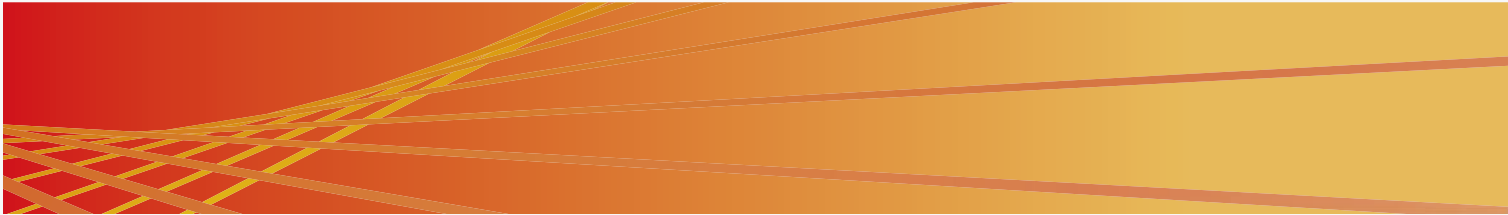


# Annual Report **2011**



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# WHY IMPLEMENT THE NEW MEDIUM-TERM MANAGEMENT PLAN $f(x)$ ?



# SUMITOMO CORPORATION'S CULTIVATED STRENGTHS

Faced with a dizzying pace of change in the economic and business environment, Sumitomo Corporation has achieved growth by constantly staying a step ahead in dealing with change and striving to create new value. The engine behind this growth has been the Company's diverse business portfolio and the strong foundations on which it rests—talented human resources and a strong financial position.

## Diverse Business Portfolio

Diversity is certainly one reason Sumitomo Corporation has been able to stay a step

ahead in dealing with changes in the operating environment. By diversity, the Company means both operational and geographic diversity. The former refers to the breadth of operations they have developed, as highlighted by their seven business units. The latter refers to the development of these businesses across multiple regions worldwide. Having identified business opportunities in each field and region, Sumitomo Corporation has developed highly profitable businesses with strong growth potential. By developing additional new businesses from the Company's operationally and

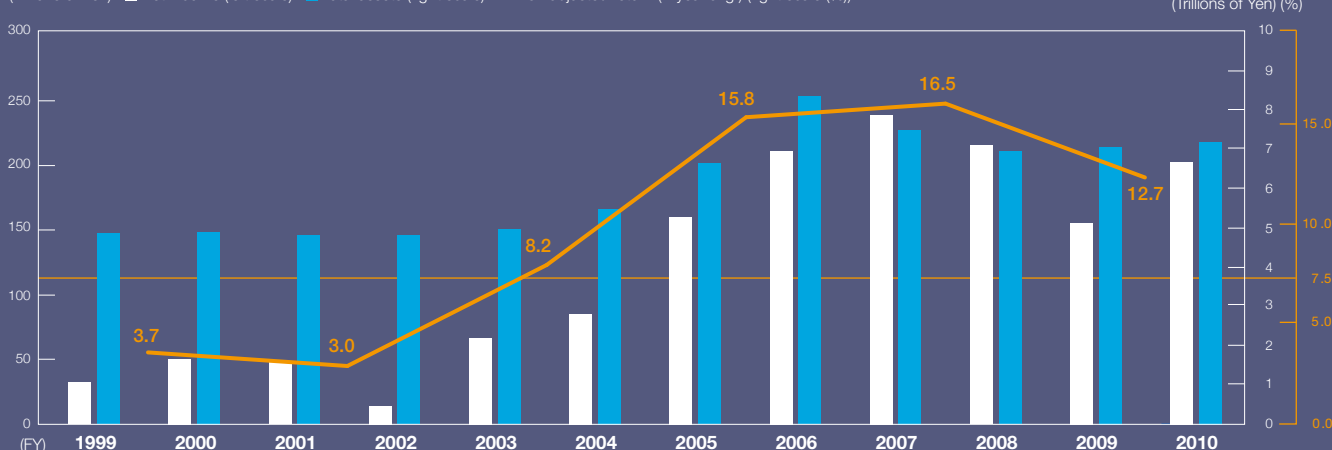
geographically diverse business portfolio, the Company has achieved sustainable growth.

