FINANCIAL SECTION

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FINANCIAL SECTION

REFERENCE INFORMATION

SIX-YEAR FINANCIAL SUMMARY

For the years ended March 31

1. Key Financial Indicators

	Billions of Yen						Millions of U.S. Dollars
	2010	2009	2008	2007	2006	2005	**2010**
Total assets	**¥7,137.8**	¥ 7,018.2	¥7,571.4	¥8,430.5	¥6,711.9	¥5,533.1	**$76,751**
Sumitomo Corporation Shareholders' equity	**1,583.7**	1,353.1	1,492.7	1,473.1	1,304.0	934.9	**17,029**
Sumitomo Corporation Shareholders' equity ratio (%)	**22.2**	19.3	19.7	17.5	19.4	16.9	**22.2**
Return on equity (%)	**10.6**	15.1	16.1	15.2	14.3	10.2	**10.6**
Return on assets (%)	**2.2**	2.9	3.0	2.8	2.6	1.6	**2.2**
Interest-bearing liabilities (gross)	**3,600.7**	3,702.7	3,709.8	3,355.6	3,152.5	2,840.1	**38,717**
Interest-bearing liabilities (net)	**2,781.8**	3,186.8	3,247.6	2,913.3	2,622.2	2,376.0	**29,912**
Debt-equity ratio (gross) (times)	**2.3**	2.7	2.5	2.3	2.4	3.0	**2.3**
Debt-equity ratio (net) (times)	**1.8**	2.4	2.2	2.0	2.0	2.5	**1.8**
Working capital	**992.0**	795.1	990.4	1,310.3	1,021.8	897.0	**10,667**

2. Consolidated Statements of Income

	Billions of Yen						Millions of U.S. Dollars
	2010	2009	2008	2007	2006	2005	**2010**
Revenues:							
Sales of tangible products	**¥2,336.6**	¥ 2,833.3	¥ 3,040.7	¥ 2,495.0	¥ 2,079.6	¥1,586.1	**$25,125**
Sales of services and others	**547.5**	678.3	630.2	582.2	501.8	463.2	**5,888**
Total revenues	**2,884.2**	3,511.6	3,670.9	3,077.2	2,581.4	2,049.3	**31,013**
Cost:							
Cost of tangible products sold	**1,899.4**	2,342.9	2,551.7	2,076.6	1,737.7	1,361.8	**20,424**
Cost of services and others	**205.2**	233.5	184.7	142.9	137.1	124.4	**2,207**
Total cost	**2,104.7**	2,576.3	2,736.4	2,219.5	1,874.8	1,486.2	**22,631**
Gross profit	**779.5**	935.2	934.5	857.7	706.6	563.1	**8,382**
Other income (expenses):							
Selling, general and administrative expenses	**(639.2)**	(654.4)	(669.4)	(609.9)	(515.8)	(437.9)	**(6,874)**
Settlements on copper trading litigation	**—**	—	—	9.6	(0.1)	2.8	**—**
Provision for doubtful receivables	**(19.8)**	(17.5)	(11.1)	(8.0)	(14.7)	(12.9)	**(212)**
Impairment losses on long-lived assets	**(4.7)**	(14.7)	(13.5)	(9.8)	(12.4)	(29.5)	**(51)**
Gain (loss) on sale of property and equipment, net	**9.8**	(0.4)	3.5	2.4	(0.4)	11.5	**105**
Interest income	**15.4**	21.6	28.3	32.9	19.0	14.6	**166**
Interest expense	**(39.5)**	(57.7)	(71.1)	(70.0)	(39.0)	(23.2)	**(425)**
Dividends	**11.3**	14.6	15.3	14.1	10.4	6.4	**121**
Gain on marketable securities and other investments, net	**32.9**	4.5	94.9	44.4	41.8	20.0	**354**
Equity in earnings of associated companies, net	**76.1**	90.0	56.9	70.3	51.4	37.4	**819**
Other, net	**1.5**	(1.6)	(0.7)	(1.8)	1.0	(1.0)	**16**
Total other income (expenses)	**(556.3)**	(615.6)	(566.9)	(525.8)	(458.8)	(411.8)	**(5,981)**
Income before income taxes	**223.3**	319.6	367.6	331.9	247.8	151.3	**2,401**
Income taxes	**61.8**	96.3	119.8	114.8	80.7	57.8	**665**
Net income*1	**161.5**	223.3	247.8	217.1	167.1	93.5	**1,736**
Less: Net income attributable to noncontrolling interests*1	**(6.3)**	(8.3)	(8.9)	(6.1)	(6.9)	(8.4)	**(67)**
Net income attributable to Sumitomo Corporation*1	**¥ 155.2**	¥ 215.1	¥ 238.9	¥ 211.0	¥ 160.2	¥ 85.1	**$ 1,669**
Total trading transactions*2	**¥7,767.2**	¥10,750.0	¥11,484.6	¥10,528.3	¥10,336.3	¥9,898.6	**$83,518**

*1 For the fiscal year ended March 31, 2010, the Companies adopted ASC 810 "Consolidation" (formerly SFAS 160) and changed the certain presentation.

*2 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
	2010	2009	2008	2007	2006	2005	**2010**
Net income	**¥161.5**	¥ 223.3	¥247.8	¥211.0	¥160.2	¥ 85.1	**$1,736**
Net unrealized holding gains (losses) on securities available-for-sale	**55.8**	(109.3)	(135.3)	11.9	152.4	28.5	**600**
Foreign currency translation adjustments	**30.5**	(169.5)	(58.8)	25.7	46.0	0.7	**328**
Net unrealized gains (losses) on derivatives	**2.8**	(12.2)	2.7	4.7	(8.2)	(1.0)	**30**
Pension liability adjustments	**20.9**	(25.6)	(11.5)	—	—	—	**224**
Comprehensive income (loss)	**271.4**	(93.2)	44.9	—	—	—	**2,918**
Less:Comprehensive income (loss) attributable to noncontrolling interests	**(8.1)**	2.0	(5.4)	—	—	—	**(87)**
Comprehensive income (loss) attributable to Sumitomo Corporation	**¥263.2**	¥ (91.2)	¥ 39.5	¥253.3	¥350.4	¥113.3	**$2,831**

Note: For the fiscal year ended March 31, 2010, the Companies adopted ASC 810 "Consolidation" (formerly SFAS 160) and changed the certain presentation. The amounts for the years ended March 31, 2009 and 2008 are reclassified to conform to ASC 810. Due to this reclassification, each item of comprehensive income for the years ended March 31, 2007, 2006 and 2005 represents the amounts attributable to Sumitomo Corporation and the item for the years ended March 31, 2010, 2009 and 2008 represents the amounts including noncontrolling interests.

4. Consolidated Balance Sheets

	Billions of Yen						Millions of U.S. Dollars
	2010	2009	2008	2007	2006	2005	2010
Current assets:							
Cash and cash equivalents	¥ 813.8	¥ 511.4	¥ 456.8	¥ 436.8	¥ 522.0	¥ 453.9	$ 8,751
Time deposits	5.1	4.5	5.4	5.5	8.3	10.2	55
Marketable securities	5.3	19.0	19.9	17.3	22.1	23.1	56
Receivables—trade:							
Notes and loans	210.2	188.6	242.3	292.6	265.0	307.1	2,260
Accounts	1,204.9	1,304.0	1,782.1	1,722.1	1,646.1	1,355.7	12,956
Associated companies	107.6	115.9	109.3	100.0	98.3	84.9	1,157
Allowance for doubtful receivables	(26.2)	(16.5)	(14.8)	(13.6)	(15.3)	(11.0)	(282)
Inventories	676.8	840.1	756.2	757.5	705.2	503.8	7,278
Deferred income taxes	34.2	34.0	39.3	39.3	32.0	39.2	368
Advance payments to suppliers	68.5	94.9	73.9	55.6	50.2	56.9	737
Assets held for sale	—	—	—	1,516.4	—	—	—
Other current assets	211.7	279.0	253.4	228.1	310.4	271.2	2,276
Total current assets	3,311.9	3,374.8	3,723.8	5,157.8	3,644.3	3,095.0	35,612
Investments and long-term receivables:							
Investments in and advances to associated companies	936.7	893.4	883.6	559.5	469.5	394.6	10,072
Other investments	522.8	450.3	655.2	833.8	783.0	502.7	5,621
Long-term receivables	733.0	745.6	832.8	706.1	662.1	620.8	7,882
Allowance for doubtful receivables	(24.5)	(33.1)	(22.1)	(28.4)	(40.7)	(45.7)	(264)
Total investments and long-term receivables	2,167.9	2,056.2	2,349.5	2,071.0	1,873.9	1,472.4	23,311
Property and equipment, at cost	1,797.4	1,725.9	1,596.4	1,371.7	1,263.7	1,129.7	19,327
Accumulated depreciation	(673.0)	(670.7)	(599.3)	(507.0)	(444.2)	(409.3)	(7,237)
	1,124.4	1,055.1	997.1	864.7	819.5	720.4	12,090
Goodwill and other intangible assets	392.9	400.6	379.4	255.5	259.3	113.6	4,225
Prepaid expenses, non-current	70.8	43.5	47.8	47.4	94.7	94.8	762
Deferred income taxes, non-current	25.4	36.2	14.2	11.6	13.5	10.2	273
Other assets	44.4	51.7	59.6	22.5	6.7	26.7	478
Total	¥7,137.8	¥7,018.2	¥7,571.4	¥8,430.5	¥6,711.9	¥5,533.1	$76,751
Current liabilities:							
Short-term debt	¥ 453.4	¥ 792.2	¥ 625.1	¥ 461.9	¥ 539.6	¥ 412.2	$ 4,875
Current maturities of long-term debt	481.3	382.8	428.9	416.5	428.5	438.5	5,176
Payables—trade:							
Notes and acceptances	48.5	63.7	84.6	107.9	93.3	101.7	521
Accounts	921.0	830.4	1,159.2	1,103.8	1,070.9	879.0	9,903
Associated companies	20.7	34.9	26.7	38.7	29.7	18.3	223
Income taxes	31.0	28.1	37.4	54.9	33.0	20.2	333
Accrued expenses	91.4	85.6	101.5	103.8	93.0	60.5	983
Advances from customers	113.1	122.4	107.3	79.1	90.5	85.4	1,216
Liabilities associated with assets held for sale	—	—	—	1,329.3	—	—	—
Other current liabilities	159.5	239.6	162.7	151.5	244.0	182.2	1,715
Total current liabilities	2,319.9	2,579.7	2,733.4	3,847.4	2,622.5	2,198.0	24,945
Long-term debt, less current maturities	2,938.5	2,821.3	3,012.0	2,764.4	2,447.2	2,213.7	31,597
Accrued pension and retirement benefits	19.2	20.0	14.1	9.8	13.2	11.8	206
Deferred income taxes, non-current	165.6	138.3	189.3	239.5	230.3	85.7	1,781
Equity:							
Sumitomo Corporation shareholders' equity:							
Common stock	219.3	219.3	219.3	219.3	219.3	219.3	2,358
Additional paid-in capital	288.6	291.3	291.0	279.7	279.5	238.9	3,103
Retained earnings:							
Appropriated for legal reserve	17.7	17.7	17.7	17.7	17.7	17.7	190
Unappropriated	1,234.6	1,109.4	943.1	755.2	579.2	442.6	13,276
	1,252.3	1,127.1	960.8	772.9	596.9	460.3	13,466
Accumulated other comprehensive income (loss)	(175.4)	(283.4)	22.8	222.2	213.8	17.1	(1,886)
Treasury stock, at cost	(1.1)	(1.1)	(1.2)	(21.0)	(5.5)	(0.7)	(12)
Total Sumitomo Corporation shareholders' equity*	1,583.7	1,353.1	1,492.7	1,473.1	1,304.0	934.9	17,029
Noncontrolling interests*	110.9	105.8	129.9	96.3	94.7	89.0	1,193
Total equity*	1,694.7	1,458.9	1,622.7	1,569.4	1,398.7	1,023.9	18,222
Total	¥7,137.8	¥7,018.2	¥7,571.4	¥8,430.5	¥6,711.9	¥5,533.1	$76,751

* For the fiscal year ended March 31, 2010, the Companies adopted ASC 810 "Consolidation" (formerly SFAS 160). In accordance with ASC 810, the Companies included noncontrolling interests, which were previously referred to as "minority interests" and classified between total liabilities and stockholders' equity on the consolidated balance sheets, as a part of total equity. The prior years amounts are reclassified to conform to ASC 810.

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥93=U.S.$1, the approximate exchange rate on March 31, 2010.

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 seven 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
- Mineral Resources, Energy, Chemical & Electronics
- 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 seven 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.

On April 1, 2009, we merged the Chemical & Electronics Business Unit and the Mineral Resources & Energy Business Unit into the new Mineral Resources, Energy, Chemical & Electronics Business Unit, thereby reducing the number of industry-based business segments from eight to seven.

As of March 31, 2010, we had total assets of ¥7,137.8 billion and 72,030 employees worldwide. For the fiscal year ended March 31, 2010, net income attributable to Sumitomo Corporation was ¥155.2 billion.

On April 1, 2010, we closed the Financial & Logistics Business Unit and established the New Industry Development & Cross-function Business Unit. The industry-based business segments after the reorganization are:

- Metal Products
- Transportation & Construction Systems
- Infrastructure
- Media, Network & Lifestyle Retail
- Mineral Resources, Energy, Chemical & Electronics
- General Products & Real Estate
- New Industry Development & Cross-function

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, 2010. Accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance.

In April 2009 Sumitomo Corporation launched "FOCUS'10," its two-year medium-term management plan for fiscal 2009 and 2010*. During the period we began our drive in line with the fundamental principles of this plan, aiming to achieve the targets we have set. Under FOCUS'10 we aim to establish "a growth scenario on a new stage" with a view to the next 10 years and become a value-creating company that leverages change into growth. We will seek to do this in the context of external conditions of unprecedented economic crisis by continuing to strive for "the creation of new value," as set forth in our Corporate Mission Statement, building on the management reforms implemented over a period of 10 years starting with the Reform Package launched in April 1999 and continuing through the GG Plan that we completed in March 2009.

For this purpose, our fundamental principles will be to (1) promote medium/long-term growth by enhancing our value-creation capability while reinforcing our soundness and efficiency and (2) promote company-wide growth by leveraging the diversity and the strengths of our businesses. In qualitative terms, we will devote efforts to (a) steady execution of selective and focused growth strategies, (b) thorough reinforcement of soundness and efficiency, and (c) development of human and organizational dynamism to enhance value-creation capability.

In line with this policy, this April we established the New Industry Development & Cross-function Business Unit to develop and promote business in new fields of industry on a company-wide, cross-divisional perspective and support the promotion of business in each field by tapping specialized capabilities. The new business unit includes the New Business Development & Promotion Division, the Financial Service Division, and the Logistics & Insurance Business Division. With this evolutionary change, we have closed the Financial & Logistics Business Unit.

As for quantitative targets, we have set the targets of ¥115.0 billion in net income attributable to Sumitomo Corporation for the fiscal year ended March 31, 2010 and a risk-adjusted return ratio of around 10% as "FOCUS'10" two-year average. For the fiscal year ended March 31, 2010, the first year of the plan, net income attributable to Sumitomo Corporation was ¥155.2 billion, exceeding the target of ¥115.0 billion. In addition, as of April 30, 2010, we have set a target of ¥160.0 billion in net income attributable to Sumitomo Corporation for the fiscal year ending 31, 2011.

* The word "FOCUS" stands for the key words of the new management plan: F for Future (a medium- to long-term perspective), O for Originality (respect for individuality and diversity), C for Core (solid earnings pillars), U for Unity (leveraging of our integrated corporate strength), and S for Soundness (reinforcement of operational health and efficiency). The name as a whole expresses our intention of focusing on these key elements from now through '10 (2010), the year for completion of the plan.

3. ECONOMIC ENVIRONMENT

During the fiscal year ended March 31, 2010, the global economy continued to experience a vicious cycle of deteriorating sentiment and declining demand due to the effects of the credit crunch set off by the financial crisis, whose impact was felt by the emerging countries as well as developed countries. Thanks to concerted implementation of a variety of policy measures by the major countries, moves toward a recovery were seen, principally in China and other emerging countries. The vigor of the upturn was modest, however, because of factors including the aftereffects of the financial crisis, the harshness of the employment picture, and the expansion of fiscal deficits. Prices on international commodity markets gradually turned up again, reflecting the resumption of the flow of funds into risk assets and expectations of increased demand from emerging economies.

Within Japan, domestic demand, particularly capital investment, has been slow to recover, reflecting the effects of the yen's rise and deflationary concerns, compounded by the deterioration in the employment situation, but government stimulus measures and the growth in exports due to the global economic recovery produced signs of a gradual upturn.

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 the 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, 2010, sales of services and others accounted for 19.0% of our total revenues, but the gross profit from sales of services and others accounted for 43.9% 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 "5—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 "5—Critical Accounting Policies—Recoverability of Long-Lived Assets."

Gain (Loss) 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 "5—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 and losses on sales of our non-trading marketable securities and other investments when we elect to sell investment holdings.

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 any 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 a principal or as an 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. 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 attributable to Sumitomo Corporation 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, delivery 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 lives 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 for deferred tax assets when, in management's judgment, it is more likely than not that the deferred tax assets, 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.

6. RESULTS OF OPERATIONS

Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Total Revenues. Total revenues decreased by ¥627.4 billion, or 17.9%, from ¥3,511.6 billion in the fiscal year ended March 31, 2009 to ¥2,884.2 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the stronger yen which eroded the revenues of overseas subsidiaries, and the weaker demand in tubular products operations in North America and automotive and construction systems businesses mainly in Europe.

Gross Profit. Gross profit decreased by ¥155.7 billion, or 16.6%, from ¥935.2 billion in the fiscal year ended March 31, 2009 to ¥779.5 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the stronger yen which eroded the gross profit of overseas subsidiaries, the weaker demand in tubular products operations in North America, and the decline of sales price in a coal mining operation in Australia.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by ¥15.1 billion, or 2.3%, from ¥654.4 billion in the fiscal year ended March 31, 2009 to ¥639.2 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the stronger yen which decreased the expenses of overseas subsidiaries.

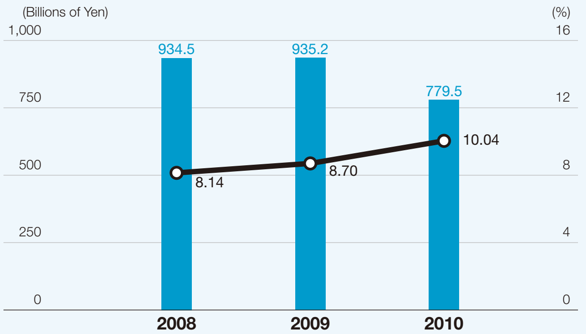
Provision for Doubtful Receivables. The provision for doubtful receivables increased by ¥2.3 billion, or 13.1%, to ¥19.8 billion in the fiscal year ended March 31, 2010, compared to ¥17.5 billion in the fiscal year ended March 31, 2009. The increase was mainly due to the increase of provision for doubtful receivables at retail automobile and motorcycle financing business in Asia, and the recognition of provision for the receivable from a subsidiary of Japan Airlines Corporation.

Impairment Losses on Long-Lived Assets. Impairment losses on long-lived assets decreased by ¥10.0 billion, or 67.8%, from ¥14.7 billion in the fiscal year ended March 31, 2009 to ¥4.7 billion in the fiscal year ended March 31, 2010. The decrease was due to the fact that there was no significant loss recognized in the fiscal year ended March 31, 2010, while we recognized impairment losses on an oil field interest in British North Sea and on goodwill of The Hartz Mountain, a pet care business in the U.S., in the fiscal year ended March 31, 2009.

