, were also reclassified. As of March 31, 2008, net derivative gains that were expected to be reclassified into earnings, net of the related tax benefit, within the next fiscal year were ¥78 million ($1 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, 2008, net derivative gains of ¥12,329 million ($123 million), were included in foreign currency translation adjustments. For the year ended March 31, 2007, net derivative losses of ¥639 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 to the extent approved by management. These derivatives do not qualify for hedge accounting and any changes in their fair value are recognized in earnings.

Earnings Effects of Derivatives

For the years ended March 31, 2008, 2007 and 2006, the amount of hedge ineffectiveness recognized on fair-value hedges and the hedge of the net investment in foreign operations was losses of ¥69 million ($1 million), losses of ¥124 million and losses of ¥1 million, respectively. There were no gains or losses excluded from the assessment of hedge effectiveness for the years ended March 31, 2008, 2007 and 2006.

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 a 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 23).

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, 2008 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
As of March 31, 2008:	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	¥ —	¥ 936,331	¥ 941,158	$ —	$ 9,363	$ 9,412
Financial Liabilities:						
Long-term debt, including current maturities	—	3,440,861	3,457,167	—	34,409	34,572
Derivative Financial Instruments (Assets):						
Interest rate swaps	1,223,971	23,491	23,491	12,240	235	235
Currency swap agreements, and currency options	436,577	38,056	38,056	4,366	381	381
Foreign exchange forward contracts	733,167	13,654	13,654	7,332	137	137
Derivative Financial Instruments (Liabilities):						
Interest rate swaps	143,260	3,528	3,528	1,433	35	35
Interest rate future contracts	138,793	61	61	1,388	1	1
Currency swap agreements, and currency options	37,372	2,699	2,699	374	27	27
Foreign exchange forward contracts	394,247	17,306	17,306	3,942	173	173

	Millions of Yen		
As of March 31, 2007:	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
Financial Liabilities:			
Long-term debt, including current maturities	—	3,180,843	3,187,448
Derivative Financial Instruments (Assets):			
Interest rate swaps	352,270	1,457	1,457
Currency swap agreements, and currency options	129,876	1,882	1,882
Foreign exchange forward contracts	618,159	17,387	17,387
Bond future contracts	939	1	1
Derivative Financial Instruments (Liabilities):			
Interest rate swaps	910,507	5,034	5,034
Currency swap agreements, and currency options	328,921	11,256	11,256
Foreign exchange forward contracts	287,322	2,959	2,959
Bond future contracts	18,209	58	58

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, 2008, 2007 and 2006.

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, 2008, 2007 and 2006 is as follows:

	Millions of Yen			Millions of U.S. Dollars
Income (Numerator)	2008	2007	2006	2008
Net income	¥238,928	¥211,004	¥160,237	$2,389

	Number of shares		
Shares (Denominator)	2008	2007	2006
Weighted-average shares—basic	1,241,143,028	1,241,708,656	1,230,871,223
Dilutive effect of:			
Stock options	222,583	191,223	110,759
Weighted-average shares—diluted	1,241,365,611	1,241,899,879	1,230,981,982

	Yen			U.S. Dollars
	2008	2007	2006	2008
Net income per share:				
Basic	¥192.51	¥169.93	¥130.18	$1.93
Diluted	192.47	169.90	130.17	1.92

19. SEGMENT INFORMATION

The Companies conduct business through the eight 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 management in order to assess performance and determine the allocation of resources.

Information by operating segment for the years ended March 31, 2008, 2007 and 2006 is summarized as follows:

Operating Segments:

2008:	Millions of Yen				
Segment	Revenues	Gross profit	Net income	Assets	Total trading transactions*
Metal Products	¥ 605,934	¥ 80,259	¥ 29,237	¥ 755,525	¥ 1,885,768
Transportation & Construction Systems	864,521	157,670	41,567	1,604,917	1,815,107
Infrastructure	168,385	40,960	18,916	478,782	351,347
Media, Network & Lifestyle Retail	472,562	168,675	13,791	675,640	589,091
Chemical & Electronics	232,511	46,019	4,670	352,770	1,099,882
Mineral Resources & Energy	144,012	47,985	31,980	760,426	2,707,705
General Products & Real Estate	407,752	121,964	19,541	742,039	876,070
Financial & Logistics	37,563	31,838	5,093	449,488	90,534
Domestic Regional Business Units and Offices	79,428	43,725	8,953	480,052	1,138,282
Overseas Subsidiaries and Branches	671,959	200,753	45,646	1,000,685	2,159,170
Segment Total	3,684,627	939,848	219,394	7,300,324	12,712,956
Corporate and Eliminations	(13,731)	(5,306)	19,534	271,075	(1,228,371)
Consolidated	¥3,670,896	¥934,542	¥238,928	¥7,571,399	¥11,484,585