## Human Resources

Part of the foundation of Sumitomo Corporation's diverse business portfolio is its employees, who possess a diverse array of abilities and experiences. People are Sumitomo Corporation's most important asset. The Sumitomo Corporation Group has around 65,000 employees in 65 countries around the world. Every day, the Group's people bring together the strengths of the

### Retracing the Steps of Previous Medium-Term Management Plans

(Billions of Yen) ■ Net income (left scale) ■ Total assets (right scale) — Risk-adjusted return (2-year avg.) (right scale (%))



#### Reform Package

Enhance corporate strength by selecting core businesses and withdrawing from non-core businesses

#### Step Up Plan

Increase profitability by replacing low-return assets with potentially higher-return assets

#### AA Plan

Strategic investment in assets with profit potential

#### AG Plan

Strategic initiatives for further growth and development

#### GG Plan

Further enhance quality toward a stage for new growth

#### FOCUS'10

A growth scenario on a new stage

Group's partners by tapping into the Group's global networks in a broad range of fields, as they work to realize prosperity and dreams.

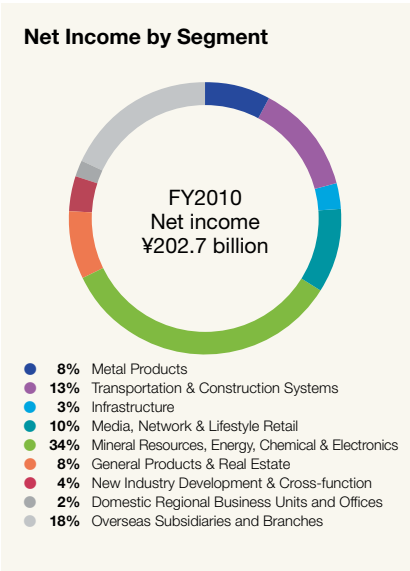
Strong Financial Position

Through business reforms carried on from the past, Sumitomo Corporation has expanded earnings while strengthening its financial position by pursuing greater financial soundness and efficiency. The basics of the trading company business are to take on risk, manage risk, and generate returns that justify the risk. From this standpoint, the

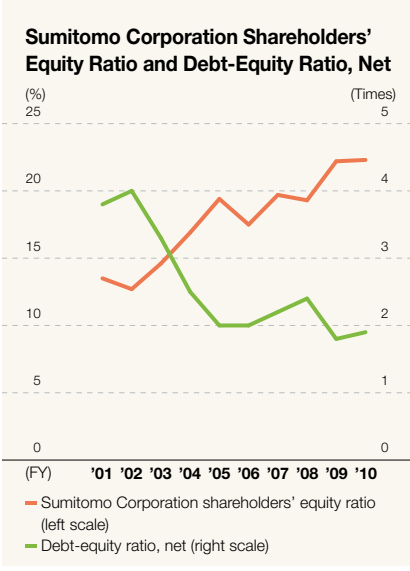
Company introduced a management benchmark called the Risk-adjusted Return Ratio\* in fiscal 1998 to provide a common measure of returns relative to risks across a diverse spectrum of businesses. Since its inception to the present day, this risk-return approach has played a pivotal role as an instrument for achieving sustainable growth, a common goal throughout the Company. Back when the Risk-adjusted Return Ratio was introduced, Sumitomo Corporation had many unprofitable businesses because of the worsening business environment and an insufficient grasp of

business risk. In response, they boldly implemented business reforms based on the Risk-adjusted Return Ratio and started to exit unprofitable business operations and replace them with prime assets. Through these reforms, they enhanced their profitability and shored up their balance sheet.

From the standpoint of ensuring management stability, Sumitomo Corporation's basic management policy is to hold risk assets, which represent maximum possible loss exposure, within the risk buffer afforded by Sumitomo Corporation shareholders' equity.



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







Guided by the Risk-adjusted Return Ratio, the Company has increased its stock of prime assets while continuously replacing assets. As a result, Sumitomo Corporation shareholders' equity had increased to ¥1,600 billion as of March 31, 2011, the Sumitomo Corporation shareholders' equity ratio improved to 22% and the debt-equity ratio improved to 1.9. In this manner, their strong financial position has made new growth possible, and this growth has in turn made their balance sheet even stronger.