Gain (Loss) on Sale of Property and Equipment, Net. Gain on sale of property and equipment increased by ¥10.1 billion from ¥0.4 billion loss in the fiscal year ended March 31, 2009 to ¥9.8 billion gain in the fiscal year ended March 31, 2010. The increase was mainly due to the sale of office building in the fiscal year ended March 31, 2010.

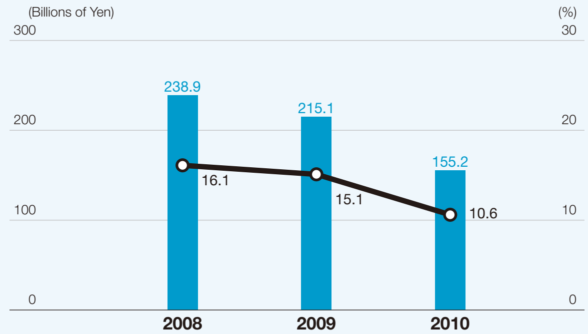
Gross Profit & Gross Profit Ratio (Gross Profit/Total Trading Transactions)

■ Gross Profit (left) ○ Gross Profit Ratio (right)



Net Income attributable to Sumitomo Corporation & Return on Equity

■ Net Income attributable to Sumitomo Corporation (left) ○ Return on Equity (right)



Interest Income. Interest income decreased by ¥6.2 billion, or 28.5%, from ¥21.6 billion in the fiscal year ended March 31, 2009 to ¥15.4 billion in the fiscal year ended March 31, 2010. This was mainly due to a lower U.S. dollar interest rate.

Interest Expense. Interest expense decreased by ¥18.2 billion, or 31.6%, from ¥57.7 billion in the fiscal year ended March 31, 2009 to ¥39.5 billion in the fiscal year ended March 31, 2010. This was mainly due to a lower U.S. dollar interest rate.

Dividends. Total dividend income decreased by ¥3.3 billion, or 22.8%, from ¥14.6 billion in the fiscal year ended March 31, 2009 to ¥11.3 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the decrease of dividends from domestic companies listed in Japanese stock market.

Other than Temporary Impairment Losses on Securities. Other than temporary impairment losses on securities decreased by ¥3.5 billion, or 15.6%, from ¥22.6 billion in the fiscal year ended March 31, 2009 to ¥19.1 billion in the fiscal year ended March 31, 2010. Impairment losses recognized for the fiscal year ended March 31, 2010 were mainly related to the investment in Japan Airlines Corporation. Impairment losses recognized for the fiscal year ended March 31, 2009 were mainly related to the investment in Fuji Media Holdings, Inc.

Gain on Sale of Marketable Securities and Other Investments, Net. Gain on sale of marketable securities and other investments increased by ¥24.9 billion, or 91.8%, from ¥27.1 billion for the fiscal year ended March 31, 2009 to ¥51.9 billion for the fiscal year ended March 31, 2010. We recognized gains related to the sales of mining rights in British North Sea and the partial sales of mining rights in Batu Hijau copper/gold mine project in Indonesia for the fiscal year ended March 31, 2010. The gain for the fiscal year ended March 31, 2009 includes capital gains on business restructuring of MS Communications Co., Ltd.

Equity in Earnings of Associated Companies, Net. Equity in earnings of associated companies decreased by ¥13.8 billion, or 15.4%, from ¥90.0 billion in the fiscal year ended March 31, 2009 to ¥76.1 billion in the fiscal year ended March 31, 2010. While equity earnings of Batu Hijau copper/gold mine project in Indonesia increased due to the increase of its production volume and favorable market price of copper, equity earnings of associated companies decreased mainly due to the hedge evaluation gain, which was related to the San Cristobal silver-zinc-lead mining project in Bolivia, recognized in the fiscal year ended March 31, 2009.

Income Taxes. Income taxes decreased by ¥34.5 billion, or 35.8%, from ¥96.3 billion in the fiscal year ended March 31, 2009 to ¥61.8 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the decrease of income before income tax.

Net Income Attributable to Noncontrolling Interests. Net income attributable to noncontrolling interests decreased by ¥2.0 billion, or 24.2%, from ¥8.3 billion in the fiscal year ended March 31, 2009 to ¥6.3 billion in the fiscal year ended March 31, 2010.

Net Income Attributable to Sumitomo Corporation. As a result of the factors discussed above, net income attributable to Sumitomo Corporation decreased by ¥59.9 billion, or 27.8%, from ¥215.1 billion in the fiscal year ended March 31, 2009 to ¥155.2 billion in the fiscal year ended March 31, 2010.

Total Trading Transactions. Total trading transactions decreased by ¥2,982.8 billion, or 27.7%, from ¥10,750.0 billion in the fiscal year ended March 31, 2009 to ¥7,767.2 billion in the fiscal year ended March 31, 2010. This was mainly due to the stronger yen which eroded the total trading transactions of overseas subsidiaries and the downturn of general market condition which resulted in weaker demand and unfavorable market price in various business areas such as mineral resources, steel products, automotive and construction equipment.

7. OPERATING SEGMENT ANALYSIS

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

We conduct our business using seven business segments based on industries, including: Metal Products; Transportation & Construction Systems; Infrastructure; Media, Network & Lifestyle Retail; Mineral Resources, Energy, Chemical & Electronics; General Products & Real Estate; and Financial & Logistics.

In addition, we conduct our business in 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, 2010 and 2009.

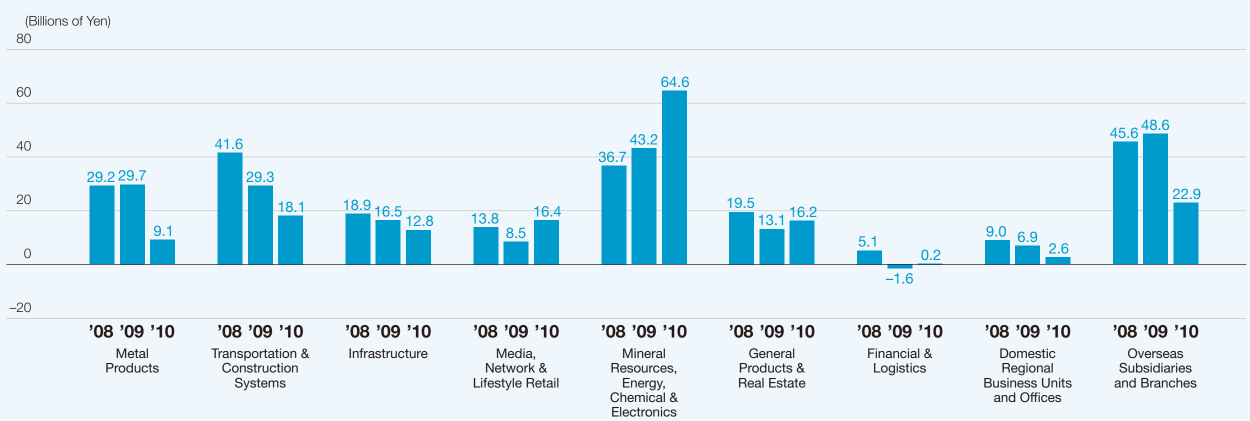
Breakdown of Gross Profit by Operating Segment

For the years ended March 31, 2010 and 2009	Billions of Yen 2010	2009	Increase/ decrease	Increase/ decrease	Millions of U.S. Dollars 2010
Metal Products	**¥ 54.1**	¥ 86.4	¥ (32.3)	(37.4)%	**$ 582**
Transportation & Construction Systems	**130.8**	155.6	(24.8)	(15.9)	**1,406**
Infrastructure	**31.2**	40.4	(9.2)	(22.8)	**336**
Media, Network & Lifestyle Retail	**176.6**	176.4	0.2	0.1	**1,899**
Mineral Resources, Energy, Chemical & Electronics	**84.6**	91.9	(7.3)	(7.9)	**910**
General Products & Real Estate	**101.4**	111.1	(9.7)	(8.7)	**1,091**
Financial & Logistics	**23.4**	26.8	(3.4)	(12.7)	**252**
Domestic Regional Business Units and Offices	**35.1**	42.6	(7.5)	(17.6)	**377**
Overseas Subsidiaries and Branches	**153.6**	211.7	(58.1)	(27.4)	**1,651**
Segment Total	**790.8**	942.9	(152.1)	(16.1)	**8,504**
Corporate and Eliminations	**(11.3)**	(7.7)	(3.6)	(46.8)	**(122)**
Consolidated	**¥779.5**	¥935.2	¥(155.7)	(16.6)%	**$8,382**

Breakdown of Net Income by Operating Segment

For the years ended March 31, 2010 and 2009	Billions of Yen 2010	2009	Increase/ decrease	Increase/ decrease	Millions of U.S. Dollars 2010
Metal Products	**¥ 9.1**	¥ 29.7	¥(20.6)	(69.4)%	**$ 98**
Transportation & Construction Systems	**18.1**	29.3	(11.2)	(38.2)	**195**
Infrastructure	**12.8**	16.5	(3.7)	(22.4)	**138**
Media, Network & Lifestyle Retail	**16.4**	8.5	7.9	92.9	**176**
Mineral Resources, Energy, Chemical & Electronics	**64.6**	43.2	21.4	49.5	**694**
General Products & Real Estate	**16.2**	13.1	3.1	23.7	**174**
Financial & Logistics	**0.2**	(1.6)	1.8	—	**2**
Domestic Regional Business Units and Offices	**2.6**	6.9	(4.3)	(62.3)	**27**
Overseas Subsidiaries and Branches	**22.9**	48.6	(25.7)	(52.9)	**247**
Segment Total	**162.9**	194.2	(31.3)	(16.1)	**1,751**
Corporate and Eliminations	**(7.7)**	20.9	(28.6)	—	**(82)**
Consolidated	**¥155.2**	¥215.1	¥(59.9)	(27.8)%	**$1,669**

Net Income by Segment



Fiscal Year Ended March 31, 2010 Compared to Fiscal Year Ended March 31, 2009

Metal Products
Gross profit decreased by ¥32.3 billion, or 37.4%, from ¥86.4 billion in the fiscal year ended March 31, 2009 to ¥54.1 billion in the fiscal year ended March 31, 2010. Demand in tubular products business in North America was sluggish and steel service center operations declined. Net income attributable to Sumitomo Corporation decreased by ¥20.6 billion, or 69.4%, from ¥29.7 billion in the fiscal year ended March 31, 2009 to ¥9.1 billion in the fiscal year ended March 31, 2010.

Transportation & Construction Systems
Gross profit decreased by ¥24.8 billion, or 15.9%, from ¥155.6 billion in the fiscal year ended March 31, 2009 to ¥130.8 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the decrease in gross profit of the automotive and construction equipment business mainly in Europe although the ship business showed stable performance. Net income attributable to Sumitomo Corporation decreased by ¥11.2 billion, or 38.2%, from ¥29.3 billion in the fiscal year ended March 31, 2009 to ¥18.1 billion in the fiscal year ended March 31, 2010.

Infrastructure
Gross profit decreased by ¥9.2 billion, or 22.8%, from ¥40.4 billion in the fiscal year ended March 31, 2009 to ¥31.2 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the decrease of the revenue from large scale EPC (Engineering, Procurement and Construction) business. In addition, machinery and equipment businesses in Japan declined. Net income attributable to Sumitomo Corporation decreased by ¥3.7 billion, or 22.4%, from ¥16.5 billion in the fiscal year ended March 31, 2009 to ¥12.8 billion in the fiscal year ended March 31, 2010.

Media, Network & Lifestyle Retail
Gross profit in the fiscal year ended March 31, 2010 was ¥176.6 billion, approximately the same as the gross profit in the fiscal year ended March 31, 2009 of ¥176.4 billion. Net income attributable to Sumitomo Corporation increased by ¥7.9 billion, or 92.9%, from ¥8.5 billion in the fiscal year ended March 31, 2009 to ¥16.4 billion in the fiscal year ended March 31, 2010. Jupiter Telecommunications Co., Ltd. (J:COM) and Jupiter Shop Channel Co., Ltd. showed stable performance.

Mineral Resources, Energy, Chemical & Electronics
Gross profit decreased by ¥7.3 billion, or 7.9%, from ¥91.9 billion in the fiscal year ended March 31, 2009 to ¥84.6 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the decrease of sales prices in a coal mining operation in Australia although San Cristobal silver-zinc-lead mining project in Bolivia largely contributed to the result not only by the rise in commodity prices but also through further cost reduction. Net income attributable to Sumitomo Corporation increased by ¥21.4 billion, or 49.5%, from ¥43.2 billion in the fiscal year ended March 31, 2009 to ¥64.6 billion in the fiscal year ended March 31, 2010. There was value realization through replacements of assets.

General Products & Real Estate
Gross profit decreased by ¥9.7 billion, or 8.7%, from ¥111.1 billion in the fiscal year ended March 31, 2009 to ¥101.4 billion in the fiscal year ended March 31, 2010. Although the banana business showed stable performance, fertilizer businesses were affected by the plunge in market prices. Net income attributable to Sumitomo Corporation increased by ¥3.1 billion, or 23.7%, from ¥13.1 billion in the fiscal year ended March 31, 2009 to ¥16.2 billion in the fiscal year ended March 31, 2010. TBC Corporation (tire business in the U.S.) showed stable performance. Also there was a value realization through replacement of an office building.

Financial & Logistics
Gross profit decreased by ¥3.4 billion, or 12.7%, from ¥26.8 billion in the fiscal year ended March 31, 2009 to ¥23.4 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the continuous harsh condition in the finance business. Net income attributable to Sumitomo Corporation increased by ¥1.8 billion, from a net loss of ¥1.6 billion in the fiscal year ended March 31, 2009 to a net income of ¥0.2 billion in the fiscal year ended March 31, 2010. Although we recognized impairment losses on Japan Airlines preferred stocks, the performance of Sumitomo Mitsui Finance and Leasing Co., Ltd. improved.

Domestic Regional Business Units and Offices
Gross profit decreased by ¥7.5 billion, or 17.6%, from ¥42.6 billion in the fiscal year ended March 31, 2009 to ¥35.1 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the decline in the metal products businesses. Net income attributable to Sumitomo Corporation decreased by ¥4.3 billion, or 62.3%, from ¥6.9 billion in the fiscal year ended March 31, 2009 to ¥2.6 billion in the fiscal year ended March 31, 2010.

Overseas Subsidiaries and Branches
Gross profit decreased by ¥58.1 billion, or 27.4%, from ¥211.7 billion in the fiscal year ended March 31, 2009 to ¥153.6 billion in the fiscal year ended March 31, 2010. The decrease was mainly due to the weak performance in the metal products and fertilizer businesses. Net income attributable to Sumitomo Corporation decreased by ¥25.7 billion, or 52.9%, from ¥48.6 billion in the fiscal year ended March 31, 2009 to ¥22.9 billion in the fiscal year ended March 31, 2010.

8. 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, 2010, we had ¥3,877.4 billion of short-term and long-term debt. Our short-term debt, excluding current maturities of long-term debt was ¥453.4 billion, a decrease of ¥338.8 billion from the previous year. Our short-term debt consisted of ¥284.7 billion of loans, principally from banks, and ¥168.7 billion of commercial paper.

As of March 31, 2010, we had long-term debt of ¥3,424.0 billion, an increase of ¥209.7 billion from the previous year, including current maturities of ¥485.5 billion. As of March 31, 2010, the balance of our borrowings from banks and insurance companies was ¥2,682.1 billion, an increase of ¥208.6 billion from the previous year, the balance of notes and bonds was ¥465.2 billion, an increase of ¥28.2 billion from the previous year, and the balance of other long-term debt including capital lease obligations was ¥276.7 billion, a decrease of ¥27.1 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 prepayments and currently do not anticipate any prepayment requests. See "Risk Factors—Risks stemming from restriction on access to liquidity and capital."

In addition, we continuously determine various worst case scenarios, including the current financial market turmoil to maintain certain levels of liquidity in any market condition. As of March 31, 2010, we had several committed lines of credit available for immediate borrowing, providing an aggregate of up to $1,100 million and ¥445 billion in short-term loans. 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 $100 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.

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.

As of March 31, 2010, 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.

Our total assets as of March 31, 2010 increased by ¥119.6 billion from March 31, 2009, to ¥7,137.8 billion. In this fiscal year, we increased our cash and cash deposits by ¥303.1 billion. The aim of this was to strengthen financial stability through improving liquidity level and to prepare for new investments such as acquiring additional shares of J:COM. Operating assets decreased due to the company-wide efforts such as decreasing receivables and improving inventory turnover rates.

As of March 31, 2010, our shareholders' equity increased by ¥230.6 billion to ¥1,583.7 billion, due to the increase of retained earnings in addition to the increase of unrealized holding gains on securities available-for-sale. Our ratio of shareholders' equity to total assets was 22.2%. Our interest-bearing liabilities (net) were ¥2,781.8 billion, a decrease of ¥405.0 billion. As a result, our net debt-to-equity ratio was 1.8 as of March 31, 2010.

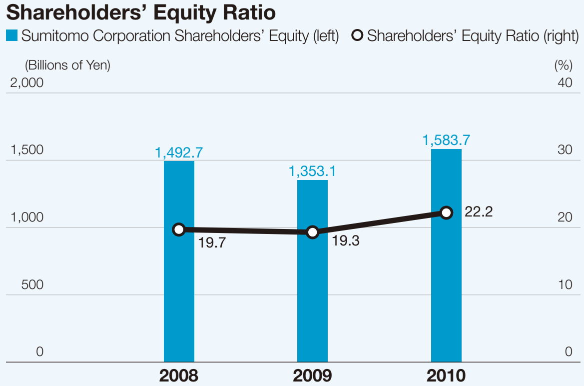
As of March 31, 2010, we had current trade receivables of ¥1,415.1 billion from third parties and ¥107.6 billion from associated companies. Our current trade receivables in Japan are generally collected within six months. We make allowances for doubtful current receivables, which at March 31, 2010 were ¥26.2 billion. As of March 31, 2010, we had current trade payables of ¥969.5 billion to third parties and ¥20.7 billion to associated companies.

We had working capital of ¥992.0 billion as of March 31, 2010 compared to ¥795.1 billion as of March 31, 2009.