2007:	Millions of Yen				
Segment	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
Infrastructure	141,813	38,259	16,503	472,603	326,320
Media, Network & Lifestyle Retail	353,764	126,097	12,522	513,927	465,594
Chemical & Electronics	96,696	47,925	7,789	390,521	1,050,879
Mineral Resources & Energy	141,102	48,069	33,126	726,421	2,007,528
General Products & Real Estate	396,239	118,105	17,194	741,721	868,599
Financial & Logistics	140,305	29,154	5,864	430,059	170,568
Domestic Regional Business Units and Offices	72,119	41,711	6,989	508,777	1,115,767
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:	Millions of Yen				
Segment	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
Infrastructure	111,414	29,126	7,699	466,194	1,165,164
Media, Network & Lifestyle Retail	319,719	104,090	26,583	505,079	420,096
Chemical & Electronics	93,127	48,309	8,892	356,156	912,193
Mineral Resources & Energy	129,746	48,875	23,254	627,359	1,657,898
General Products & Real Estate	277,078	83,628	12,685	772,046	956,042
Financial & Logistics	123,760	24,950	6,178	470,771	162,040
Domestic Regional Business Units and Offices	77,090	42,570	4,777	432,086	1,168,437
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

2008:	Millions of U.S. Dollars				
Segment	Revenues	Gross profit	Net income	Assets	Total trading transactions*
Metal Products	$ 6,059	$ 802	$ 292	$ 7,555	$ 18,858
Transportation & Construction Systems	8,645	1,577	416	16,049	18,151
Infrastructure	1,684	410	189	4,788	3,513
Media, Network & Lifestyle Retail	4,726	1,687	138	6,756	5,891
Chemical & Electronics	2,325	460	47	3,528	10,999
Mineral Resources & Energy	1,440	480	320	7,604	27,077
General Products & Real Estate	4,077	1,220	195	7,420	8,761
Financial & Logistics	376	318	51	4,495	905
Domestic Regional Business Units and Offices	794	437	90	4,801	11,383
Overseas Subsidiaries and Branches	6,720	2,007	456	10,007	21,592
Segment Total	36,846	9,398	2,194	73,003	127,130
Corporate and Eliminations	(137)	(53)	195	2,711	(12,284)
Consolidated	$36,709	$9,345	$2,389	$75,714	$114,846

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 the 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:

2008:	Millions of Yen		Millions of U.S. Dollars	
	Revenues	Long-lived assets	Revenues	Long-lived assets
Japan	¥1,767,909	¥ 914,465	$17,679	$ 9,145
Asia	427,181	45,541	4,272	455
North America:				
U.S.	759,909	199,561	7,599	1,996
Other	155,939	16,545	1,559	166
Europe	362,700	154,419	3,627	1,544
Other	197,258	93,838	1,973	938
Total	¥3,670,896	¥1,424,369	$36,709	$14,244

2007:	Millions of Yen	
	Revenues	Long-lived assets
Japan	¥1,509,414	¥ 652,885
Asia	231,842	40,956
North America:		
U.S.	817,141	245,662
Other	113,669	17,295
Europe	264,108	117,213
Other	141,036	93,634
Total	¥3,077,210	¥1,167,645

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

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 ¥10,967 million ($110 million), gains of ¥3,416 million, and losses of ¥6,945 million, were included in the determination of net income for the years ended March 31, 2008, 2007 and 2006, 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, 2008 and 2007, 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
	2008	2007	2008
Future minimum lease payments to be received	¥ 652,416	¥ 479,634	$ 6,524
Unguaranteed residual value	11,322	5,420	113
Less: Unearned income	(113,022)	(105,825)	(1,130)
Net investments	¥ 550,716	¥ 379,229	$ 5,507

The Companies also lease aircraft, office buildings and other industrial properties and equipment to third parties under cancelable and non-cancelable operating leases. As of March 31, 2008 and 2007, the cost of the leased property was ¥758,469 million ($7,585 million) and ¥576,272 million, respectively, and the accumulated depreciation was ¥271,311 million ($2,713 million) and ¥212,298 million, respectively, these are included in "Property and equipment" and "Goodwill and other intangible assets" (see Notes 9 and 10). Contingent rentals amounted to ¥9,525 million ($95 million) and ¥5,550 million for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease payments to be received as of March 31, 2008 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
2009	¥160,505	¥120,950	¥ 281,455	$1,605	$1,210	$ 2,815
2010	127,688	90,347	218,035	1,277	903	2,180
2011	97,021	67,976	164,997	970	680	1,650
2012	67,933	41,553	109,486	679	416	1,095
2013	42,640	21,483	64,123	427	214	641
2014 and thereafter	156,629	48,381	205,010	1,566	484	2,050
Total	¥652,416	¥390,690	¥1,043,106	$6,524	$3,907	$10,431