\*Risk-adjusted Return Ratio =  

$$\frac{\text{Net income}}{\text{Risk-adjusted assets (maximum possible losses)}}$$



# PARADIGM SHIFT

## Structural Changes in the Global Economy and Sumitomo Corporation's Role

The march of globalization is rapidly increasing in step with the phenomenal growth of emerging countries. Amid this change, the global economy is experiencing fundamental structural changes. These changes provide Sumitomo Corporation the opportunity to build a diverse portfolio of growing business fields and to reach for new heights.

### Shifts in Global Power Structure and Industrial Structure

The blueprint for the global economy is increasingly being defined by low-

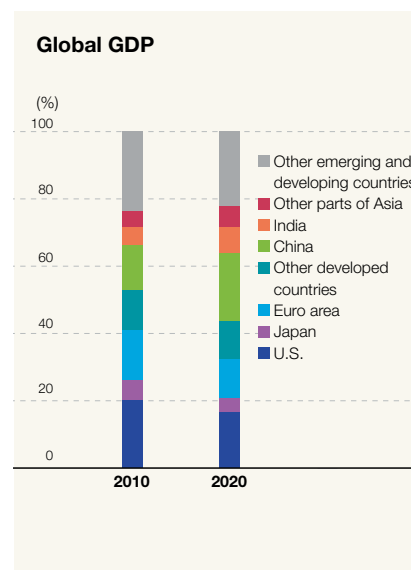
growth in developed countries, and high-growth in emerging countries. As this trend takes hold, we are seeing shifts in global power structure from developed countries to emerging countries. Traditionally, developed countries were the engine behind global economic growth, but emerging countries are now assuming this role. Developed countries' share of worldwide GDP is falling, whereas that of emerging countries is increasing. Taking demographics into account, this development can be expected to continue for some time. Underlying this development is a profound structural

shift: emerging countries are not only performing the role of the world's manufacturing center by producing goods for developed countries, but are also becoming a huge consumer market in their own right as their number of middle-income population increases.

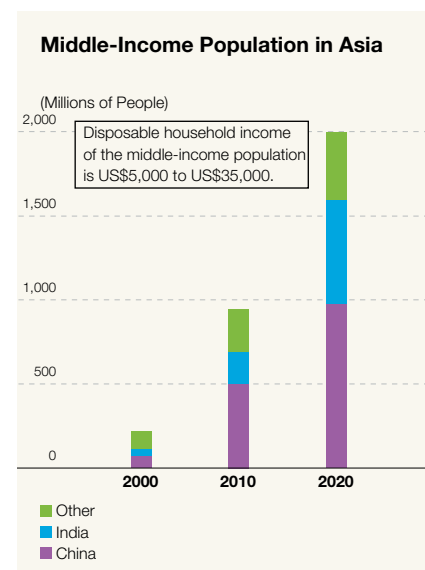
Another fundamental shift is a change in the industrial structure. The world is facing global issues that require medium-to long-term solutions, such as global warming, and tightening food supplies in step with the economic advancement of emerging countries. These issues have led to profound structural changes in the



The environment and new energy field, including wind, solar photovoltaic, and geothermal power generation, is attracting increasing interest.



Source: World Economic Outlook 2010 (IMF)  
Estimate for 2020 from Sumitomo Shoji Research Institute, Inc.



Source: White Paper on International Economy and Trade 2010





Advances in information and communications technologies are causing dramatic changes in industry and people's lives.



Ongoing shift in momentum from developed countries to emerging countries as the driving force of the world economy.

auto industry and environmental business, as well as food and agriculture and other fields. With companies from emerging countries building a stronger presence, Sumitomo Corporation is now in an environment where it needs fresh ideas that go beyond merely extending traditional business practices.