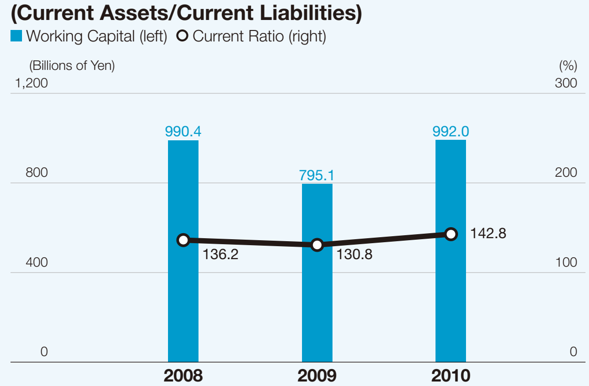
Liquidity and Capital Resources

As of March 31, 2010, 2009 and 2008	Billions of Yen 2010	2009	2008	Millions of U.S. Dollars 2010
Short-term				
Loans, principally from banks	¥ 284.7	¥ 471.1	¥ 356.0	$ 3,061
Commercial paper	168.7	321.1	269.1	1,814
	453.4	792.2	625.1	4,875
Long-term, including current maturities of long-term debt				
Secured long-term debt				
Loans	220.9	221.9	214.1	2,375
Bonds	26.2	17.0	35.1	282
Unsecured long-term debt				
Loans	2,461.2	2,251.6	2,294.7	26,465
Bonds and notes	439.0	420.0	540.8	4,720
	3,147.3	2,910.5	3,084.7	33,842
Interest-bearing liabilities (gross)	3,600.7	3,702.7	3,709.8	38,717
Cash and cash equivalents & time deposits	818.9	515.9	462.2	8,805
Interest-bearing liabilities (net)	2,781.8	3,186.8	3,247.6	29,912
Total assets	7,137.8	7,018.2	7,571.4	76,751
Shareholders' equity	1,583.7	1,353.1	1,492.7	17,029
Shareholders' equity ratio (%)	22.2	19.3	19.7	
Debt-equity ratio (gross) (times)	2.3	2.7	2.5	
Debt-equity ratio (net) (times)	1.8	2.4	2.2	

Sumitomo Corporation Shareholders' Equity & Shareholders' Equity Ratio



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



The following table sets forth our cash flow information for the fiscal years ended March 31, 2010, 2009 and 2008:

Summary Statements of Consolidated Cash Flows

For the years ended March 31, 2010, 2009 and 2008	Billions of Yen 2010	Billions of Yen 2009	Billions of Yen 2008	Millions of U.S. Dollars 2010
Net cash provided by operating activities	**¥ 510.4**	¥ 348.8	¥ 323.7	**$ 5,489**
Net cash used in investing activities	**(59.4)**	(261.5)	(298.1)	**(639)**
Free cash flow	**451.0**	87.3	25.6	**4,850**
Net cash (used in) provided by financing activities	**(150.1)**	(5.9)	7.9	**(1,614)**
Effect of exchange rate changes on cash and cash equivalents	**1.6**	(26.9)	(15.8)	**17**
Net increase in cash and cash equivalents included in assets held for sale	**—**	—	2.3	**—**
Net increase in cash and cash equivalents	**¥ 302.5**	¥ 54.5	¥ 20.0	**$ 3,253**

Net cash provided by operating activities was ¥510.4 billion for the fiscal year ended March 31, 2010, compared to ¥348.8 billion provided by operating activities for the fiscal year ended March 31, 2009. This was due to the stable business performances in our core businesses and decrease in operating assets.

Net cash used in investing activities was ¥59.4 billion for the fiscal year ended March 31, 2010, compared to ¥261.5 billion for the fiscal year ended March 31, 2009. While making strategic investments such as acquisitions of new oilfield interests in British North Sea and wind farm interests in the United States, we actively collected cash through replacement of assets.

As a result, free cash flow, calculated as net cash provided by operating activities plus net cash used in investing activities, was ¥451.0 billion cash in for the fiscal year ended March 31, 2010 and ¥87.3 billion cash in for the fiscal year ended March 31, 2009.

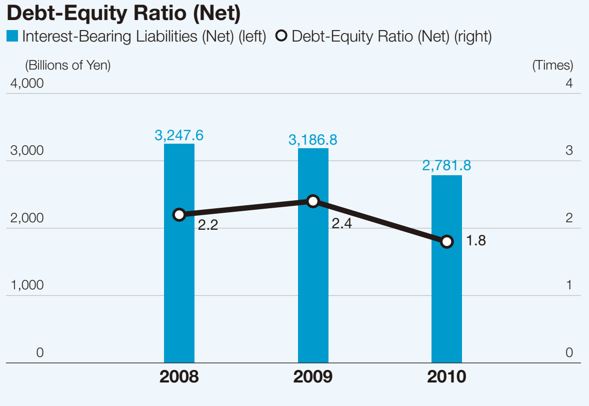
Net cash used in financing activities was ¥150.1 billion for the fiscal year ended March 31, 2010 and ¥5.9 billion for the fiscal year ended March 31, 2009. As a result of the factors discussed above, cash and cash equivalents increased by ¥302.5 billion from the fiscal year ended March 31, 2009 to ¥813.8 billion.

As of March 31, 2010, our contractual cash obligations for the periods indicated were as follows:

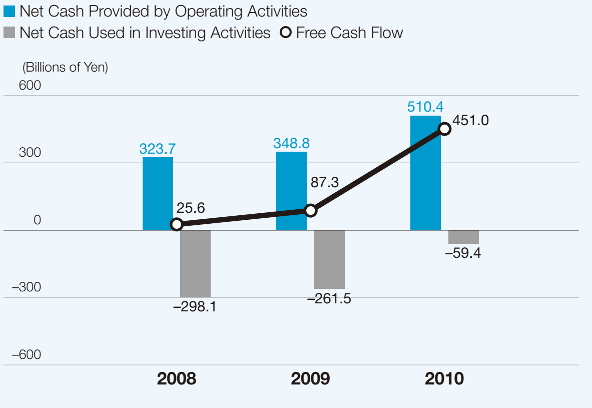
	Billions of Yen						
	Payments due by period						
	Total	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
Long-term debt	**¥3,424.0**	¥485.5	¥584.8	¥498.9	¥361.0	¥401.8	¥1,092.0
Operating leases	**384.0**	46.8	43.0	39.4	37.3	35.1	182.5
Total	**¥3,808.0**	¥532.3	¥627.8	¥538.3	¥398.3	¥436.9	¥1,274.5

Long-term debt includes capital lease obligations.

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



Cash Flows



As of March 31, 2010, we had long-term financing commitments in the aggregate amount of ¥8.8 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 ¥956.6 billion as of March 31, 2010. Scheduled deliveries are at various dates through 2025.

As of March 31, 2010, 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 "9. Contingencies" and "10. 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 ¥231.2 billion in property, equipment and other assets and made ¥97.4 billion of other investments in the fiscal year ended March 31, 2010. 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.

9. 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 risk. 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, 2010, we were contingently liable to certain banks for the aggregate amount of ¥111.4 billion for discounted trade notes receivable (principally relating to export transactions maturing through 2011) sold to those banks on a recourse basis.

As of March 31, 2010, we were contingently liable for guarantees (continuing through 2035) in the aggregate amount of ¥156.3 billion, including ¥98.4 billion relating to our associated companies and ¥2.3 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 ¥10.9 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, 2010.

10. 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.

11. NEW ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB issued Accounting Standards Updates ("ASU") 2009-13. ASU 2009-13 provides amendments to ASC 605, "Revenue Recognition" that addresses how to allocate arrangement consideration to one or more units of accounting in which venders provide multiple products or services to their customers. ASU 2009-13 requires an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence of selling price or third-party evidence of selling price. ASU 2009-13 will be effective in fiscal years beginning on or after June 15, 2010. The Companies are evaluating the effect of the adoption of ASU 2009-13.

In October 2009, the FASB issued ASU 2009-14. ASU 2009-14 amends the guidance in ASC 985, "Software" for revenue arrangements that contain both tangible products and software and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-14 will be effective in fiscal years beginning on or after June 15, 2010. The Companies are evaluating the effect of the adoption of ASU 2009-14.

In December 2009, the FASB issued ASU 2009-16 which codified formerly SFAS No. 166, "Transfers and Servicing—an amendment of FASB Statement No. 140," within ASC 860, "Transfers and Servicing." ASU 2009-16 eliminates the concept of a qualifying special-purpose entity under formerly SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." ASU 2009-16 also changes the requirements for derecognizing financial assets and requires enhanced disclosure. ASU 2009-16 will be effective as of the beginning of an entity's first fiscal year that begins after November 16, 2009. The Companies are evaluating the effect of the adoption of ASU 2009-16.

In December 2009, the FASB issued ASU 2009-17 which codified formerly SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" within ASC 810, "Consolidation." ASU 2009-17 amends the criteria to determine whether an enterprise consolidates a variable interest entity in which the total equity investment is not sufficient or the equity investment holders lack the characteristics of a controlling financial interest. ASU 2009-17 requires an enterprise to perform the consolidation analysis based on an entity's purpose, design and power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance. ASU 2009-17 will be effective as of the beginning of an entity's first fiscal year that begins after November 16, 2009. The Companies are evaluating the effect of the adoption of ASU 2009-17.

12. 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 for which we 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 certain 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, except for certain risks including the risk associated with foreign investments considered to be permanent. 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 engage in 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, 2010 and 2009 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, 2010 and 2009	2010	2009	2010
Cost	¥222.2	¥232.3	$2,389
Fair value	361.3	282.7	3,885
Net unrealized gains	¥139.1	¥ 50.4	$1,496

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 entering 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, including transactions associated with precious metals, non-ferrous metals, fuels, and agricultural products, and certain financial transactions. The following table sets forth the year-end, high, low, and average VaR figures (which are generally calculated using a three-day holding period) as of the end of each month in the fiscal year ended March 31, 2010:

VaR

	Billions of Yen			
For the year ended March 31, 2010	At year-end	High	Low	Average
	¥4.9	¥7.0	¥4.6	¥5.6

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 fell within our VaR threshold in our backtesting during the twelve months ended December 31, 2009, which was the most recent period for which backtesting was conducted. Based on our backtesting, we believe our VaR model has provided reasonably accurate measurements.

CONSOLIDATED BALANCE SHEETS

Sumitomo Corporation and Subsidiaries
As of March 31, 2010 and 2009

	Millions of Yen		Millions of U.S. Dollars
ASSETS	**2010**	2009	**2010**
Current assets:			
Cash and cash equivalents (Note 11)	**¥ 813,833**	¥ 511,350	**$ 8,751**
Time deposits (Note 11)	**5,084**	4,514	**55**
Marketable securities (Notes 5 and 11)	**5,259**	18,963	**56**
Receivables—trade (Notes 6, 11 and 22):			
Notes and loans	**210,186**	188,564	**2,260**
Accounts	**1,204,927**	1,304,030	**12,956**
Associated companies	**107,570**	115,943	**1,157**
Allowance for doubtful receivables	**(26,189)**	(16,477)	**(282)**
Inventories (Note 7)	**676,840**	840,088	**7,278**
Deferred income taxes (Note 12)	**34,191**	33,987	**368**
Advance payments to suppliers	**68,539**	94,859	**737**
Other current assets (Notes 13, 16 and 17)	**211,684**	279,026	**2,276**
Total current assets	**3,311,924**	3,374,847	**35,612**
Investments and long-term receivables (Notes 6, 11, 17 and 22)**:**			
Investments in and advances to associated companies (Note 8)	**936,683**	893,372	**10,072**
Other investments (Note 5)	**522,752**	450,280	**5,621**
Long-term receivables	**732,978**	745,583	**7,882**
Allowance for doubtful receivables	**(24,525)**	(33,051)	**(264)**
Total investments and long-term receivables	**2,167,888**	2,056,184	**23,311**
Property and equipment, at cost (Notes 9, 11 and 22)	**1,797,394**	1,725,887	**19,327**
Accumulated depreciation	**(673,015)**	(670,738)	**(7,237)**
	1,124,379	1,055,149	**12,090**
Goodwill and other intangible assets (Notes 3, 10 and 22)	**392,940**	400,555	**4,225**
Prepaid expenses, non-current (Note 13)	**70,842**	43,518	**762**
Deferred income taxes, non-current (Note 12)	**25,423**	36,161	**273**
Other assets (Notes 16 and 17)	**44,402**	51,742	**478**
Total (Note 20)	**¥7,137,798**	¥7,018,156	**$76,751**

See the accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2010	Millions of Yen 2009	Millions of U.S. Dollars 2010
Current liabilities:			
Short-term debt (Note 11)	¥ 453,361	¥ 792,169	$ 4,875
Current maturities of long-term debt (Note 11)	481,326	382,849	5,176
Payables—trade (Note 22):			
Notes and acceptances	48,476	63,719	521
Accounts	921,003	830,356	9,903
Associated companies	20,740	34,863	223
Income taxes (Note 12)	30,985	28,133	333
Accrued expenses	91,433	85,634	983
Advances from customers	113,120	122,389	1,216
Other current liabilities (Notes 12, 16 and 17)	159,460	239,591	1,715
Total current liabilities	2,319,904	2,579,703	24,945
Long-term debt, less current maturities (Notes 11, 16, 17, 22 and 23)	2,938,465	2,821,287	31,597
Accrued pension and retirement benefits (Note 13)	19,166	20,003	206
Deferred income taxes, non-current (Note 12)	165,605	138,264	1,781
Commitments and contingent liabilities (Note 24)			
Sumitomo Corporation shareholders' equity (Notes 14 and 19)**:**			
Common stock—			
authorized 2,000,000,000 shares; issued			
1,250,602,867 shares in 2010 and 2009	219,279	219,279	2,358
Additional paid-in capital	288,564	291,256	3,103
Retained earnings:			
Appropriated for legal reserve	17,696	17,696	190
Unappropriated	1,234,640	1,109,442	13,276
	1,252,336	1,127,138	13,466
Accumulated other comprehensive income (loss) (Note 15)	(175,370)	(283,416)	(1,886)
Treasury stock, at cost: 549,786 and 576,321 shares in 2010 and 2009, respectively	(1,083)	(1,142)	(12)
Total Sumitomo Corporation shareholders' equity	1,583,726	1,353,115	17,029
Noncontrolling interests	110,932	105,784	1,193
Total equity	1,694,658	1,458,899	18,222
Total	¥7,137,798	¥7,018,156	$76,751

CONSOLIDATED STATEMENTS OF INCOME

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2010, 2009 and 2008

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Revenues (Notes 16 and 20)**:**				
Sales of tangible products	**¥2,336,647**	¥ 2,833,308	¥ 3,040,712	**$25,125**
Sales of services and others	**547,525**	678,269	630,184	**5,888**
Total revenues	**2,884,172**	3,511,577	3,670,896	**31,013**
Cost (Notes 9, 16 and 21)**:**				
Cost of tangible products sold	**1,899,439**	2,342,890	2,551,640	**20,424**
Cost of services and others	**205,221**	233,455	184,714	**2,207**
Total cost	**2,104,660**	2,576,345	2,736,354	**22,631**
Gross profit (Note 20)	**779,512**	935,232	934,542	**8,382**
Other income (expenses)**:**				
Selling, general and administrative expenses (Notes 9, 10,13 and 14)	**(639,240)**	(654,375)	(669,364)	**(6,874)**
Provision for doubtful receivables (Note 6)	**(19,755)**	(17,465)	(11,077)	**(212)**
Impairment losses on long-lived assets (Notes 9 and 10)	**(4,741)**	(14,714)	(13,545)	**(51)**
Gain (loss) on sale of property and equipment, net	**9,750**	(386)	3,471	**105**
Interest income (Note 16)	**15,434**	21,593	28,273	**166**
Interest expense (Note 16)	**(39,504)**	(57,713)	(71,111)	**(425)**
Dividends	**11,297**	14,633	15,260	**121**
Other than temporary impairment losses on securities	**(19,060)**	(22,593)	(15,996)	**(205)**
Gain on sale of marketable securities and other investments, net (Note 5)	**51,941**	27,077	110,940	**559**
Equity in earnings of associated companies, net (Notes 8 and 12)	**76,132**	89,954	56,942	**819**
Other, net (Note 16)	**1,490**	(1,608)	(742)	**16**
Total other income (expenses)	**(556,256)**	(615,597)	(566,949)	**(5,981)**
Income before income taxes (Note 12)	**223,256**	319,635	367,593	**2,401**
Income taxes (Note 12)	**61,804**	96,303	119,772	**665**
Net income	**161,452**	223,332	247,821	**1,736**
Less: Net income attributable to noncontrolling interests	**(6,253)**	(8,254)	(8,893)	**(67)**
Net income attributable to Sumitomo Corporation (Note 20)	**¥ 155,199**	¥ 215,078	¥ 238,928	**$ 1,669**
Total trading transactions* (Note 20)	**¥7,767,163**	¥10,749,996	¥11,484,585	**$83,518**

	Yen			U.S. Dollars
Net income attributable to Sumitomo Corporation per share of common stock (Note 19)**:**				
Basic	**¥ 124.15**	¥ 172.06	¥ 192.51	**$ 1.33**
Diluted	**124.12**	172.03	192.47	**1.33**

* 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 a principal or as an 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 CHANGES IN EQUITY AND COMPREHENSIVE INCOME

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2010, 2009 and 2008

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Sumitomo Corporation shareholders' equity:				
Common stock:				
Balance, beginning of year	**¥ 219,279**	¥ 219,279	¥ 219,279	**$ 2,358**
Balance, end of year	**¥ 219,279**	¥ 219,279	¥ 219,279	**$ 2,358**
Additional paid-in capital:				
Balance, beginning of year	**¥ 291,256**	¥ 291,032	¥ 279,711	**$ 3,132**
Decrease due to purchases and sales of subsidiaries' interests	**(2,897)**	—	—	**(31)**
Grant of stock options	**267**	298	341	**3**
Loss on sale of treasury stock	**(62)**	(74)	(210)	**(1)**
Increase due to Share Exchange Agreement	**—**	—	11,190	**—**
Balance, end of year	**¥ 288,564**	¥ 291,256	¥ 291,032	**$ 3,103**
Retained earnings appropriated for legal reserve:				
Balance, beginning of year	**¥ 17,696**	¥ 17,696	¥ 17,696	**$ 190**
Balance, end of year	**¥ 17,696**	¥ 17,696	¥ 17,696	**$ 190**
Unappropriated retained earnings:				
Balance, beginning of year	**¥1,109,442**	¥ 943,114	¥ 755,159	**$11,930**
Net income attributable to Sumitomo Corporation	**155,199**	215,078	238,928	**1,669**
Cash dividends	**(30,001)**	(48,750)	(44,874)	**(323)**
Effect of adoption of new accounting standard (Note 12)	**—**	—	(6,099)	**—**
Balance, end of year	**¥1,234,640**	¥1,109,442	¥ 943,114	**$13,276**
Accumulated other comprehensive income (loss), net of tax (Note 15):				
Balance, beginning of year	**¥ (283,416)**	¥ 22,845	¥ 222,290	**$ (3,047)**
Other comprehensive income (loss), net of tax				
Net unrealized holding gains (losses) on securities available-for-sale (Note 5)	**55,536**	(108,675)	(134,662)	**597**
Foreign currency transaction adjustments (Note 16)	**29,145**	(160,653)	(56,441)	**313**
Net unrealized gains (losses) on derivatives (Note 16)	**2,611**	(12,179)	2,697	**28**
Pension liability adjustments (Note 13)	**20,754**	(24,754)	(11,039)	**223**
Balance, end of year	**¥ (175,370)**	¥ (283,416)	¥ 22,845	**$ (1,886)**
Treasury stock, common stock:				
Balance, beginning of year	**¥ (1,142)**	¥ (1,224)	¥ (21,007)	**$(12)**
Exercise of stock options and others	**59**	82	348	**0**
Increase due to Share Exchange Agreement	**—**	—	(72,245)	**—**
Decrease due to Share Exchange Agreement	**—**	—	91,680	**—**
Balance, end of year	**¥ (1,083)**	¥ (1,142)	¥ (1,224)	**$ (12)**
Total Sumitomo Corporation shareholders' equity	**¥1,583,726**	¥1,353,115	¥1,492,742	**$17,029**
Noncontrolling interests:				
Balance, beginning of year	**¥ 105,784**	¥ 129,947	¥ 96,252	**$ 1,138**
Cash dividends to noncontrolling interests	**(7,734)**	(5,941)	(4,294)	**(83)**
Capital transactions and others	**4,750**	(16,189)	32,558	**51**
Net income attributable to noncontrolling interests	**6,253**	8,254	8,893	**67**
Other comprehensive income (loss), net of tax (Note 15)				
Net unrealized holding gains (losses) on securities available-for-sale (Note 5)	**245**	(583)	(663)	**3**
Foreign currency transaction adjustments (Note 16)	**1,322**	(8,863)	(2,308)	**14**
Net unrealized gains (losses) on derivatives (Note 16)	**204**	(8)	11	**2**
Pension liability adjustments (Note 13)	**108**	(833)	(502)	**1**
Balance, end of year	**¥ 110,932**	¥ 105,784	¥ 129,947	**$ 1,193**
Total equity (Note 14)	**¥1,694,658**	¥1,458,899	¥1,622,689	**$18,222**
Comprehensive income (loss):				
Net income	**¥ 161,452**	¥ 223,332	¥ 247,821	**$ 1,736**
Other comprehensive income (loss), net of tax (Note 15)				
Net unrealized holding gains (losses) on securities available-for-sale (Note 5)	**55,781**	(109,258)	(135,325)	**600**
Foreign currency transaction adjustments (Note 16)	**30,467**	(169,516)	(58,749)	**328**
Net unrealized gains (losses) on derivatives (Note 16)	**2,815**	(12,187)	2,708	**30**
Pension liability adjustments (Note 13)	**20,862**	(25,587)	(11,541)	**224**
Comprehensive income (loss)	**271,377**	(93,216)	44,914	**2,918**
Less: Comprehensive income (loss) attributable to noncontrolling interests	**(8,132)**	2,033	(5,431)	**(87)**
Comprehensive income (loss) attributable to Sumitomo Corporation	**¥ 263,245**	¥ (91,183)	¥ 39,483	**$ 2,831**