The components of the net investment in leveraged leases at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Future minimum lease payments to be received (net of principal and interest on third-party nonrecourse debt)	¥ 3,222	¥ 3,931	$ 32
Unguaranteed residual value	7,633	7,633	76
Less: Unearned income	(2,899)	(3,443)	(29)
Investments in leveraged leases	7,956	8,121	79
Less: Deferred tax liabilities arising from leveraged leases	(1,033)	(596)	(10)
Net investments	¥ 6,923	¥ 7,525	$ 69

As Lessee

During the year ended March 31, 2006, the Companies sold the corporate headquarters building (Harumi Triton Square Office Tower Y) for ¥86,000 million and leased the building 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 being recognized over the term of 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, 2008, 2007 and 2006 were ¥59,289 million ($593 million), ¥54,207 million and ¥38,966 million, respectively. The Companies also lease equipment and others under arrangements which are classified as capital leases under SFAS No. 13, “Accounting for Leases.” As of March 31, 2008 and 2007, the cost of the leased property was ¥39,794 million ($398 million) and ¥3,687 million, respectively, and the accumulated depreciation was ¥16,688 million ($167 million) and ¥201 million, respectively, these are included in “Property and equipment” and “Goodwill and other intangible assets” (see Notes 9 and 10).

As of March 31, 2008, the future minimum lease payments under capital leases 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
2009	¥ 26,622	¥ 38,544	¥ 65,166	$ 266	$ 386	$ 652
2010	24,159	35,117	59,276	242	351	593
2011	19,191	32,794	51,985	192	328	520
2012	14,167	31,009	45,176	142	310	452
2013	7,341	27,940	35,281	73	279	352
2014 and thereafter	14,618	173,222	187,840	146	1,732	1,878
	106,098	338,626	444,724	1,061	3,386	4,447
Less: Amount representing interest	(12,284)			(123)		
	¥ 93,814			$ 938		

22. ASSET RETIREMENT OBLIGATIONS

The Companies account for asset retirement obligations, consisting of the costs related to dismantlement of facilities and mine reclamation, in accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations." The asset retirement obligations are principally related to the costs of dismantlement of crude oil and coal mining drilling facilities. These liabilities are included in "Long-term debt, less current maturities" in the consolidated balance sheets.

The changes in asset retirement obligations for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Balance, beginning of year	¥12,070	¥ 7,443	$121
Liabilities incurred	821	4,086	8
Liabilities settled	(24)	—	(0)
Accretion expense	296	267	3
Revisions in estimated cash flows	(220)	57	(2)
Other*	233	217	2
Balance, end of year	¥13,176	¥12,070	$132

*Other includes the effect of changes in foreign currency exchange rates and the effect of consolidation of certain subsidiaries.

23. 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 ¥1,087,944 million ($10,879 million) as of March 31, 2008. Scheduled deliveries are at various dates through 2016.

The Companies also had long-term financing commitments of ¥15,498 million ($155 million) as of March 31, 2008 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 No. 45 requires that the Companies recognize the fair value of guarantee and indemnification arrangements issued or modified after December 31, 2002, if the 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, 2008 were insignificant.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees:

As of March 31, 2008:	Millions of Yen	Millions of U.S. Dollars
Discounted trade notes receivable with banks	¥145,449	$1,455
Guarantees of indebtedness:		
Associated companies	70,548	705
Third parties	26,981	270
Employees	3,299	33
Residual value guarantees	11,622	116
Total	¥257,899	$2,579

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 2010. If an issuer of a note defaults on its payment, the Companies would be required to pay the banks for any loss. ¥118,668 million ($1,187 million) of discounted trade notes receivable outstanding as of March 31, 2008 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 2025. Guarantees with third party guarantee aggregated ¥800 million ($8 million) as of March 31, 2008. 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 2022. The Companies must pay if a guaranteed party defaults on a guaranteed indebtedness. Guarantees with third party guarantee aggregated ¥158 million ($2 million) as of March 31, 2008. 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 an 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 guarantees mature through 2015. 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, 2008.

Management does not anticipate incurring losses on the above commitments and guarantees in excess of established allowances.

(c) Litigation

The Companies are 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 or results of operations of the Companies.

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, 2008 and 2007, 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, 2008, 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, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2008, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended March 31, 2008 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 20, 2008