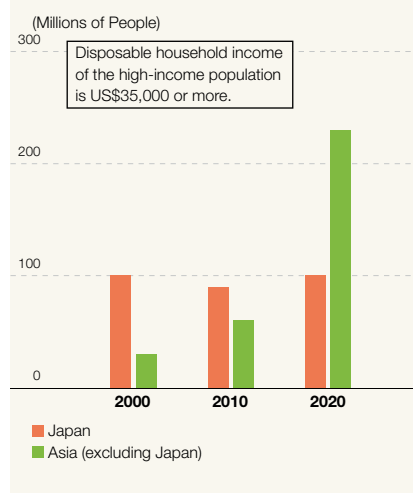
## Rising Expectations for Sumitomo Corporation's Functions

To address these shifts in global power structure and industrial structure, multiple industries and corporations must

join forces and work together as one. With its diverse business portfolio and the ability to coordinate the strengths of its partners, Sumitomo Corporation is extremely well positioned to find solutions to these issues. For example, it's fair to say that there are growing expectations for Sumitomo Corporation as an integrated trading company to fulfill a financing role, which has become increasingly important since the Lehman bankruptcy, establish value chains and perform other vital functions. In today's environment where structural changes in the global economy are reshaping a

multitude of fields, Sumitomo Corporation will be called upon to fulfill many more roles and provide increasingly sophisticated functions.

### High-Income Population in Asia



Source: White Paper on International Economy and Trade 2010

### Changes in Business Environment and Opportunities for Trading Companies

#### Tightening resources and environmental issues

Growing demand for renewable energy, continued dependence on fossil fuels, penetration of next-generation vehicles and energy-efficient technologies, expanded demand for green IT, etc.

#### Food problems

Ensuring stable food supplies along with food safety and quality, growing needs for GMO (genetically modified organism) foods, etc.

#### Westernization of lifestyles

Growing demand for Westernized goods and services in emerging countries, etc.

#### Emergence of new consumer needs

Growing businesses targeting senior citizens, expansion in lifestyle security business, etc.

#### Growing demand for infrastructure and equipment

Demand for infrastructure in step with progress with urbanization in emerging countries, etc.

#### Burgeoning medical and nursing care needs

Upgrading and enhancing basic medical infrastructure in emerging countries, growing needs for advanced medical care and preventive medicine in developed countries, etc.

Source: Sumitomo Shoji Research Institute, Inc.

# BEYOND BOUNDARIES TO

In April 2011, Sumitomo Corporation launched  $f(x)$ , its new medium-term management plan. The purpose of the new plan is to convert a growing field of business opportunities spawned by structural changes in the global economy into continued growth by harnessing the strengths the Company has cultivated so far. The main thrust of the plan is to achieve cross-boundary growth across regions, generations, and organizations together with all of our partners. Under the plan, Sumitomo Corporation aims to ensure the speedy execution of business model innovation to achieve cross-boundary growth.

\* The  $f$  of  $f(x)$  is from "FOCUS'10," and the  $x$  is taken from the English word "execution." In order to express the idea of "cross-boundary growth," meaning growth that reaches across regional, generational and organizational boundaries, we have decided to read the letter  $x$  as "cross" rather than "ex."

## New Medium-Term Management Plan



### Basic Policy

While carrying on the basic policies and various initiatives of the previous medium-term management plan FOCUS'10, which was formulated with a 10-year horizon, we will execute **business model innovation** based on the management philosophy of value creation, with the aim of achieving cross-boundary growth across regions, generations and organizations together with all partners.



# NEW GROWTH

## Four Key Actions

### ① Make Visible and Share Long-Term Ideal Images on the Front Lines

In order to seize business opportunities, we must use this vision as a starting point to discuss measures and various internal and external issues from a medium- and long-term perspective.

### ② Accelerate Strategic Resource Management

In order to capitalize on business opportunities, we must strategically shift our assets and people, both of which are finite business resources, to businesses with strong future prospects. This is a top priority because it will give our young future business leaders an opportunity to grow.

### ③ Enhance Our Integrated Corporate Strength on a Global Basis

It is no exaggeration to say that how we capitalize on changes in the global business environment to achieve growth will have a decisive impact on the Company's future. We must bring together our networks within and outside the Company and the strengths

of our partners across organizational and corporate boundaries to create new business. In other words, we must deepen our integrated corporate strength.

### ④ Strengthen Human Resource Management on a Company-Wide Level

Under  $f(x)$ , we will strive to enhance human resources so that they can execute business model innovation. We will attract, retain and develop key global business development personnel, while closely coordinating the development of business and human resources strategies, with the aim of promoting strategic personnel assignments across the Company.