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2010, 2009 and 2008

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Operating activities:				
Net income	¥ 161,452	¥ 223,332	¥ 247,821	$ 1,736
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	166,199	157,454	146,624	1,787
Provision for doubtful receivables	19,755	17,465	11,077	212
Impairment losses on long-lived assets	4,741	14,714	13,545	51
(Gain) loss on sale of property and equipment, net	(9,750)	386	(3,471)	(105)
Other than temporary impairment losses on securities	19,060	22,593	15,996	205
Gain on sale of marketable securities and other investments, net	(51,941)	(27,077)	(110,940)	(559)
Equity in earnings of associated companies, less dividends received	(42,348)	(38,670)	(17,041)	(455)
Changes in operating assets and liabilities, excluding effect of acquisitions and divestitures:				
Decrease (increase) in receivables	76,066	379,573	(3,611)	818
Decrease (increase) in inventories	157,533	(131,177)	(41,415)	1,694
Increase (decrease) in payables	70,106	(265,166)	69,990	754
Decrease (increase) in prepaid expenses	1,293	(32,087)	(21,576)	14
Other, net	(61,741)	27,439	16,663	(663)
Net cash provided by operating activities	510,425	348,779	323,662	5,489
Investing activities:				
Expenditures for property, equipment and other assets	(231,154)	(330,070)	(496,554)	(2,485)
Proceeds from sale of property, equipment and other assets	66,607	61,327	63,562	716
Acquisition of available-for-sale securities	(21,888)	(13,642)	(58,022)	(235)
Proceeds from sale of available-for-sale securities	18,660	12,647	51,391	200
Proceeds from maturities of available-for-sale securities	2,962	—	102	32
Acquisition of held-to-maturity securities	—	(250)	(310)	—
Proceeds from maturities of held-to-maturity securities	7,010	6,169	1,795	75
Acquisition of other investments	(97,361)	(148,120)	(105,169)	(1,047)
Proceeds from sale of other investments	132,124	99,558	83,446	1,421
Increase in loans and other receivables	(399,011)	(489,647)	(483,953)	(4,290)
Collection of loans and other receivables	462,647	541,430	646,327	4,974
Net decrease (increase) in time deposits	23	(919)	(656)	0
Net cash used in investing activities	(59,381)	(261,517)	(298,041)	(639)
Financing activities:				
Net (decrease) increase in short-term debt	(338,152)	234,970	38,162	(3,636)
Proceeds from issuance of long-term debt	672,475	436,503	681,881	7,231
Repayment of long-term debt	(442,594)	(578,330)	(592,987)	(4,759)
Cash dividends paid	(30,001)	(48,750)	(44,874)	(323)
Capital contribution from noncontrolling interests	754	—	1,286	8
Payment for acquisition of subsidiary's interests from noncontrolling interests	(4,905)	(47,136)	(1,802)	(53)
Payment of dividends to noncontrolling interests	(7,734)	(3,183)	(3,011)	(83)
(Acquisition) sales of treasury stock, net	54	82	(70,789)	1
Net cash (used in) provided by financing activities	(150,103)	(5,844)	7,866	(1,614)
Effect of exchange rate changes on cash and cash equivalents	1,542	(26,877)	(15,823)	17
Net increase in cash and cash equivalents included in assets held for sale	—	—	2,331	—
Net increase in cash and cash equivalents	302,483	54,541	19,995	3,253
Cash and cash equivalents, beginning of year	511,350	456,809	436,814	5,498
Cash and cash equivalents, end of year	¥ 813,833	¥ 511,350	¥ 456,809	$ 8,751

See the accompanying notes to consolidated financial statements.

1 DESCRIPTION OF BUSINESS

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

The Companies conduct business through seven industry-based business segments and two sets of regional operations (domestic and overseas) (see Note 20). The Companies' industry-based business segments are:

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

On April 1, 2009, we merged the Chemical & Electronics Business Unit and the Mineral Resources & Energy Business Unit into the new Mineral Resources, Energy, Chemical & Electronics Business Unit, thereby reducing the number of industry-based business segments from eight to seven.

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

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

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

Mineral Resources, Energy, Chemical & Electronics—The Mineral Resources, Energy, Chemical & Electronics Business Unit segment develops and trades various mineral and energy resources including coal, iron ore, manganese, uranium, non-ferrous metals, precious metals, petroleum, natural gas and liquefied natural gas (LNG). This segment is also involved and invests in businesses, relating to petroleum products, liquefied petroleum gas (LPG), solar and storage batteries, carbon products, plastics, organic and inorganic chemicals, silicon wafers, LEDs, pharmaceuticals, agricultural chemicals, household insecticide and pet supplies. This segment is further operating EMS* mainly in Asia. This segment consists of the San Cristobal Project Department, two Mineral Resources Divisions, the Energy Division, the Basic Chemicals Division, the Electronics Business Division and the Life Science Division.

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

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, the 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, small-business financing, leasing business, 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, 2010 is included solely for the convenience of readers and has been made at the rate of ¥93 = U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2010. 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.

The Companies also consolidate variable interest entities for which they are the primary beneficiary, in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, "Consolidation" (formerly FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities").

Effective April 1, 2009, the Companies adopted ASC 810, "Consolidation" (formerly Statements of Financial Accounting Standards ("SFAS") No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51"). ASC 810 defines the accounting for noncontrolling interests and requires disclosures that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. As a result of the adoption of ASC 810, noncontrolling interests, which were previously referred to as minority interests and classified between liabilities and shareholders' equity on the accompanying Consolidated Balance Sheets, are included as a separate component of total equity. In addition, certain presentation on the accompanying Consolidated Statements of Income, the Consolidated Statements of Changes in Equity and Comprehensive Income and the Consolidated Statements of Cash Flows have been changed accordingly. These financial statement presentation requirements have been adopted retrospectively and prior year amounts in the consolidated financial statements have been reclassified to conform to the current year presentation. The adoption of ASC 810 did not have a material impact on the Companies' consolidated financial statements.

The Companies also adopted ASC 105, "Generally Accepted Accounting Principles" (formerly SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles"). ASC 105 modified the U.S. GAAP hierarchy to classify only two levels of U.S. GAAP: authoritative (the FASB Accounting Standards Codification) and nonauthoritative. Prior accounting pronouncements have been reformatted into the Codification. The adoption of ASC 105 did not have a material impact on the Companies' consolidated financial statements.

(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 ASC 830, "Foreign Currency Matters" (formerly 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

ASC 320, "Investments—Debt and Equity Securities," (formerly 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 quarterly 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 quarterly 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 ASC 310, "Receivables" (formerly SFAS No. 114, "Accounting by Creditors for Impairment of a Loan"). Pursuant to ASC 310, 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 based on the estimated useful lives of the assets. Depreciation of machinery and equipment is computed under the straight-line method or the declining-balance method based on the estimated useful lives of the assets. Depreciation of mineral rights is computed under the units-of-production over the estimated proven and probable reserve tons.

ASC 410, "Asset Retirement and Environmental Obligations" (formerly 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 ASC 360, "Property, Plant, and Equipment" (formerly 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 undiscounted 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. ASC 805, "Business Combinations" (formerly SFAS No. 141 (revised 2007), "Business Combinations") requires that all business combinations are accounted for by the acquisition method. Under ASC 350, "Intangibles—Goodwill and Other" (formerly 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 ASC 360. 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.

Effective April 1, 2009, the Companies adopted ASC 805, "Business Combinations" (formerly SFAS No. 141 (revised 2007), "Business Combinations"). ASC 805 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. ASC 805 also establishes disclosure requirements relating to the nature and financial effects of the business combination. The adoption of ASC 805 did not have a material impact on the Companies' consolidated financial statements.

(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 ASC 718, "Compensation—Stock Compensation" (formerly SFAS No. 123R, "Share-Based Payment"). ASC 718 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. ASC 718 also establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. The Company adopted ASC 718 under the modified prospective method of application.

(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 ASC 740, "Income Taxes" (formerly FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN No. 48")) on April 1, 2007. ASC 740 clarifies the criteria for recognizing tax benefits and 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 14 about the effect of the adoption of ASC 740.

(l) Derivative Instruments and Hedging Activities

The Companies account for derivatives and hedging activities in accordance with ASC 815, "Derivatives and Hedging" (formerly SFAS No. 133, "Accounting for Derivative Instruments and 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, their risk-management objective, strategy for undertaking the hedge, the hedging instrument, the hedged 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 attributable to Sumitomo Corporation per Share

Net income attributable to Sumitomo Corporation per share is presented in accordance with the provisions of ASC 260, "Earnings Per Share" (formerly SFAS No. 128, "Earnings per Share"). Under ASC 260, basic net income attributable to Sumitomo Corporation 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 attributable to Sumitomo Corporation 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 ASC 605, "Revenue Recognition" (formerly 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 attributable to Sumitomo Corporation 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 [Mineral Resources, Energy, Chemical & Electronics], and service station operations in which the Companies provide petroleum for automobiles [Mineral Resources, Energy, Chemical & Electronics].

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 ASC 605, "Revenue Recognition" (formerly 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 ASC 985, "Software" (formerly SOP No. 97-2, "Software Revenue Recognition"). 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 nonrefundable 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 an agent or a 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 a principal or as an 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) 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.

(q) New Accounting Standards

In October 2009, the FASB issued Accounting Standards Updates ("ASU") 2009-13. ASU 2009-13 provides amendments to ASC 605, "Revenue Recognition" that addresses how to allocate arrangement consideration to one or more units of accounting in which venders provide multiple products or services to their customers. ASU 2009-13 requires an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence of selling price or third-party evidence of selling price. ASU 2009-13 will be effective in fiscal years beginning on or after June 15, 2010. The Companies are evaluating the effect of the adoption of ASU 2009-13.

In October 2009, the FASB issued ASU 2009-14. ASU 2009-14 amends the guidance in ASC 985 "Software" for revenue arrangements that contain both tangible products and software and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-14 will be effective in fiscal years beginning on or after June 15, 2010. The Companies are evaluating the effect of the adoption of ASU 2009-14.

In December 2009, the FASB issued ASU 2009-16 which codified the formerly SFAS No. 166, "Transfers and Servicing—an amendment of FASB Statement No. 140," within ASC 860, "Transfers and Servicing." ASU 2009-16 eliminates the concept of a qualifying special-purpose entity under the formerly SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." ASU 2009-16 also changes the requirements for derecognizing financial assets, and requires enhanced disclosure. ASU 2009-16 will be effective as of the beginning of an entity's first fiscal year that begins after November 16, 2009. The Companies are evaluating the effect of the adoption of ASU 2009-16.

In December 2009, the FASB issued ASU 2009-17 which codified the formerly SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" within ASC 810, "Consolidation." ASU 2009-17 amends the criteria to determine whether an enterprise consolidates a variable interest entity in which the total equity investment is not sufficient or the equity investment holders lack the characteristics of a controlling financial interest. ASU 2009-17 requires an enterprise to perform the consolidation analysis based on an entity's purpose, design and power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance. ASU 2009-17 will be effective as of the beginning of an entity's first fiscal year that begins after November 16, 2009. The Companies are evaluating the effect of the adoption of ASU 2009-17.

(r) Reclassifications

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

3 ACQUISITIONS

2010

On May 15, 2009, the Company acquired 100% of the shares of Oranje-Nassau (U.K.) Limited from Oranje-Nassau Energie B.V., with the consideration of €251 million ($340 million). Oranje-Nassau (U.K.) Limited owns an interest in the oil field in the British North Sea. (Company name was subsequently changed to Summit Petroleum Limited, ("SPL").)

The purpose of this acquisition is to expand the earnings base in the British North Sea area, one of the core areas for the Companies' oil and gas exploration business, through increasing our interests in upstream areas.

The following table summarizes the fair value of the consideration for SPL which was paid fully in cash and the amounts of the assets acquired and liabilities assumed which were recognized at the acquisition date.

	Millions of Yen	Millions of U.S. Dollars
Consideration	**¥ 33,322**	**$ 358**
Recognized amounts of identifiable assets acquired and liabilities assumed		
Current asset	**12,234**	**132**
Fixed asset	**33,237**	**357**
Current liabilities	**(2,178)**	**(23)**
Long-term liabilities	**(19,046)**	**(205)**
Net assets	**24,247**	**261**
Goodwill	**¥ 9,075**	**$ 97**

The goodwill was recognized in Mineral Resources, Energy, Chemical & Electronics segment and Overseas Subsidiaries and Branches segment.

The acquisition-related costs incurred in this business combination were ¥560 million ($6 million) included in selling, general and administrative expense in the Consolidated Statements of Income for the year ended March 31, 2010.

During the year ended March 31, 2010, excluding the SPL acquisition, the Companies made material business acquisitions with an aggregate purchase price of ¥13,630 million ($147 million), which was paid fully in cash, including business of drugstores, power generation, and sales of construction machinery and material, and other operations. In connection with these business combinations, ¥29,458 million ($317 million), ¥20,790 million ($224 million) and ¥42 million ($1 million) were recognized as assets acquired, liabilities assumed, and noncontrolling interests on the fair value basis, respectively. Also ¥3,148 million ($34 million) and ¥5,004 million ($55 million) were recognized in other intangible assets and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships.

The goodwill arising from business combinations during the year ended March 31, 2010 consists primarily of future economic benefits and synergies with the existing operations. The amount of goodwill may be adjusted upon completion of the final purchase price allocation for business combinations above.

2009

On January 12, 2009, the Company executed a sales and purchase agreement with Apex Silver Mines Limited whereby the Company purchased 65% of the shares of Minera San Cristobal S.A. ("MSC") which wholly owns an interest in the development and operations of San Cristobal Silver, Zinc and Lead Mining Project in the Plurinational State of Bolivia. The acquisition from Apex Silver Mines Limited for consideration of $27.5 million was completed on March 24, 2009. As a result of the acquisition, the Company owns 100% of the shares of MSC and MSC is now a wholly owned subsidiary of the Company.

The acquisition was made to allow the Company to develop and operate the project under its own control.

The accompanying consolidated financial statements for the year ended March 31, 2009 include the operating results of MSC based on the 35% ownership of MSC before the acquisition of the 65% interest as described above.

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

	Millions of Yen
Current assets	¥ 18,728
Property and equipment	72,379
Other assets	15,526
Total assets purchased	106,633
Current liabilities	(19,590)
Long-term liabilities	(63,277)
Total liabilities assumed	(82,867)
Book value of investment before acquisition	(21,079)
Net assets purchased	¥ 2,687

During the year ended March 31, 2009, excluding the MSC acquisition, the Companies made material business acquisitions of four companies with an aggregate purchase price of ¥8,315 million, including businesses with operations in the sales and rental of construction machineries and material, sales and processing of steel pipe and aluminum products (for cylinder etc.), sales and manufacturing of commercial vehicles, sales and processing of steel sheets and other operations. In connection with these business combinations, ¥1,905 million and ¥1,040 million were recognized in other intangible assets and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships.

4 CASH FLOW INFORMATION

Supplemental disclosure of cash flow information for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Cash paid during the year for:				
Interest	**¥ 39,636**	¥ 53,023	¥ 78,324	**$ 426**
Income taxes	**118,848**	106,867	147,062	**1,278**
Non-cash investing and financing activities:				
Capital lease obligations incurred	**17,692**	6,152	26,125	**190**
Acquisition of wholly-owned subsidiaries due to Share Exchange Agreement (Note 14)	**—**	—	102,870	**—**
Acquisition of subsidiaries:				
Fair value of assets acquired	**74,572**	132,269	474,318	**802**
Fair value of liabilities assumed	**(42,014)**	(98,526)	(384,807)	**(452)**
Noncontrolling interests assumed	**(42)**	(2,574)	(37,761)	**(1)**
Book value of investment before acquisition	**—**	(23,412)	(45,567)	**—**
Gain on issuances of stock by subsidiaries and associated companies	**—**	—	(13,021)	**—**
Cash paid (received), net	**32,516**	7,757	(6,838)	**349**
Deconsolidation of subsidiaries due to merger:				
Transferred assets	**—**	—	1,470,331	**—**
Transferred liabilities	**—**	—	(1,218,443)	**—**
Gain on issuances of stock by subsidiaries and associated companies	**—**	—	27,252	**—**
Acquired investment	**—**	—	279,140	**—**

5 MARKETABLE SECURITIES AND OTHER INVESTMENTS

Marketable securities and other investments as of March 31, 2010 and 2009 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Marketable securities-current:			
Trading	**¥5,008**	¥ 8,927	**$54**
Available-for-sale	**151**	3,024	**1**
Held-to-maturity	**100**	7,012	**1**
	¥5,259	¥18,963	**$56**

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Other investments:			
Available-for-sale	**¥409,682**	¥283,040	**$4,405**
Held-to-maturity	**450**	550	**5**
Non-marketable securities and other investments	**112,620**	166,690	**1,211**
	¥522,752	¥450,280	**$5,621**

(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, 2010 and 2009 is as follows (excluding non-marketable securities and other investments discussed below):

	Millions of Yen			
As of March 31, 2010:	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	¥ 5,008	¥ —	¥ —	¥ 5,008
Available-for-sale:				
Equity securities	222,213	144,513	(5,429)	361,297
Debt securities	44,064	4,472	—	48,536
Held-to-maturity	550	—	—	550
	¥271,835	¥148,985	¥(5,429)	¥415,391

	Millions of Yen			
As of March 31, 2009:	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	¥ 8,927	¥ —	¥ —	¥ 8,927
Available-for-sale:				
Equity securities	232,298	60,908	(10,539)	282,667
Debt securities	3,387	10	—	3,397
Held-to-maturity	7,562	—	—	7,562
	¥252,174	¥60,918	¥(10,539)	¥302,553

	Millions of U.S. Dollars			
As of March 31, 2010:	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	$ 54	$ —	$ —	$ 54
Available-for-sale:				
Equity securities	2,389	1,554	(58)	3,885
Debt securities	473	48	—	521
Held-to-maturity	6	—	—	6
	$2,922	$1,602	$(58)	$4,466

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. Fair value and gross unrealized losses on marketable securities that had been in a continuous unrealized loss position for twelve months or longer as of March 31, 2010 were ¥11,869 million ($128 million) and ¥4,084 million ($44 million), respectively.

The carrying values of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2010 and 2009 are summarized by contractual maturities as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2010		2009		2010	
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
Due in one year or less	¥ 151	¥100	¥2,978	¥7,012	$ 1	$ 1
Due after one year through five years	48,384	450	416	550	520	5
Due after five years through ten years	1	—	3	—	0	—
Due after ten years	—	—	—	—	—	—
Total	¥48,536	¥550	¥3,397	¥7,562	$521	$ 6

Proceeds from sales and gross gain and loss on sale of securities on available-for-sale securities for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Proceeds from sales	¥18,660	¥12,647	¥51,391	$201
Gross gain on sale of securities	¥ 7,320	¥ 6,600	¥46,086	$ 79
Gross loss on sale of securities	365	245	1,269	4
Net realized gains	¥ 6,955	¥ 6,355	¥44,817	$ 75

(b) Non-Marketable Securities and Other Investments

Other investments as of March 31, 2010 and 2009 included investments in non-traded, unassociated companies, and others, amounting to ¥112,620 million ($1,211 million) and ¥166,690 million, respectively. As of March 31, 2010 and 2009, investments in non-traded securities of unassociated companies, and others carried at cost were ¥101,213 million ($1,088 million) and ¥153,910 million, respectively. If there is a 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, 2010 and 2009, investments with aggregate cost of ¥71,553 million ($769 million) and ¥83,369 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. For the year ended March 31, 2010, the Companies deconsolidated thirty subsidiaries and recognized a gain of ¥36,315 million ($390 million). The amount was mainly included in “Gain on sale of marketable securities and other investments, net” in the accompanying Consolidated Statements of Income.

6 RECEIVABLES

Receivables by operating segment as of March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen				
As of March 31, 2010:	Notes and loans receivable	Accounts receivable	Receivables from associated companies	Long-term receivables	Total
Metal Products	¥ 48,340	¥ 192,787	¥ 18,942	¥ 2,171	¥ 262,240
Transportation & Construction Systems	92,190	213,281	50,597	375,513	731,581
Infrastructure	25,819	63,064	71	245,196	334,150
Media, Network & Lifestyle Retail	2,852	45,551	3,735	41,175	93,313
Mineral Resources, Energy, Chemical & Electronics	84,108	237,941	1,549	72,505	396,103
General Products & Real Estate	13,692	87,423	5,536	31,460	138,111
Financial & Logistics	7,984	68,210	786	35,889	112,869
Others	(64,799)	296,670	26,354	44,348	302,573
	210,186	1,204,927	107,570	848,257	2,370,940
Less: Allowance for doubtful receivables	(3,337)	(22,335)	(517)	(24,525)	(50,714)
Total	¥206,849	¥1,182,592	¥107,053	¥823,732	¥2,320,226

	Millions of Yen				
As of March 31, 2009:	Notes and loans receivable	Accounts receivable	Receivables from associated companies	Long-term receivables	Total
Metal Products	¥ 43,016	¥ 202,233	¥ 19,885	¥ 7,800	¥ 272,934
Transportation & Construction Systems	72,397	222,842	44,563	419,335	759,137
Infrastructure	12,159	89,445	426	211,673	313,703
Media, Network & Lifestyle Retail	5,759	44,347	1,803	41,109	93,018
Mineral Resources, Energy, Chemical & Electronics	78,841	255,319	5,878	69,454	409,492
General Products & Real Estate	14,538	101,148	5,599	28,768	150,053
Financial & Logistics	20,984	60,704	5,064	38,780	125,532
Others	(59,130)	327,992	32,725	54,076	355,663
	188,564	1,304,030	115,943	870,995	2,479,532
Less: Allowance for doubtful receivables	(2,117)	(14,066)	(294)	(33,051)	(49,528)
Total	¥186,447	¥1,289,964	¥115,649	¥837,944	¥2,430,004

	Millions of U.S. Dollars				
As of March 31, 2010:	Notes and loans receivable	Accounts receivable	Receivables from associated companies	Long-term receivables	Total
Metal Products	**$ 520**	**$ 2,073**	**$ 204**	**$ 23**	**$ 2,820**
Transportation & Construction Systems	**991**	**2,293**	**544**	**4,038**	**7,866**
Infrastructure	**278**	**678**	**1**	**2,636**	**3,593**
Media, Network & Lifestyle Retail	**31**	**490**	**40**	**443**	**1,004**
Mineral Resources, Energy, Chemical & Electronics	**904**	**2,558**	**17**	**780**	**4,259**
General Products & Real Estate	**147**	**940**	**60**	**338**	**1,485**
Financial & Logistics	**86**	**734**	**8**	**386**	**1,214**
Others	**(697)**	**3,190**	**283**	**477**	**3,253**
	2,260	**12,956**	**1,157**	**9,121**	**25,494**
Less: Allowance for doubtful receivables	**(36)**	**(239)**	**(6)**	**(264)**	**(545)**
Total	**$2,224**	**$12,717**	**$1,151**	**$8,857**	**$24,949**

The following analysis of activity in the allowance for credit losses for the years ended March 31, 2010, 2009 and 2008 encompasses allowance for receivables.

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Balance, beginning of year	**¥ 49,528**	¥ 36,888	¥ 42,048	**$ 532**
Provision for allowance for doubtful receivables	**19,755**	17,465	11,077	**212**
Charge-off	**(19,473)**	(1,416)	(15,336)	**(209)**
Foreign currency translation adjustments	**904**	(3,409)	(901)	**10**
Balance, end of year	**50,714**	49,528	36,888	**545**
Less: Current portion	**(26,189)**	(16,477)	(14,789)	**(281)**
Long-term portion	**¥ 24,525**	¥ 33,051	¥ 22,099	**$ 264**

As of March 31, 2010 and 2009, the total gross amount of long-term receivables considered impaired was ¥29,889 million ($321 million) and ¥43,363 million, respectively, and the related valuation allowance provided as at each year-end was ¥23,325 million ($251 million) and ¥33,048 million, respectively. The amount of long-term receivables considered impaired, for which no allowance for doubtful receivable was provided, was nil and ¥1,044 million as of March 31, 2010 and 2009, respectively.

The average investment in impaired receivables for the years ended March 31, 2010 and 2009 was ¥38,443 million ($413 million) and ¥35,149 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, 2010, 2009 and 2008 was not material.

7 INVENTORIES

Major segments that hold inventories are Overseas Subsidiaries and Branches, General Products & Real Estate, Metal Products and Mineral Resources, Energy, Chemical & Electronics, described in Note 20. Real estate held for development and resale aggregated ¥75,893 million ($816 million) and ¥82,202 million as of March 31, 2010 and 2009, 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Investments in common stock	**¥821,403**	¥767,960	**$ 8,832**
Advances	**115,280**	125,412	**1,240**
Total	**¥936,683**	¥893,372	**$10,072**

Investments in common stock in the above include goodwill amounting to ¥155,480 million ($1,672 million) and ¥156,318 million as of March 31, 2010 and 2009, respectively. The ending balance as of March 31, 2010 includes goodwill determined using an initial purchase price allocation. Associated companies numbered 221 and 229 as of March 31, 2010 and 2009, respectively. Investments in common stock of certain associated companies as of March 31, 2010 and 2009 included marketable securities of public associated companies with carrying amounts of ¥150,807 million ($1,622 million) and ¥54,729 million, respectively, with corresponding aggregate quoted market values of ¥239,417 million ($2,574 million) and ¥50,893 million, respectively.

Summarized combined financial information of associated companies accounted for by the equity method as of March 31, 2010 and 2009 and for the years ended March 31, 2010, 2009 and 2008 are presented below:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Current assets	**¥3,073,628**	¥2,994,962	**$33,050**
Property and equipment, net	**2,155,864**	1,827,265	**23,181**
Other assets	**1,881,346**	2,231,026	**20,230**
Total assets	**¥7,110,838**	¥7,053,253	**$76,461**
Current liabilities	**¥2,429,450**	¥2,633,525	**$26,123**
Non-current liabilities	**2,318,963**	2,337,852	**24,935**
Equity	**2,362,425**	2,081,876	**25,403**
Total liabilities and equity	**¥7,110,838**	¥7,053,253	**$76,461**

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Gross profit	**¥824,977**	¥749,590	¥665,940	**$8,871**
Net income	**¥271,004**	¥255,060	¥206,594	**$2,914**

Associated companies include certain variable interest entities as defined in ASC 810 where the Companies are not deemed to be the primary beneficiary. These variable interest entities mainly engage in mineral resources development projects. These variable interest entities have total assets of ¥337,624 million ($3,630 million) and ¥210,630 million as of March 31, 2010 and 2009, respectively. The total amounts of investments in, advances to and guarantees of indebtedness for these variable interest entities were ¥138,635 million ($1,491 million) and ¥91,260 million as of March 31, 2010 and 2009, respectively.

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 (40% owned), Jupiter Telecommunications Co., Ltd. (approximately 27.5% owned), and P.T. Newmont Nusa Tenggara (economic interest 18.2% 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 March 31, 2010 and 2009 and for the years ended March 31, 2010, 2009 and 2008:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Lease receivables and others	**¥2,822,671**	¥3,008,179	**$30,351**
Property and equipment, net	**233,930**	183,851	**2,516**
Total assets	**¥3,056,601**	¥3,192,030	**$32,867**
Current liabilities	**¥1,446,702**	¥1,533,999	**$15,556**
Non-current liabilities	**1,057,000**	1,126,375	**11,366**
Equity	**552,899**	531,656	**5,945**
Total liabilities and equity	**¥3,056,601**	¥3,192,030	**$32,867**

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Revenues	**¥625,705**	¥646,176	¥798,577	**$6,728**
Net income	**¥ 17,847**	¥ 12,692	¥ 13,344	**$ 192**

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 per share, or ¥367,552 million in total, in this merger. As a result of this merger, the Companies recognized a gain of ¥27,252 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 sale of marketable securities and other investments, net" and recognized deferred income taxes of ¥11,174 million on the gain for the year ended March 31, 2008.

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

J:COM's summarized financial information as of March 31, 2010 and 2009 and for the years ended March 31, 2010, 2009 and 2008:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Current assets	**¥108,298**	¥ 62,224	**$1,165**
Property and equipment, net	**374,155**	380,879	**4,023**
Other assets	**323,998**	316,057	**3,484**
Total assets	**¥806,451**	¥759,160	**$8,672**
Current liabilities	**¥ 96,265**	¥ 87,129	**$1,035**
Non-current liabilities	**310,430**	307,857	**3,338**
Equity	**399,756**	364,174	**4,299**
Total liabilities and equity	**¥806,451**	¥759,160	**$8,672**

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Revenues	¥341,062	¥303,624	¥272,328	$3,667
Net income	¥ 31,904	¥ 28,252	¥ 25,165	$ 343

J:COM is a Multiple System Operator (MSO) in Japan that provides multi-channel broadcasting, internet, and telephony services. As of March 31, 2009, the Company held an approximately 27.7% voting rights in J:COM. An approximately 24.0% interest* in J:COM was indirectly owned through LGI/Sumisho Super Media, LLC ("Super Media"), a holding company that owns shares in J:COM. Super Media was 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 was directly owned by the Company. In February, 2010, the Company and LGI agreed to dissolve the joint venture relationship through Super Media and thus, the Company received the distribution of its proportionate shares in J:COM. As a result, the Company directly owned an approximately 27.5%*** voting rights in J:COM as of March 31, 2010. Furthermore, in April, 2010, the Company launched a tender offer for the shares of J:COM so as to continue to demonstrate management support initiatives for it as a major shareholder and the Company became the largest shareholder, holding an approximately 40.1% voting rights in J:COM.

* The Company and LGI had an agreement whereby the Company contributed substantially all its remaining ownership interest in J:COM to Super Media in September, 2005.

** 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.

*** The Company's ownership diluted from 27.7% to 27.5% due to an increase in outstanding shares from the exercise of warrants of J:COM.

P.T. Newmont Nusa Tenggara

P.T. Newmont Nusa Tenggara ("PTNNT")'s summarized financial information as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Current assets	¥ 93,876	¥ 35,863	$1,009
Property and equipment, net	117,443	123,714	1,263
Other assets	78,320	57,868	842
Total assets	¥289,639	¥217,445	$3,114
Current liabilities	¥ 32,606	¥ 32,469	$ 350
Non-current liabilities	54,585	56,627	587
Equity	202,448	128,349	2,177
Total liabilities and equity	¥289,639	¥217,445	$3,114

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Revenues	¥120,633	¥37,926	¥99,483	$1,297
Net income	¥ 73,537	¥20,085	¥61,449	$ 791

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

As of March 31, 2009, PTNNT was 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.

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 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.

Following a series of the arguments between the Indonesian government and PTNNT over whether or not the Indonesian government is entitled to terminate the COW in July through November 2008 and a hearing held in Jakarta in December 8 to 13, 2008, the arbitration panel issued its Final Award on the matter on March 31, 2009. In its Final Award decision, (1) the arbitration panel determined that PTNNT's foreign shareholders had not complied with the divestiture procedure required by the COW in 2006 and 2007 (2006 3% interest and 2007 7% interest), but the panel ruled that the Indonesian government is not entitled to immediately terminate the COW and the panel rejected the Indonesian government's claim for damages. (2) The Arbitration Panel granted PTNNT 180 days from the date of notification of the Final Award to transfer 17% interest in total including 2008 7% interest as described above in PTNNT to the Indonesian government and local governments or their respective nominees.

After repeated negotiations with the Indonesian government to transfer the shares pursuant to the award, the Company reached agreement in July, 2009 with the Indonesian government on the price of the 2008 7% as described above and the 2009 7% interest which was not in the scope of the award, but must be offered for sale within 2009 under the COW.

In November and December 2009, the 2006 3%, 2007 7% and 2008 7% shares were transferred to PT Multi Daerah Bersaing ("PTMDB"), the nominee of the local governments and the Indonesian government has acknowledged that PTNNT is no longer in breach of the COW. The 2009 7% shares were also transferred to PTMDB in March 2010. As a result of the 24% interest transfer for 2006 through 2009, the Company's economic interest in PTNNT decreased to 18.2%.

The Company continues to work with the Indonesian government to transfer the 2010 7% interest which must be offered for sale within 2010 under 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
	2010	2009	2008	**2010**
Management and secondment fees, received	**¥3,227**	¥2,857	¥2,811	**$35**
Interest income	**945**	2,345	2,398	**10**
Interest expense	**667**	879	763	**7**

9 PROPERTY AND EQUIPMENT

Property and equipment, including property and equipment under capital leases (see Note 22) as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Land and land improvements	**¥ 260,907**	¥ 224,508	**$ 2,805**
Buildings, including leasehold improvements	**429,437**	412,822	**4,618**
Machinery and equipment	**1,031,713**	1,017,666	**11,094**
Projects in progress	**21,085**	23,875	**227**
Mining rights	**54,252**	47,016	**583**
Total	**1,797,394**	1,725,887	**19,327**
Less: Accumulated depreciation	**(673,015)**	(670,738)	**(7,237)**
Property and equipment, net	**¥1,124,379**	¥1,055,149	**$12,090**

Depreciation expense for the years ended March 31, 2010, 2009 and 2008 was ¥139,918 million ($1,504 million), ¥132,520 million and ¥123,681 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, machinery etc. related to the chemical business were deemed to be impaired during the year ended March 31, 2010. These impairment losses were recognized in Mineral Resources, Energy, Chemical &

Electronics. Certain assets, primarily mining rights of oil development in North Sea were deemed to be impaired during the year ended March 31, 2009, and certain assets, primarily mining rights of gas development in North America were deemed to be impaired during the years ended March 31, 2008. Those impairment losses were recognized in Mineral Resources, Energy, Chemical & Electronics and Overseas Subsidiaries and Branches. The losses recognized from the impairment for the years ended March 31, 2010, 2009 and 2008 were applicable to the following segments:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Metal Products	**¥ 163**	¥ —	¥ 18	**$ 2**
Transportation & Construction Systems	**193**	4	15	**2**
Infrastructure	**—**	—	518	**—**
Media, Network & Lifestyle Retail	**488**	415	1,264	**6**
Mineral Resources, Energy, Chemical & Electronics	**1,212**	6,434	7,185	**13**
General Products & Real Estate	**44**	1,105	40	**0**
Financial & Logistics	**39**	—	—	**0**
Domestic Regional Business Units and Offices	**9**	—	—	**0**
Overseas Subsidiaries and Branches	**38**	731	2,762	**0**
Corporate and Eliminations	**226**	381	—	**3**
Total	**¥2,412**	¥9,070	¥11,802	**$26**

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, 2010 and 2009 are as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2010			**2010**		
	Gross amount	Accumulated amortization	Net carrying value	Gross amount	Accumulated amortization	Net carrying value
Software	**¥112,041**	**¥ 82,406**	**¥ 29,635**	**$1,205**	**$ 886**	**$ 319**
Sales licenses, trademarks and customer relationships	**188,121**	**43,355**	**144,766**	**2,023**	**466**	**1,557**
Other	**12,868**	**5,400**	**7,468**	**138**	**58**	**80**
Total	**¥313,030**	**¥131,161**	**¥181,869**	**$3,366**	**$1,410**	**$1,956**

	Millions of Yen		
	2009		
	Gross amount	Accumulated amortization	Net carrying value
Software	¥103,196	¥ 75,263	¥ 27,933
Sales licenses, trademarks and customer relationships	189,619	33,765	155,854
Other	13,974	4,913	9,061
Total	¥306,789	¥113,941	¥192,848

Intangible assets subject to amortization acquired during the years ended March 31, 2010 and 2009 were ¥17,159 million ($185 million) and ¥51,631 million, respectively, which were related primarily to acquisitions described in Note 3. The weighted-average amortization periods are four years for software, fifteen years for sales licenses, trademarks and customer relationships, and sixteen years for other. Aggregate amortization expense for the years ended March 31, 2010, 2009 and 2008 was ¥26,281 million ($283 million), ¥24,934 million and ¥22,943 million, respectively. Estimated amortization expense for the next five years ending March 31 is: ¥22,505 million ($242 million) in 2011, ¥20,343 million ($219 million) in 2012, ¥17,559 million ($189 million) in 2013, ¥15,079 million ($162 million) in 2014, and ¥12,442 million ($134 million) in 2015, respectively.

The components of intangible assets not subject to amortization as of March 31, 2010 and 2009 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Leaseholds on land	¥11,658	¥18,549	$125
Sales licenses and trademarks	10,748	10,632	116
Other	824	725	9
Total	¥23,230	¥29,906	$250

In accordance with ASC 350 and 360 (formerly SFAS No. 142 and No. 144), these intangible assets were tested for impairment. For the years ended March 31, 2010, 2009 and 2008, the Companies recognized impairment losses of ¥513 million ($6 million), ¥1,703 million and ¥466 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, 2009 consist primarily of ¥1,555 million for the write-down of intangible assets related to an acquired sales license and other of the U.S. subsidiary. Fair value was determined based on the discounted cash flows in a revised business plan. These impaired assets were included in the Mineral Resources, Energy, 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, 2010 and 2009:

	Millions of Yen				
As of March 31, 2010:	Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Metal Products	¥ 5,192	¥ —	¥ —	¥ 129	¥ 5,321
Transportation & Construction Systems	28,941	—	(754)	188	28,375
Media, Network & Lifestyle Retail	82,832	4,744	(1,054)	77	86,599
Mineral Resources, Energy, Chemical & Electronics	5,069	8,167	—	(1,530)	11,706
General Products & Real Estate	17,139	423	—	(670)	16,892
Financial & Logistics	108	—	—	—	108
Overseas Subsidiaries and Branches	38,520	1,545	(8)	(1,217)	38,840
Total	¥177,801	¥14,879	¥(1,816)	¥(3,023)	¥187,841

	Millions of Yen				
As of March 31, 2009:	Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Metal Products	¥ 5,228	¥ 860	¥ —	¥ (896)	¥ 5,192
Transportation & Construction Systems	28,710	2,161	—	(1,930)	28,941
Media, Network & Lifestyle Retail	72,676	9,314	(372)	1,214	82,832
Mineral Resources, Energy, Chemical & Electronics	6,713	—	(1,449)	(195)	5,069
General Products & Real Estate	18,453	146	—	(1,460)	17,139
Financial & Logistics	108	—	—	—	108
Overseas Subsidiaries and Branches	42,289	2,035	(2,120)	(3,684)	38,520
Total	¥174,177	¥14,516	¥(3,941)	¥(6,951)	¥177,801

As of March 31, 2010:	Millions of U.S. Dollars Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Metal Products	$ 56	$ —	$ —	$ 1	$ 57
Transportation & Construction Systems	311	—	(8)	2	305
Media, Network & Lifestyle Retail	891	51	(12)	1	931
Mineral Resources, Energy, Chemical & Electronics	55	87	—	(16)	126
General Products & Real Estate	184	5	—	(7)	182
Financial & Logistics	1	—	—	—	1
Overseas Subsidiaries and Branches	414	17	(0)	(13)	418
Total	$1,912	$160	$(20)	$(32)	$2,020

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

In accordance with ASC 350 (formerly SFAS No. 142), goodwill was tested for impairment. For the years ended March 31, 2010, 2009 and 2008, the Companies recognized impairment losses of ¥1,816 million ($20 million), ¥3,941 million and ¥1,277 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, 2009 consist primarily of ¥3,569 million for goodwill of the U.S. subsidiary. Fair value was determined based on the discounted cash flows in a revised business plan. This goodwill was included in the Mineral Resources, Energy, Chemical & Electronics Business Unit segment and Overseas Subsidiaries and Branches segment.