The four key actions are closely interrelated to one another. By steadily implementing each action, the entire Company will make a collective effort to ensure the execution of business model innovation.

## Quantitative Targets (IFRS)

	FY2011	FY2012
Net income	¥220 billion	¥260 billion
Risk-adjusted Return Ratio	—	15% or more

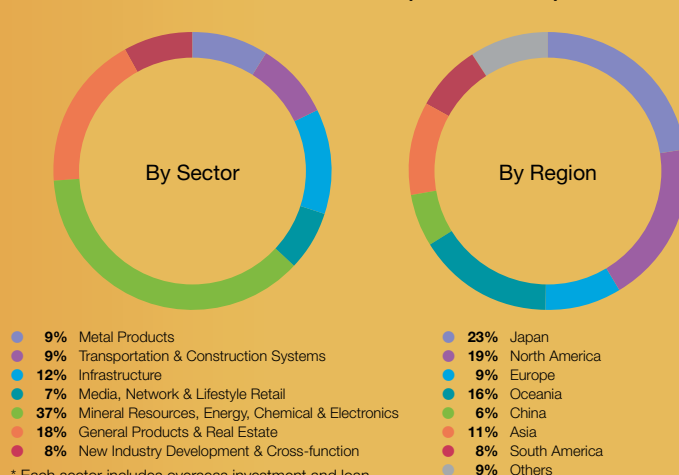
## 2-year Balance Sheet Plan

	Amount	Risk Assets
Acquisition & Enhancement	+¥1,150 billion	+¥350 billion
(new investment & loan included)	(+¥580 billion)	(+¥320 billion)
Divestiture & Reduction	-¥1,150 billion	-¥130 billion

## Monitoring Index

Debt-equity ratio, net	Around 1.5 times
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## Breakdown of New Investment & Loan (Amount Basis)



Please see page 11 for President Kato's perspectives on the new medium-term management plan  $f(x)$ .

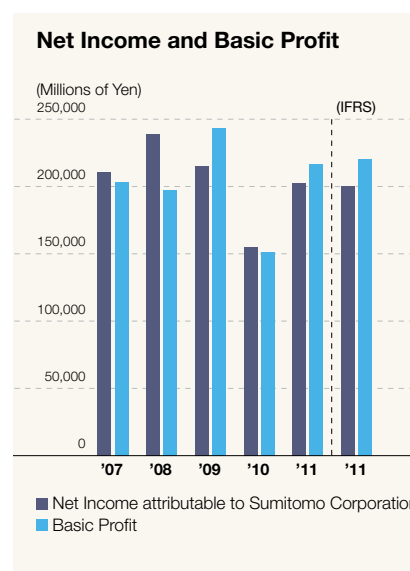
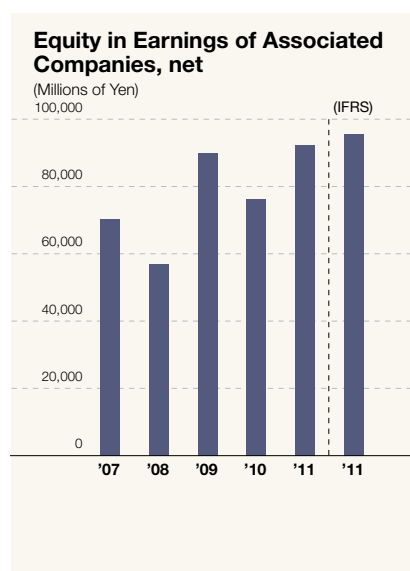
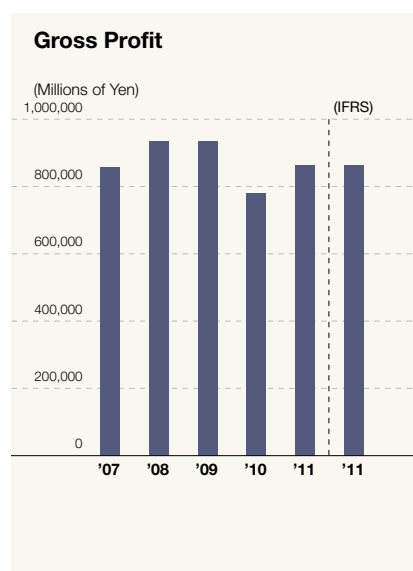
## FINANCIAL HIGHLIGHTS