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, 2010 and 2009 consisted of the following:

	Millions of Yen				Millions of U.S. Dollars
	2010		2009		2010
		Weighted average interest rate		Weighted average interest rate	
Loans, principally from banks	¥284,671	2.38%	¥471,057	2.34%	$3,061
Commercial paper	168,690	0.30	321,112	0.84	1,814
Total	¥453,361		¥792,169		$4,875

The interest rates represent weighted average rates in effect as of March 31, 2010 and 2009 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 $1,100 million with foreign banks and ¥445,000 million ($4,785 million) with domestic banks. All of these lines of credit were unused as of March 31, 2010.

Long-term debt as of March 31, 2010 and 2009 and interest rates as of March 31, 2010 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Secured long-term debt:			
Banks and insurance companies, maturing serially through 2024, average rate 4.80%	**¥ 220,902**	¥ 221,939	**$ 2,375**
Bonds payable in Indonesian rupiah, maturing serially through 2012, average rate 11.51%	**26,235**	17,015	**282**
Unsecured long-term debt:			
Banks and insurance companies, maturing serially through 2025, average rate 1.30%	**2,461,201**	2,251,570	**26,465**
Bonds payable in Japanese yen due,			
2010, fixed rates 2.07%	**10,017**	30,035	**108**
2011, fixed rates 0.82% to 1.28%	**32,155**	32,125	**346**
2012, fixed and floating rates 1.07% to 1.78%	**30,125**	30,003	**324**
2013, fixed and floating rates 1.08% to 1.74%	**45,466**	45,272	**489**
2014, fixed and floating rates 1.51% to 2.17%	**40,931**	40,806	**440**
2015, floating rate 1.09%	**15,000**	15,000	**161**
2016, fixed rates 1.70% to 2.12%	**52,803**	52,556	**568**
2017, fixed and floating rates 1.98%	**20,653**	20,635	**222**
2018, fixed and floating rates 1.89% to 2.12%	**25,602**	25,606	**275**
2019, fixed rate 1.61% to 2.21%	**20,740**	10,897	**223**
2020, fixed rate 1.46%	**9,925**	—	**107**
2022, fixed rate 1.71%	**19,810**	—	**213**
Medium-term notes, maturing serially through 2020, average rate 0.87%	**104,443**	116,319	**1,123**
Various notes and bonds, maturing serially through 2012, average rate 5.89%	**11,339**	750	**122**
Capital lease obligations	**21,790**	35,310	**234**
Other	**254,875**	268,463	**2,741**
Total	**3,424,012**	3,214,301	**36,818**
Less: Current maturities	**(485,547)**	(393,014)	**(5,221)**
Long-term debt, less current maturities	**¥2,938,465**	¥2,821,287	**$31,597**

Annual maturities of long-term debt as of March 31, 2010 are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2011	¥ 485,547	$ 5,221
2012	584,751	6,288
2013	498,920	5,365
2014	361,048	3,882
2015	401,794	4,320
2016 and thereafter	1,091,952	11,742
Total	¥3,424,012	$36,818

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, 2010, 2009 and 2008 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, 2010, 2009 and 2008.

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, 2010:

	Millions of Yen	Millions of U.S. Dollars
Cash and deposits	¥ 27,670	$ 297
Marketable securities and investments	30,025	323
Trade receivables and long-term receivables	364,004	3,914
Property and equipment, net	112,794	1,213
Total	¥534,493	$5,747

Such collateral secured the following obligations:

	Millions of Yen	Millions of U.S. Dollars
Short-term debt	¥ 9,747	$ 105
Long-term debt, including current maturities of long-term debt	286,703	3,083
Total	¥296,450	$3,188

In addition to the above, marketable securities and investments of ¥14,242 million ($153 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 for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Domestic	¥ 67,621	¥118,980	¥229,492	$ 727
Foreign	155,635	200,655	138,101	1,674
Total	¥223,256	¥319,635	¥367,593	$2,401

Income tax provision for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Current:				
Domestic	¥ 61,977	¥36,359	¥ 47,581	$ 667
Foreign	28,097	50,768	37,444	302
Deferred:				
Domestic	(39,048)	(3,131)	33,999	(420)
Foreign	10,778	12,307	748	116
Total	¥ 61,804	¥96,303	¥119,772	$ 665

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, 2010, 2009 and 2008 is summarized as follows:

	2010	2009	2008
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**	1.2	0.9
Tax effect on undistributed earnings of associated companies and corporate joint ventures	**(4.5)**	(5.0)	(2.3)
Changes in valuation allowance	**0.4**	3.2	0.2
Difference in statutory tax rate of foreign subsidiaries	**(7.9)**	(6.9)	(5.1)
Other—net	**(2.2)**	(3.4)	(2.1)
The Companies' effective income tax rate	**27.7%**	30.1%	32.6%

Total income taxes recognized for the years ended March 31, 2010, 2009 and 2008 are allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Income before income taxes	**¥ 61,804**	¥ 96,303	¥119,772	**$ 665**
Other comprehensive income (loss):				
Net unrealized holding gains (losses) on securities available-for-sale	**37,396**	(72,248)	(94,033)	**402**
Foreign currency translation adjustments	**1,320**	(15,605)	(572)	**14**
Net unrealized gains (losses) on derivatives	**(738)**	(2,918)	1,373	**(8)**
Pension liability adjustments	**14,929**	(17,362)	(7,986)	**160**
Total income taxes	**¥114,711**	¥(11,830)	¥ 18,554	**$1,233**

The tax effects of temporary differences that give rise to significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Assets:			
Net operating loss carry forwards	**¥ 58,529**	¥ 30,219	**$ 629**
Investment securities	**58,744**	46,203	**632**
Inventories and long-lived assets	**39,369**	35,698	**423**
Allowance for doubtful receivables	**6,547**	1,741	**71**
Accrued pension and retirement benefits	**39,365**	51,270	**423**
Accrual and other	**11,007**	18,342	**118**
Gross deferred tax assets	**213,561**	183,473	**2,296**
Less: Valuation allowance	**(18,462)**	(21,026)	**(198)**
Deferred tax assets, less valuation allowance	**195,099**	162,447	**2,098**
Liabilities:			
Investment in marketable securities	**(57,414)**	(19,932)	**(617)**
Deferred gain on sales of property for tax purposes	**(24,272)**	(22,418)	**(261)**
Securities contributed to the Trust	**(29,833)**	(22,941)	**(321)**
Undistributed earnings of subsidiaries and associated companies	**(92,130)**	(76,222)	**(991)**
Long-lived assets	**(89,400)**	(75,550)	**(961)**
Other	**(9,665)**	(15,454)	**(104)**
Gross deferred tax liabilities	**(302,714)**	(232,517)	**(3,255)**
Net deferred tax liabilities	**¥(107,615)**	¥ (70,070)	**$(1,157)**

Deferred income taxes as of March 31, 2010 and 2009 are reflected in the accompanying Consolidated Balance Sheets as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Assets:			
Deferred income taxes	**¥ 34,191**	¥ 33,987	**$ 368**
Deferred income taxes, non-current	**25,423**	36,161	**273**
Liabilities:			
Other current liabilities	**(1,624)**	(1,954)	**(17)**
Deferred income taxes, non-current	**(165,605)**	(138,264)	**(1,781)**
Net deferred tax liabilities	**¥(107,615)**	¥ (70,070)	**$(1,157)**

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. 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, 2010, 2009 and 2008 was a decrease of ¥2,564 million ($28 million), an increase of ¥7,996 million, and a decrease of ¥21 million, respectively.

The valuation allowance relates primarily to the valuation allowance for deferred tax assets associated with net operating loss carryforwards of certain domestic 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, 2010 and 2009, 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, 2010 and 2009, 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 ¥640,470 million ($6,887 million) and ¥563,876 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, 2010, the Companies have aggregate net operating loss carryforwards of ¥150,055 million ($1,613 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
2011	¥ 2,460	$ 26
2012	4,200	45
2013	3,050	33
2014	2,482	27
2015	3,153	34
2016 and thereafter	134,710	1,448
Total	¥150,055	$1,613

The Companies adopted ASC 740, "Income Taxes" (formerly FIN No. 48) from April 1, 2007.

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

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Balance, beginning of the year	**¥ 477**	¥ 7,357	¥6,630	**$ 5**
Increase related to current year tax positions	**—**	14	870	**—**
Increase related to prior year tax positions	**584**	—	49	**6**
Decrease related to prior year tax positions	**(360)**	(6,228)	—	**(4)**
Settlements	**(9)**	(666)	(192)	**(0)**
Balance, end of the year	**¥ 692**	¥ 477	¥7,357	**$ 7**

The total amount of unrecognized tax benefits as of March 31, 2010, 2009 and 2008 that, if recognized, would affect the effective tax rate, are ¥692 million ($7 million), ¥477 million and ¥7,357 million, respectively. 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 years ended March 31, 2010, 2009 and 2008. The Companies file income tax returns in Japan and various foreign tax jurisdictions. In Japan, the United States and other major foreign tax jurisdictions, 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. The Company changed the pension plan from Tax Qualified Pension Plan (TQPP) to Defined Benefit Corporate Pension Plan (Contract Type) on April 1, 2010.

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.

Net periodic pension costs for the years ended March 31, 2010, 2009 and 2008 include the following components:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Service cost—benefits earned during the year	**¥ 7,517**	¥ 6,923	¥ 6,936	**$ 81**
Interest cost on projected benefit obligation	**4,846**	5,318	4,905	**52**
Expected return on plan assets	**(4,093)**	(4,829)	(5,105)	**(44)**
Amortization of unrecognized actuarial loss	**6,549**	4,293	3,060	**71**
Amortization of unrecognized prior service (benefit) cost	**(263)**	224	252	**(3)**
(Gain) loss on settlements and curtailments	**(723)**	—	4	**(8)**
Net periodic pension cost	**¥13,833**	¥11,929	¥10,052	**$149**

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
	2010	2009	2010
Change in benefit obligations:			
Projected benefit obligations, beginning of year	¥194,323	¥186,922	$2,089
Service cost	7,517	6,923	81
Interest cost	4,846	5,318	52
Actuarial (gain) loss	(3,894)	9,655	(42)
Plan amendments	1,164	(28)	12
Benefits paid	(9,686)	(9,443)	(104)
Settlements	(1,220)	(122)	(13)
Acquisitions and divestitures	156	(2,425)	2
Foreign currency translation adjustments	329	(2,477)	4
Projected benefit obligations, end of year	193,535	194,323	2,081
Change in plan assets:			
Fair value of plan assets, beginning of year	192,280	197,086	2,068
Actual return on plan assets	30,302	(32,648)	326
Employer contribution	3,910	41,298	42
Benefits paid from plan assets	(8,569)	(8,012)	(92)
Settlements	(120)	(11)	(1)
Acquisitions and divestitures	(52)	(2,443)	(1)
Foreign currency translation adjustments	218	(2,990)	2
Fair value of plan assets, end of year	217,969	192,280	2,344
Funded status	¥ 24,434	¥ (2,043)	$ 263
Amounts recognized in the accompanying Consolidated Balance Sheets consist of:			
Other current assets and Prepaid expenses, non-current (Prepaid cost for retirement benefits)	43,600	17,960	469
Accrued pension and retirement benefits	(19,166)	(20,003)	(206)
Net amount recognized	¥ 24,434	¥ (2,043)	$ 263

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

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Actuarial loss	¥75,845	¥113,136	$816
Prior service cost	2,159	659	23
Total	¥78,004	¥113,795	$839

The measurement dates used to determine the benefit obligations are mainly March 31 of each year.

Assumptions used for the years ended March 31, 2010, 2009 and 2008 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

	2010	2009	2008
Discount rate	2.4%	3.0%	2.6%
Expected long-term rate of return on plan assets	2.1%	2.5%	2.3%
Rate of expectable salary increase	2.9%	3.1%	3.2%

Weighted average assumptions used to determine the benefit obligations

	2010	2009
Discount rate	2.4%	2.4%
Rate of expectable salary increase	3.0%	2.9%

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
	2010	2009	2010
Accumulated benefit obligations, end of year	**¥187,391**	¥187,212	**$2,015**

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. In addition, 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 Companies' investment policies are designed to increase the value of plan assets within adequate risk level to ensure payments of pension benefits to eligible participants, including future participants. Taking into account the expected long-term rate of return on plan assets and risks thereon, the Companies formulate the strategic asset mix which aims at the optimal portfolio on a long-term basis and supervise asset management by selecting investment managers, reviewing financial position periodically, setting long-term strategic targets and monitoring asset allocations. The strategic asset mix is subject to review in response to changes in pre-determined market condition or funded status. The strategic asset mix is not based on limitations but guidelines, and therefore, the actual allocation may temporarily exceed or fall below the guidelines.

The Companies' target allocation is 51% equity securities, 35% debt securities and 14% other at the end of the fiscal year.

The following table sets forth by level, within the fair value hierarchy as described in Note 18, the pension plan's assets required to be carried at fair value as of March 31, 2010.

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 1,821	¥ —	¥ —	¥ 1,821
Equity securities:				
Japanese companies	74,556	—	—	74,556
Foreign companies	38,910	—	—	38,910
Debt securities:				
Japanese companies	7,906	54,156	—	62,062
Foreign companies	—	11,879	—	11,879
Hedge funds	—	17,469	—	17,469
Life insurance company general accounts	—	6,927	—	6,927
Private equity	—	—	2,721	2,721
Other	—	1,624	—	1,624
Total	¥123,193	¥92,055	¥2,721	¥217,969

	Millions of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 20	$ —	$—	$ 20
Equity securities:				
Japanese companies	802	—	—	802
Foreign companies	418	—	—	418
Debt securities:				
Japanese companies	85	582	—	667
Foreign companies	—	128	—	128
Hedge funds	—	188	—	188
Life insurance company general accounts	—	75	—	75
Private equity	—	—	29	29
Other	—	17	—	17
Total	$1,325	$990	$29	$2,344

Level 1 assets are comprised principally of equity securities and government bonds, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 assets are comprised principally corporate bonds. Corporate bonds are valued using quoted prices for identical assets in markets that are not active. Level 3 assets consist of private equities. Private equities are valued at their net asset values that are calculated by the sponsor of the funds.

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended March 31, 2010.

	Millions of Yen	Millions of U.S. Dollars
Balance, beginning of the year	¥2,089	$22
Actual returns	(22)	(0)
Purchases, sales and settlement	654	7
Balance, end of the year	2,721	29

The employer's contributions expected to be paid for the year ending March 31, 2011 are ¥14,437 million ($155 million).
Benefits expected to be paid in the future are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2011	¥ 7,929	$ 85
2012	8,576	92
2013	9,345	101
2014	9,975	107
2015	10,429	112
2016–2020	52,833	568
Total	¥99,087	$1,065

The actuarial loss and prior service costs that will be amortized into net periodic pension costs for the year ending March 31, 2011 are ¥3,603 million ($39 million) and ¥405 million ($4 million), respectively.

Certain subsidiaries have defined contribution plans. The cost of defined contribution plans for the years ended March 31, 2010, 2009 and 2008 were ¥2,143 million ($23 million), ¥1,910 million and ¥2,224 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, 2010, 2009 and 2008 were ¥1,894 million ($20 million), ¥2,197 million and ¥1,799 million, respectively.

14 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 in "Additional paid-in capital" in the accompanying Consolidated Balance Sheets as a result of the Share Exchange Agreement between the Company and Jupiter TV Co., Ltd. The Company acquired SC Media & Commerce Inc. as a wholly-owned subsidiary through this Share Exchange Agreement.

(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.

(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 ¥320,515 million ($3,446 million) and ¥270,972 million, shown by the Company's accounting records as of March 31, 2010 and 2009, 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 Changes in Equity and Comprehensive Income when approved.

On June 22, 2010, the shareholders authorized a cash dividend to shareholders of record as of March 31, 2010 of ¥15 ($0.2) per share for a total of ¥18,751 million ($202 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 15, 2009, the Board of Directors, and on June 19, 2009, the shareholders authorized the issue of new stock options for up to 195,000 shares of common stock. The options for 195,000 shares were granted under these authorizations. On May 18, 2010, the Board of Directors, and on June 22, 2010, the shareholders authorized the issue of new stock options for up to 212,000 shares of common stock.

The following table summarizes information about stock option activity for the years ended March 31, 2010, 2009 and 2008:

	2010			2009		2008	
	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	**517,000**	**¥1,822**	**$20**	386,000	¥1,941	383,000	¥1,255
Granted	**195,000**	**1,062**	**11**	195,000	1,537	196,000	2,415
Exercised	**5,000**	**888**	**10**	22,000	1,068	174,000	981
Cancelled or expired	**113,000**	**1,839**	**20**	42,000	1,980	19,000	1,803
Outstanding, end of year	**594,000**	**1,577**	**17**	517,000	1,822	386,000	1,941
Options exercisable, end of year	**402,000**	**¥1,824**	**$20**	324,000	¥1,992	196,000	¥1,481

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2010:

	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	**17,000**	**¥ 948**	**$10**	**0.25**	**17,000**	**¥ 948**	**$10**
1,001~1,200	**192,000**	**1,062**	**11**	**4.25**	**—**	**—**	**—**
1,401~1,600	**155,000**	**1,537**	**17**	**3.25**	**155,000**	**1,537**	**17**
1,601~1,800	**97,000**	**1,624**	**17**	**1.25**	**97,000**	**1,624**	**17**
2,401~2,600	**133,000**	**2,415**	**26**	**2.25**	**133,000**	**2,415**	**26**
	594,000	**¥1,577**	**$17**	**2.94**	**402,000**	**¥1,824**	**$20**

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

	2010	2009	2008
Expected life	**4.5 years**	4.5 years	4.5 years
Risk-free rate	**0.63%**	1.07%	1.31%
Expected volatility	**39.35%**	29.77%	29.18%
Expected dividend yield	**2.05%**	1.65%	1.37%

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 15, 2009, the Board of Directors, and on June 19, 2009, the shareholders authorized the issue of new stock options under these stock-linked compensation plans for up to 490,000 shares of common stock based on the plans. Options for 187,500 shares were granted under these authorizations. On May 18, 2010, the Board of Directors, and on June 22, 2010, the shareholders authorized the issue of new stock options for up to 400,000 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, 2010, 2009 and 2008:

	2010	2009	2008
	Number of shares	Number of shares	Number of shares
Outstanding, beginning of year	**300,800**	181,400	111,000
Granted	**187,500**	143,000	94,400
Exercised	**27,800**	23,600	24,000
Cancelled or expired	**—**	—	—
Outstanding, end of year	**460,500**	300,800	181,400
Options exercisable, end of year	**76,300**	2,800	—

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:

	2010	2009	2008
Expected life	**3.35 years**	3.2 years	3.6 years
Risk-free rate	**0.47%**	0.89%	1.16%
Expected volatility	**42.19%**	32.83%	26.67%
Expected dividend yield	**2.18%**	1.88%	1.36%

Compensation expense incurred based on the stock option plans and the stock-linked compensation plans for the years ended March 31, 2010, 2009 and 2008 was ¥207 million ($2 million), ¥258 million and ¥305 million, respectively.

(e) Effect of adoption of new accounting standard

For the year ended March 31, 2008, the adoption of ASC 740 “Income Tax” (formerly FIN No. 48 “Accounting for uncertainty in Income Tax”) decreased unappropriated retained earnings by ¥5,196 million. The adoption of ASC 710 “Compensation-General” (formerly EITF No. 06-2 “Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43”) decreased unappropriated retained earnings by ¥903 million. ASC 710 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.

15 OTHER COMPREHENSIVE INCOME (LOSS)

Changes in each component of accumulated other comprehensive income (loss) attributable to Sumitomo Corporation for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Net unrealized holding gains (losses) on securities available-for-sale:				
Balance, beginning of year	**¥ 18,955**	¥ 127,630	¥ 262,292	**$ 204**
Adjustment for the year	**55,536**	(108,675)	(134,662)	**597**
Balance, end of year	**¥ 74,491**	¥ 18,955	¥ 127,630	**$ 801**
Foreign currency translation adjustments:				
Balance, beginning of year	**¥(221,291)**	¥ (60,638)	¥ (4,197)	**$(2,379)**
Adjustment for the year	**29,145**	(160,653)	(56,441)	**313**
Balance, end of year	**¥(192,146)**	¥(221,291)	¥ (60,638)	**$(2,066)**
Net unrealized gains (losses) on derivatives:				
Balance, beginning of year	**¥ (14,851)**	¥ (2,672)	¥ (5,369)	**$ (160)**
Adjustment for the year	**2,611**	(12,179)	2,697	**28**
Balance, end of year	**¥ (12,240)**	¥ (14,851)	¥ (2,672)	**$ (132)**
Pension liability adjustments:				
Balance, beginning of year	**¥ (66,229)**	¥ (41,475)	¥ (30,436)	**$ (712)**
Adjustment for the year	**20,754**	(24,754)	(11,039)	**223**
Balance, end of year	**¥ (45,475)**	¥ (66,229)	¥ (41,475)	**$ (489)**
Total accumulated other comprehensive income (loss):				
Balance, beginning of year	**¥(283,416)**	¥ 22,845	¥ 222,290	**$(3,047)**
Adjustment for the year	**108,046**	(306,261)	(199,445)	**1,161**
Balance, end of year	**¥(175,370)**	¥(283,416)	¥ 22,845	**$(1,886)**

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

	Millions of Yen		
2010:	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	**¥ 92,302**	**¥(36,900)**	**¥ 55,402**
Reclassification adjustment for losses included in net income	**875**	**(496)**	**379**
Adjustment for the year	**93,177**	**(37,396)**	**55,781**
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	**27,943**	**(810)**	**27,133**
Reclassification adjustment for losses included in net income	**3,844**	**(510)**	**3,334**
Adjustment for the year	**31,787**	**(1,320)**	**30,467**
Net unrealized gains on derivatives:			
Unrealized losses arising during the year	**(14,673)**	**5,383**	**(9,290)**
Reclassification adjustment for losses included in net income	**16,750**	**(4,645)**	**12,105**
Adjustment for the year	**2,077**	**738**	**2,815**
Pension liability adjustments:			
Unrealized gains arising during the year	**29,505**	**(12,352)**	**17,153**
Reclassification adjustment for losses included in net income	**6,286**	**(2,577)**	**3,709**
Adjustment for the year	**35,791**	**(14,929)**	**20,862**
Other comprehensive income (loss)	**¥162,832**	**¥(52,907)**	**¥109,925**

2009:	Millions of Yen 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	¥(191,006)	¥ 76,119	¥(114,887)
Reclassification adjustment for losses included in net income	9,500	(3,871)	5,629
Adjustment for the year	(181,506)	72,248	(109,258)
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	(182,353)	15,226	(167,127)
Reclassification adjustment for gains included in net income	(2,768)	379	(2,389)
Adjustment for the year	(185,121)	15,605	(169,516)
Net unrealized losses on derivatives:			
Unrealized losses arising during the year	(12,890)	2,128	(10,762)
Reclassification adjustment for gains included in net income	(2,215)	790	(1,425)
Adjustment for the year	(15,105)	2,918	(12,187)
Pension liability adjustments:			
Unrealized losses arising during the year	(47,466)	19,212	(28,254)
Reclassification adjustment for losses included in net income	4,517	(1,850)	2,667
Adjustment for the year	(42,949)	17,362	(25,587)
Other comprehensive income (loss)	¥(424,681)	¥108,133	¥(316,548)

2008:	Millions of Yen 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)	¥ 80,810	¥(115,316)
Reclassification adjustment for gains included in net income	(33,232)	13,223	(20,009)
Adjustment for the year	(229,358)	94,033	(135,325)
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	(58,997)	563	(58,434)
Reclassification adjustment for gains included in net income	(324)	9	(315)
Adjustment for the year	(59,321)	572	(58,749)
Net unrealized gains on derivatives:			
Unrealized losses arising during the year	(1,134)	849	(285)
Reclassification adjustment for losses included in net income	5,215	(2,222)	2,993
Adjustment for the year	4,081	(1,373)	2,708
Pension liability adjustments:			
Unrealized losses arising during the year	(22,839)	9,325	(13,514)
Reclassification adjustment for losses included in net income	3,312	(1,339)	1,973
Adjustment for the year	(19,527)	7,986	(11,541)
Other comprehensive income (loss)	¥(304,125)	¥101,218	¥(202,907)

2010:	Pretax amount	Millions of U.S. Dollars Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding gains on securities available-for-sale:			
Unrealized holding gains arising during the year	$ 993	$(397)	$ 596
Reclassification adjustment for losses included in net income	9	(5)	4
Adjustment for the year	1,002	(402)	600
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	301	(9)	292
Reclassification adjustment for losses included in net income	41	(5)	36
Adjustment for the year	342	(14)	328
Net unrealized gains on derivatives:			
Unrealized losses arising during the year	(158)	58	(100)
Reclassification adjustment for losses included in net income	180	(50)	130
Adjustment for the year	22	8	30
Pension liability adjustments:			
Unrealized gains arising during the year	317	(133)	184
Reclassification adjustment for losses included in net income	68	(28)	40
Adjustment for the year	385	(161)	224
Other comprehensive income (loss)	$1,751	$(569)	$1,182

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 relates 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 equity. Such amounts are released to earnings contemporaneously when the hedged item affects earnings. For the year ended March 31, 2010, net derivative losses of ¥12,105 million ($130 million), net of related income tax benefit of ¥4,645 million ($50 million), were reclassified into earnings. For the year ended March 31, 2009, net derivative gains of ¥1,425 million, net of related income tax expense of ¥790 million, were also reclassified. As of March 31, 2010, net derivative losses that were expected to be reclassified into earnings, net of the related tax benefit, within the next fiscal year were ¥11,351 million ($122 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 equity to the extent of hedge effectiveness. For the years ended March 31, 2010 and 2009, net derivative losses of ¥1,320 million ($14 million) and gains of ¥19,066 million were included in foreign currency translation adjustments, respectively.

Derivatives not designated as hedges

ASC 815, "Derivatives and Hedging" (formerly SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"), 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, 2010, 2009 and 2008, the amount of hedge ineffectiveness recognized on fair-value hedges and the hedge of the net investment in foreign operations was nil, losses of ¥76 million and losses of ¥69 million, respectively. There were no gains or losses excluded from the assessment of hedge effectiveness for the years ended March 31, 2010, 2009 and 2008.

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.

The fair values of derivative instruments

The fair values of derivative instruments as of March 31, 2010 and 2009 were as follows:

	Millions of Yen			
	Asset derivatives		Liability derivatives	
As of March 31, 2010:	Balance sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as hedges				
Interest rate contracts	Other current assets	¥ 945	Other current liabilities	¥ 2,506
	Other assets	27,170	Long-term debt, less current maturities	3,156
Foreign exchange contracts	Other current assets	2,629	Other current liabilities	3,473
	Other assets	2,902	Long-term debt, less current maturities	4,343
Commodity contracts	Other current assets	2,701	Other current liabilities	6,226
	Other assets	3,342	Long-term debt, less current maturities	2,503
Total derivatives designated as hedges		¥ 39,689		¥ 22,207
Derivatives not designated as hedges				
Interest rate contracts	Other current assets	¥ 342	Other current liabilities	¥ 431
	Other assets	4,613	Long-term debt, less current maturities	4,394
Foreign exchange contracts	Other current assets	10,456	Other current liabilities	21,165
	Other assets	6,178	Long-term debt, less current maturities	2,281
Commodity contracts	Other current assets	54,123	Other current liabilities	52,847
	Other assets	10,893	Long-term debt, less current maturities	36,544
Other contracts			Other current liabilities	17
Total derivatives not designated as hedges		¥ 86,605		¥117,679
Total derivatives		¥126,294		¥139,886

As of March 31, 2009:	Millions of Yen: Asset derivatives: Balance sheet location	Fair value	Liability derivatives: Balance sheet location	Fair value
Derivatives designated as hedges				
Interest rate contracts	Other current assets	¥ 22	Other current liabilities	¥ 1,608
	Other assets	24,978	Long-term debt, less current maturities	4,673
Foreign exchange contracts	Other current assets	7,160	Other current liabilities	3,384
	Other assets	11,000	Long-term debt, less current maturities	2,133
Commodity contracts	Other current assets	978	Other current liabilities	2,212
	Other assets	122	Long-term debt, less current maturities	4,519
Total derivatives designated as hedges		¥ 44,260		¥ 18,529
Derivatives not designated as hedges				
Interest rate contracts	Other assets	¥ 1,299	Other current liabilities	¥ 141
			Long-term debt, less current maturities	1,262
Foreign exchange contracts	Other current assets	14,777	Other current liabilities	33,691
	Other assets	9,810	Long-term debt, less current maturities	2,713
Commodity contracts	Other current assets	68,137	Other current liabilities	66,575
	Other assets	15,287	Long-term debt, less current maturities	50,471
Other contracts			Other current liabilities	1
Total derivatives not designated as hedges		¥109,310		¥154,854
Total derivatives		¥153,570		¥173,383

As of March 31, 2010:	Millions of U.S. Dollars: Asset derivatives: Balance sheet location	Fair value	Liability derivatives: Balance sheet location	Fair value
Derivatives designated as hedges				
Interest rate contracts	Other current assets	**$ 10**	Other current liabilities	**$ 27**
	Other assets	**292**	Long-term debt, less current maturities	**34**
Foreign exchange contracts	Other current assets	**29**	Other current liabilities	**37**
	Other assets	**31**	Long-term debt, less current maturities	**47**
Commodity contracts	Other current assets	**29**	Other current liabilities	**67**
	Other assets	**36**	Long-term debt, less current maturities	**27**
Total derivatives designated as hedges		**$ 427**		**$ 239**
Derivatives not designated as hedges				
Interest rate contracts	Other current assets	**$ 4**	Other current liabilities	**$ 5**
	Other assets	**50**	Long-term debt, less current maturities	**47**
Foreign exchange contracts	Other current assets	**112**	Other current liabilities	**228**
	Other assets	**66**	Long-term debt, less current maturities	**24**
Commodity contracts	Other current assets	**582**	Other current liabilities	**568**
	Other assets	**117**	Long-term debt, less current maturities	**393**
Other contracts			Other current liabilities	**0**
Total derivatives not designated as hedges		**$ 931**		**$1,265**
Total derivatives		**$1,358**		**$1,504**

The impact of derivative instruments on the consolidated statements of income

The impact of derivative instruments on the consolidated statements of income for the year ended March 31, 2010 and 2009 were as follows:

Fair-value hedges:

2010:	Millions of Yen: Gain or loss on derivatives: Location	Amount	Gain or loss on hedged item: Location	Amount
Interest rate contracts	Interest income/expense	**¥3,510**	Interest income/expense	**¥(3,510)**
Foreign exchange contracts	Cost/Other, net	**(615)**	Cost/Other, net	**615**
Commodity contracts	Revenues/Cost	**4,310**	Revenues/Cost	**(4,310)**
Total		**¥7,205**		**¥(7,205)**

2009:	Gain or loss on derivatives — Location	Amount	Gain or loss on hedged item — Location	Amount
	Millions of Yen			
Interest rate contracts	Interest income/expense	¥ (3,650)	Interest income/expense	¥ 3,634
Foreign exchange contracts	Cost/Other, net	(8,926)	Cost/Other, net	8,926
Commodity contracts	Revenues/Cost	565	Revenues/Cost	(565)
Total		¥(12,011)		¥11,995

2010:	Gain or loss on derivatives — Location	Amount	Gain or loss on hedged item — Location	Amount
	Millions of U.S. Dollars			
Interest rate contracts	Interest income/expense	**$38**	Interest income/expense	**$(38)**
Foreign exchange contracts	Cost/Other, net	**(7)**	Cost/Other, net	**7**
Commodity contracts	Revenues/Cost	**46**	Revenues/Cost	**(46)**
Total		**$77**		**$(77)**

Cash-flow hedges:

	Millions of Yen				
	Gain or loss recognized in OCI on derivatives (Effective portion)	Gain or loss reclassified from accumulated OCI into income (Effective portion)		Gain or loss on derivatives (Ineffective portion and amount excluded from effectiveness testing)	
2010:	Amount	Location	Amount	Location	Amount
Interest rate contracts	**¥ (7,158)**	Interest income/expense	**¥ 8,998**	—	**—**
Foreign exchange contracts	**2,123**	Cost/Other, net	**1,747**	—	**—**
Commodity contracts	**(9,638)**	Revenues/Cost	**6,005**	—	**—**
Total	**¥(14,673)**		**¥16,750**		**—**

	Millions of Yen				
	Gain or loss recognized in OCI on derivatives (Effective portion)	Gain or loss reclassified from accumulated OCI into income (Effective portion)		Gain or loss on derivatives (Ineffective portion and amount excluded from effectiveness testing)	
2009:	Amount	Location	Amount	Location	Amount
Interest rate contracts	¥(10,619)	Interest income/expense	¥(426)	—	—
Foreign exchange contracts	12,285	Cost/Other, net	705	—	—
Commodity contracts	2,261	Revenues/Cost	(81)	—	—
Total	¥ 3,927		¥ 198		—

	Millions of U.S. Dollars				
	Gain or loss recognized in OCI on derivatives (Effective portion)	Gain or loss reclassified from accumulated OCI into income (Effective portion)		Gain or loss on derivatives (Ineffective portion and amount excluded from effectiveness testing)	
2010:	Amount	Location	Amount	Location	Amount
Interest rate contracts	**$ (77)**	Interest income/expense	**$ 97**	—	**—**
Foreign exchange contracts	**23**	Cost/Other, net	**19**	—	**—**
Commodity contracts	**(104)**	Revenues/Cost	**64**	—	**—**
Total	**$(158)**		**$180**		**—**

Hedges of the net investment in foreign operations:

	Millions of Yen				
	Gain or loss recognized in OCI on derivatives (Effective portion)	Gain or loss reclassified from accumulated OCI into income (Effective portion)		Gain or loss on derivatives (Ineffective portion and amount excluded from effectiveness testing)	
2010:	Amount	Location	Amount	Location	Amount
Foreign exchange contracts	**¥(1,320)**	—	**—**	—	**—**

	Millions of Yen				
	Gain or loss recognized in OCI on derivatives (Effective portion)	Gain or loss reclassified from accumulated OCI into income (Effective portion)		Gain or loss on derivatives (Ineffective portion and amount excluded from effectiveness testing)	
2009:	Amount	Location	Amount	Location	Amount
Foreign exchange contracts	¥(4,355)	—	—	—	—

	Millions of U.S. Dollars				
	Gain or loss recognized in OCI on derivatives (Effective portion)	Gain or loss reclassified from accumulated OCI into income (Effective portion)		Gain or loss on derivatives (Ineffective portion and amount excluded from effectiveness testing)	
2010:	Amount	Location	Amount	Location	Amount
Foreign exchange contracts	**$(14)**	—	**—**	—	**—**

Derivatives not designated as hedges:

	Millions of Yen		Millions of U.S. Dollars	
	Gain or loss on derivatives		Gain or loss on derivatives	
2010:	Location	Amount	Location	Amount
Interest rate contracts	Interest income/expense	**¥ 281**	Interest income/expense	**$ 3**
Foreign exchange contracts	Cost/Other, net	**3,089**	Cost/Other, net	**33**
Commodity contracts	Revenues/Cost	**(44,308)**	Revenues/Cost	**(476)**
Other contracts	Revenues/Cost/Interest income	**(69)**	Revenues/Cost/Interest income	**(1)**
Total		**¥(41,007)**		**$(441)**

	Millions of Yen	
	Gain or loss on derivatives	
2009:	Location	Amount
Interest rate contracts	Interest income/expense	¥ 627
Foreign exchange contracts	Cost/Other, net	(21,413)
Commodity contracts	Revenues/Cost	(9,397)
Other contracts	Revenues/Cost/Interest income	95
Total		¥(30,088)

The impact of derivative instruments on the Consolidated Statements of Income for the year ended March 31, 2009 represents the changes from January 1, 2009 to March 31, 2009 after the adoption of ASC 815.

17 FINANCIAL INSTRUMENTS

In accordance with the requirements of ASC 825, "Financial Instruments" (formerly 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 ASC 460, "Guarantees" (formerly FIN 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 arm's length transactions with unrelated parties (see Note 24).

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, Bond Future Contracts and Stock Future Contracts

The fair values of interest rate future contracts, bond future contracts and stock future contracts are estimated using quoted market prices.

The estimated fair values of certain financial instruments and derivative financial instruments as of March 31, 2010 and 2009 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
As of March 31, 2010	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	¥ —	¥ 830,877	¥ 833,696	$ —	$ 8,934	$ 8,964
Financial Liabilities:						
Long-term debt, including current maturities	—	3,379,061	3,397,861	—	36,334	36,536
Derivative Financial Instruments (Assets):						
Interest rate swaps	991,609	33,070	33,070	10,662	356	356
Currency swap agreements, and currency options	47,358	9,053	9,053	509	97	97
Foreign exchange forward contracts	467,124	13,112	13,112	5,023	141	141
Derivative Financial Instruments (Liabilities):						
Interest rate swaps	462,002	10,487	10,487	4,968	113	113
Currency swap agreements, and currency options	305,871	13,575	13,575	3,289	146	146
Foreign exchange forward contracts	539,855	17,687	17,687	5,805	190	190
Stock future contracts	427	17	17	5	0	0

As of March 31, 2009	Millions of Yen Notional amount	Carrying amount	Fair value
Financial Assets:			
Non-current trade receivables and advances to associated companies, less allowance for doubtful receivables	¥ —	¥ 843,920	¥ 845,906
Financial Liabilities:			
Long-term debt, including current maturities	—	3,204,136	3,221,204
Derivative Financial Instruments (Assets):			
Interest rate swaps	1,122,582	26,261	26,261
Currency swap agreements, and currency options	166,255	26,525	26,525
Foreign exchange forward contracts	260,619	9,499	9,499
Derivative Financial Instruments (Liabilities):			
Interest rate swaps	158,502	7,646	7,646
Currency swap agreements, and currency options	281,064	14,692	14,692
Foreign exchange forward contracts	573,595	20,506	20,506
Bond future contracts	1,382	1	1

The Companies' global operation in a variety of businesses with diverse customers and suppliers reduces the concentrations of credit risk. 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, 2010, 2009 and 2008. Carrying amounts and fair values of financial assets as of March 31, 2010 and 2009 included lease assets, balances of which were ¥279,462 million ($3,005 million) and ¥331,780 million, respectively.

18 FAIR VALUE MEASUREMENTS

ASC 820, "Fair Value Measurements and Disclosures" (formerly SFAS No. 157 "Fair Value Measurements") establishes the three levels of the fair value hierarchy that prioritize the inputs used to measure fair value as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2010 and 2009:

	Millions of Yen			
As of March 31, 2010	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	¥ 5,008	¥ —	¥ —	¥ 5,008
Available-for-sale securities				
Equity securities	361,297	—	—	361,297
Debt securities	14	48,522	—	48,536
Inventories*	46,768	—	—	46,768
Derivatives				
Interest rate contracts	—	33,070	—	33,070
Foreign exchange contracts	—	22,165	—	22,165
Commodity contracts	10,696	60,243	120	71,059
Total	¥423,783	¥164,000	¥ 120	¥587,903
Liabilities:				
Derivatives				
Interest rate contracts	¥ —	¥ 10,487	¥ —	¥ 10,487
Foreign exchange contracts	—	31,262	—	31,262
Commodity contracts	6,356	71,265	20,499	98,120
Other contracts	17	—	—	17
Total	¥ 6,373	¥113,014	¥20,499	¥139,886

* Primarily represented precious metals.

	Millions of Yen			
As of March 31, 2009	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	¥ 8,927	¥ —	¥ —	¥ 8,927
Available-for-sale securities				
Equity securities	282,667	—	—	282,667
Debt securities	3,397	—	—	3,397
Inventories*	43,510	—	—	43,510
Derivatives				
Interest rate contracts	—	26,299	—	26,299
Foreign exchange contracts	—	42,747	—	42,747
Commodity contracts	2,363	42,299	387	45,049
Total	¥340,864	¥111,345	¥ 387	¥452,596
Liabilities:				
Derivatives				
Interest rate contracts	¥ —	¥ 7,684	¥ —	¥ 7,684
Foreign exchange contracts	—	41,921	—	41,921
Commodity contracts	4,730	70,952	17,760	93,442
Other contracts	1	—	—	1
Total	¥ 4,731	¥120,557	¥17,760	¥143,048

* Primarily represented precious metals.

As of March 31, 2010	Millions of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	$ 54	$ —	$ —	$ 54
Available-for-sale securities				
Equity securities	3,885	—	—	3,885
Debt securities	0	521	—	521
Inventories*	503	—	—	503
Derivatives				
Interest rate contracts	—	356	—	356
Foreign exchange contracts	—	238	—	238
Commodity contracts	115	648	1	764
Total	$4,557	$1,763	$ 1	$6,321
Liabilities:				
Derivatives				
Interest rate contracts	$ —	$ 113	$ —	$ 113
Foreign exchange contracts	—	336	—	336
Commodity contracts	68	767	220	1,055
Other contracts	0	—	—	0
Total	$ 68	$1,216	$220	$1,504

* Primarily represented precious metals.

Trading securities and available-for-sale securities are primarily comprised of domestic equity securities which are valued using an unadjusted quoted market price in active markets and classified within Level 1. Certain debt securities are valued principally using discounted cash flow methodology based on observable inputs and classified within Level 2. Inventories are primarily comprised of precious metals which are valued using an unadjusted quoted market price and classified within Level 1. Derivatives are primarily comprised of financial derivatives and commodity derivatives. Exchange-traded derivatives are valued using quoted market prices, and accordingly, classified within Level 1. Non-exchange traded derivatives are valued principally using discounted cash flow methodology. If the inputs used for these measurements that include foreign currency exchange rates and interest rates, are observable, derivatives are classified within Level 2. If the inputs are not observable, derivatives are classified within Level 3.

A reconciliation of the beginning and ending amount of net derivatives measured at fair value on a recurring basis using Level 3 inputs as defined in ASC 820 for the years ended March 31, 2010 and 2009 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Balance, beginning of year	¥(17,373)	¥(40,572)	$(187)
Total gains or losses included in earnings (realized or unrealized)	(5,705)	15,852	(61)
Settlements	2,699	7,347	29
Balance, end of year	¥(20,379)	¥(17,373)	$(219)
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the end of year	¥ (4,522)	¥ 16,021	$ 49

Total gains or losses included in earnings (realized or unrealized) were included in "Sales of tangible products" and "Cost of tangible products sold" in the accompanying Consolidated Statements of Income.

The following table presents assets that are measured at fair value on a nonrecurring basis for the year ended March 31, 2010:

	Millions of Yen				
2010:	Level 1	Level 2	Level 3	Total	Total gains (losses)
Non-marketable equity securities	¥ —	¥ —	¥1,566	¥1,566	¥(11,050)
Long-lived assets and goodwill	¥ —	¥ —	¥ 925	¥ 925	¥ (4,741)

	Millions of U.S. Dollars				
2010:	Level 1	Level 2	Level 3	Total	Total gains (losses)
Non-marketable equity securities	$ —	$ —	$17	$17	$(119)
Long-lived assets and goodwill	$ —	$ —	$10	$10	$ (51)

Certain non-marketable equity securities are written down to fair value if the fair value has been below the carrying amount of the investment and the decline in fair value is judged to be other than temporary. Fair value is determined using unobservable inputs based on operation results, financial position, actual performance to budget, industry trends and future projection of the investees.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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 undiscounted 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 of long-lived assets are determined using unobservable inputs based on the business plan.

Goodwill is assessed for impairment annually or upon the occurrence of an indicator of impairment. If the fair value of goodwill falls below the carrying amount, the impairment loss is recognized in the amount equal to the excess of the carrying amount of goodwill over the fair value of goodwill. Fair values of goodwill are determined using unobservable inputs based on the business plan.

19 NET INCOME ATTRIBUTABLE TO SUMITOMO CORPORATION PER SHARE

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to Sumitomo Corporation per share computations for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Millions of Yen			Millions of U.S. Dollars
Income (Numerator)	**2010**	2009	2008	**2010**
Net income attributable to Sumitomo Corporation	**¥155,199**	¥215,078	¥238,928	**$1,669**

	Number of shares		
Shares (Denominator)	**2010**	2009	2008
Weighted-average shares—basic	**1,250,044,847**	1,250,005,230	1,241,143,028
Dilutive effect of:			
Stock options	**347,829**	209,139	222,583
Weighted-average shares—diluted	**1,250,392,676**	1,250,214,369	1,241,365,611

	Yen			U.S. Dollars
	2010	2009	2008	**2010**
Net income attributable to Sumitomo Corporation per share:				
Basic	**¥124.15**	¥172.06	¥192.51	**$1.33**
Diluted	**124.12**	172.03	192.47	**1.33**

20 SEGMENT INFORMATION

The Companies conduct business through the seven 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 and branches located throughout the world, with the largest operations in the Americas, Europe, China, and 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, 2010, 2009 and 2008 is summarized as follows:

Operating Segments:

2010:	Millions of Yen				
Segment***	Revenues	Gross profit	Net income attributable to Sumitomo Corporation*	Assets	Total trading transactions**
Metal Products	**¥ 415,271**	**¥ 54,071**	**¥ 9,134**	**¥ 609,219**	**¥1,319,168**
Transportation & Construction Systems	**589,645**	**130,767**	**18,127**	**1,399,322**	**1,199,663**
Infrastructure	**167,464**	**31,256**	**12,836**	**521,361**	**306,491**
Media, Network & Lifestyle Retail	**509,562**	**176,568**	**16,375**	**697,131**	**588,537**
Mineral Resources, Energy, Chemical & Electronics	**258,470**	**84,636**	**64,598**	**1,079,177**	**2,060,286**
General Products & Real Estate	**338,770**	**101,443**	**16,176**	**747,495**	**696,618**
Financial & Logistics	**47,512**	**23,461**	**158**	**554,572**	**46,427**
Domestic Regional Business Units and Offices	**65,630**	**35,072**	**2,541**	**353,473**	**839,418**
Overseas Subsidiaries and Branches	**511,085**	**153,566**	**22,940**	**1,117,753**	**1,382,743**
Segment Total	**2,903,409**	**790,840**	**162,885**	**7,079,503**	**8,439,351**
Corporate and Eliminations	**(19,237)**	**(11,328)**	**(7,686)**	**58,295**	**(672,188)**
Consolidated	**¥2,884,172**	**¥779,512**	**¥155,199**	**¥7,137,798**	**¥7,767,163**

2009:	Millions of Yen				
Segment***	Revenues	Gross profit	Net income attributable to Sumitomo Corporation*	Assets	Total trading transactions**
Metal Products	¥ 577,339	¥ 86,449	¥ 29,686	¥ 645,509	¥ 1,918,842
Transportation & Construction Systems	826,001	155,595	29,282	1,451,365	1,715,967
Infrastructure	128,454	40,406	16,511	482,537	334,306
Media, Network & Lifestyle Retail	495,364	176,363	8,504	696,877	594,828
Mineral Resources, Energy, Chemical & Electronics	268,851	91,852	43,234	967,963	3,205,252
General Products & Real Estate	352,566	111,111	13,097	722,158	835,526
Financial & Logistics	78,432	26,859	(1,627)	581,484	125,872
Domestic Regional Business Units and Offices	81,933	42,620	6,857	409,142	1,087,399
Overseas Subsidiaries and Branches	717,998	211,666	48,626	1,203,154	1,957,134
Segment Total	3,526,938	942,921	194,170	7,160,189	11,775,126
Corporate and Eliminations	(15,361)	(7,689)	20,908	(142,033)	(1,025,130)
Consolidated	¥3,511,577	¥935,232	¥215,078	¥7,018,156	¥10,749,996

2008:	Millions of Yen				
Segment***	Revenues	Gross profit	Net income attributable to Sumitomo Corporation*	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
Mineral Resources, Energy, Chemical & Electronics	376,523	94,004	36,650	1,113,196	3,807,587
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

2010:	Millions of U.S. Dollars				
Segment***	Revenues	Gross profit	Net income attributable to Sumitomo Corporation*	Assets	Total trading transactions**
Metal Products	**$ 4,465**	**$ 582**	**$ 98**	**$ 6,551**	**$14,185**
Transportation & Construction Systems	**6,340**	**1,406**	**195**	**15,046**	**12,900**
Infrastructure	**1,801**	**336**	**138**	**5,606**	**3,296**
Media, Network & Lifestyle Retail	**5,479**	**1,899**	**176**	**7,496**	**6,328**
Mineral Resources, Energy, Chemical & Electronics	**2,779**	**910**	**694**	**11,604**	**22,154**
General Products & Real Estate	**3,643**	**1,091**	**174**	**8,038**	**7,490**
Financial & Logistics	**511**	**252**	**2**	**5,963**	**499**
Domestic Regional Business Units and Offices	**706**	**377**	**27**	**3,801**	**9,026**
Overseas Subsidiaries and Branches	**5,495**	**1,651**	**247**	**12,019**	**14,868**
Segment Total	**31,219**	**8,504**	**1,751**	**76,124**	**90,746**
Corporate and Eliminations	**(206)**	**(122)**	**(82)**	**627**	**(7,228)**
Consolidated	**$31,013**	**$8,382**	**$1,669**	**$76,751**	**$83,518**

Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained for general corporate purposes.

Transfers between segments are made at arm's-length prices.

* The Companies adopted ASC 810 "Consolidation" (formerly SFAS No. 160) and changed certain presentation.

** 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.

*** On April 1, 2009, the Companies reorganized the Business Units from eight to seven. Accordingly, from this fiscal year, the operating segments have been changed. The operating segment information of 2008 and 2009 has also been reclassified.

Geographic information:

	Millions of Yen		Millions of U.S. Dollars	
2010:	Revenues	Long-lived assets	Revenues	Long-lived assets
Japan	**¥1,559,266**	**¥ 971,993**	**$16,766**	**$10,452**
Asia	**326,605**	**58,635**	**3,512**	**631**
North America:				
U.S.	**554,371**	**232,714**	**5,961**	**2,502**
Other	**113,795**	**16,467**	**1,224**	**177**
Europe	**182,857**	**162,778**	**1,966**	**1,750**
Other	**147,278**	**145,574**	**1,584**	**1,565**
Total	**¥2,884,172**	**¥1,588,161**	**$31,013**	**$17,077**

2009:	Millions of Yen Revenues	Long-lived assets
Japan	¥1,705,930	¥ 939,836
Asia	376,220	44,865
North America:		
U.S.	751,884	228,907
Other	127,447	15,520
Europe	380,115	131,568
Other	169,981	138,526
Total	¥3,511,577	¥1,499,222

2008:	Millions of Yen Revenues	Long-lived assets
Japan	¥1,767,909	¥ 914,465
Asia	427,181	45,541
North America:		
U.S.	759,909	199,561
Other	155,939	16,545
Europe	362,700	154,419
Other	197,258	93,838
Total	¥3,670,896	¥1,424,369

21 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 ¥739 million ($8 million), losses of ¥8,078 million, and gains of ¥10,967 million, were included in the accompanying Consolidated Statements of Income for the years ended March 31, 2010, 2009 and 2008, respectively.

22 LEASES

As Lessor

The Companies lease vehicles, vessels, power station, service equipment, and other under arrangements which are classified as direct financing leases, sales type leases or leveraged leases under ASC 840, "Leases" (formerly SFAS No. 13, "Accounting for Leases.")

Net investments in direct financing leases or sales type leases at March 31, 2010 and 2009, 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
	2010	2009	**2010**
Future minimum lease payments to be received	**¥429,841**	¥508,918	**$4,622**
Unguaranteed residual value	**8,578**	10,600	**92**
Less: unearned income	**(73,506)**	(94,220)	**(790)**
Net investments	**¥364,913**	¥425,298	**$3,924**

Contingent rentals amounted to ¥5,415 million ($58 million), ¥4,071 million, and ¥9,525 for the years ended March 31, 2010, 2009 and 2008 respectively.

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, 2010 and 2009, the cost of the leased property was ¥841,374 million ($9,047 million) and ¥876,189 million, respectively, and the accumulated depreciation was ¥315,694 million ($3,395 million) and ¥355,165 million, respectively, these are included in "Property and equipment" and "Goodwill and other intangible assets." (see Notes 9 and 10)

Future minimum lease payments to be received as of March 31, 2010 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
2011	¥110,835	¥126,258	¥237,093	$1,191	$1,358	$2,549
2012	82,907	87,485	170,392	891	941	1,832
2013	59,479	61,783	121,262	640	664	1,304
2014	41,554	36,875	78,429	447	396	843
2015	30,496	21,183	51,679	328	228	556
2016 and thereafter	104,570	51,075	155,645	1,125	549	1,674
Total	¥429,841	¥384,659	¥814,500	$4,622	$4,136	$8,758

The components of the net investment in leveraged leases at March 31, 2010 and 2009 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Future minimum lease payments to be received (net of principal and interest on third-party nonrecourse debt)	**¥ 2,807**	¥ 2,514	**$ 30**
Unguaranteed residual value	**6,071**	7,633	**65**
Less: unearned income	**(2,271)**	(2,332)	**(24)**
Investments in leveraged leases	**6,607**	7,815	**71**
Less: deferred tax liabilities arising from leveraged leases	**(1,312)**	(1,284)	**(14)**
Net investments	**¥ 5,295**	¥ 6,531	**$ 57**

As Lessee

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, 2010, 2009 and 2008 were ¥66,326 million ($713 million), ¥65,027 million and ¥63,482 million, respectively. The Companies also lease equipment and other under arrangements which are classified as capital leases under ASC 840, "Leases." As of March 31, 2010 and 2009, the cost of the leased property was ¥37,026 million ($398 million) and ¥34,192 million, respectively, and the accumulated depreciation was ¥9,683 million ($104 million) and ¥13,918 million, respectively, these are included in "Property and equipment" and "Goodwill and other intangible assets." (see Notes 9 and 10)

As of March 31, 2010, 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
2011	¥ 6,630	¥ 46,791	¥ 53,421	$ 71	$ 503	$ 574
2012	5,494	43,036	48,530	59	463	522
2013	4,603	39,355	43,958	50	423	473
2014	3,855	37,279	41,134	41	401	442
2015	3,423	35,052	38,475	37	377	414
2016 and thereafter	15,323	182,476	197,799	165	1,962	2,127
	39,328	383,989	423,317	423	4,129	4,552
Less: amount representing interest	(17,538)			(189)		
	¥ 21,790			$ 234		

23 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 the requirements of ASC 410, "Asset Retirement and Environmental Obligations" (formerly 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, 2010 and 2009 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Balance, beginning of year	**¥12,551**	¥13,176	**$135**
Liabilities incurred	**692**	580	**7**
Liabilities settled	**(273)**	(294)	**(3)**
Accretion expense	**265**	261	**3**
Revisions in estimated cash flows	**(276)**	982	**(3)**
Other*	**(465)**	(2,154)	**(5)**
Balance, end of year	**¥12,494**	¥12,551	**$134**

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

24 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 ¥956,598 million ($10,286 million) as of March 31, 2010. Scheduled deliveries are at various dates through 2025.

The Companies also had long-term financing commitments of ¥8,753 million ($94 million) as of March 31, 2010 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.

ASC 460 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, 2010 were insignificant.

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

As of March 31, 2010:	Millions of Yen	Millions of U.S. Dollars
Discounted trade notes receivable with banks	**¥111,359**	**$1,197**
Guarantees of indebtedness:		
Associated companies	**98,368**	**1,058**
Third parties	**55,619**	**598**
Employees	**2,277**	**25**
Residual value guarantees	**10,919**	**117**
Total	**¥278,542**	**$2,995**

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 2011. If an issuer of a note defaults on its payment, the Companies would be required to pay the banks for any loss. As of March 31, 2010, ¥91,519 million ($984 million) of outstanding discounted trade notes receivable were 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 2030. Guarantees with third party guarantee aggregated ¥12,038 million ($129 million) as of March 31, 2010. The Companies would be obligated to reimburse the banks for losses, if any, if a borrower defaults on a guaranteed loan.

Guarantees of Indebtedness for Third Parties

The Companies also provide guarantees of indebtedness for third parties. These guarantees are arranged mainly with suppliers and customers and mature through 2025. The Companies must pay if a guaranteed party defaults on a guaranteed indebtedness. Guarantees with third party guarantee aggregated ¥32 million ($0 million) as of March 31, 2010. 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, 2010.

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.

25 SUBSEQUENT EVENTS

The subsequent events as of June 22, 2010, the date the Annual Security Report was filed, are as follows:

The Companies have issued an unsecured bond as follows:

<The 40 round unsecured bond>

Issue date	Principal amount	Issue Price (per value ¥100)	Coupon Rate	Maturity Date	Use of funds
May 27, 2010	¥10 billion	¥100	2.261%	May 27, 2030	Repayment of debt
	$108 million	$1.08			

KPMG

Independent Auditors' Report

The Board of Directors and Shareholders
Sumitomo Corporation:

We have audited the accompanying consolidated balance sheets of Sumitomo Corporation and subsidiaries as of March 31, 2010 and 2009, 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, 2010, 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, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three- year period ended March 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 of the notes to the consolidated financial statements, the Companies adopted ASC 810, "Consolidation" (Formerly Statements of Financial Accounting Standards ("SFAS") No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51").

The accompanying consolidated financial statements as of and for the year ended March 31, 2010 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into dollars on the basis set forth in note 2 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan

June 22, 2010