For the years ended March 31

	Millions of Yen					
	2007 U.S. GAAP	2008 U.S. GAAP	2009 U.S. GAAP	2010 U.S. GAAP	2011 U.S. GAAP	2011 IFRS
<b>Results of Operations:</b>						
Gross Profit	¥ 857,689	¥ 934,542	¥ 935,232	¥ 779,512	¥ 863,534	¥ 863,994
Net Financial Income	(22,991)	(27,578)	(21,487)	(12,773)	(5,551)	(8,079)
Interest Expense, net	(37,086)	(42,838)	(36,120)	(24,070)	(15,562)	(18,090)
Dividends	14,095	15,260	14,633	11,297	10,011	10,011
Equity in Earnings of Associated Companies, net*	70,307	56,942	89,954	76,132	92,168	95,580
Net Income attributable to Sumitomo Corporation*	211,004	238,928	215,078	155,199	202,732	200,222
<b>Financial Position at Year End:</b>						
Total Assets	8,430,477	7,571,399	7,018,156	7,137,798	7,269,323	7,230,502
Sumitomo Corporation Shareholders' Equity	1,473,128	1,492,742	1,353,115	1,583,726	1,619,932	1,570,468
Interest-Bearing Liabilities (net)	2,913,256	3,247,556	3,186,833	2,781,791	3,041,750	3,056,256
<b>Cash Flows:</b>						
Net Cash Provided by Operating Activities	194,279	323,662	348,779	510,425	242,215	219,502
Net Cash Used in Investing Activities	(449,740)	(298,041)	(261,517)	(59,381)	(499,797)	(469,378)
Free Cash Flow	(255,461)	25,621	87,262	451,044	(257,582)	(249,876)
Net Cash Provided by (Used in) Financing Activities	169,682	7,866	(5,844)	(150,103)	164,040	155,879

**Notes:**

- 1) For the fiscal year ended March 31, 2010, the Companies adopted ASC 810 "Consolidation" (formerly SFAS No. 160) and changed the certain presentation. The prior years amounts are reclassified to conform to ASC 810.
- 2) We have prepared consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") from the fiscal year ended March 31, 2011 instead of U.S. GAAP. The date of transition to IFRSs was April 1, 2009.
- 3) We established quantitative targets in our medium-term management plan based on U.S. GAAP until the fiscal year ended March 31, 2011. For readers' convenience, we disclose the consolidated financial information based on U.S. GAAP for the fiscal year ended March 31, 2011.



Yen						
	2007 U.S. GAAP	2008 U.S. GAAP	2009 U.S. GAAP	2010 U.S. GAAP	2011 U.S. GAAP	2011 IFRS
<b>Amounts per Share:</b>						
Net Income attributable to Sumitomo Corporation*: Basic	¥ 169.93	¥ 192.51	¥ 172.06	¥ 124.15	¥ 162.18	¥ 160.17
Diluted	169.90	192.47	172.03	124.12	162.11	160.09
Sumitomo Corporation Shareholders' Equity*	1,192.35	1,194.20	1,082.47	1,266.93	1,295.88	1,256.31
Cash Dividends Declared for the Year* <sup>1</sup>	33.00	38.00	34.00	24.00	36.00	36.00
<b>Ratios:</b>						
Sumitomo Corporation Shareholders' Equity Ratio (%)*	17.5	19.7	19.3	22.2	22.3	21.7
ROE (%)	15.2	16.1	15.1	10.6	12.7	12.9
ROA (%)	2.8	3.0	2.9	2.2	2.8	2.8
Debt-Equity Ratio (net) (times)	2.0	2.2	2.4	1.8	1.9	1.9
<b>For Reference:</b>						
Total Trading Transactions* <sup>2, 3</sup>	¥10,528,277	¥11,484,585	¥10,749,996	¥7,767,163	¥8,350,352	¥8,349,371
Basic Profit* <sup>4</sup>	202,938	197,126	242,982	151,356	216,381	220,466

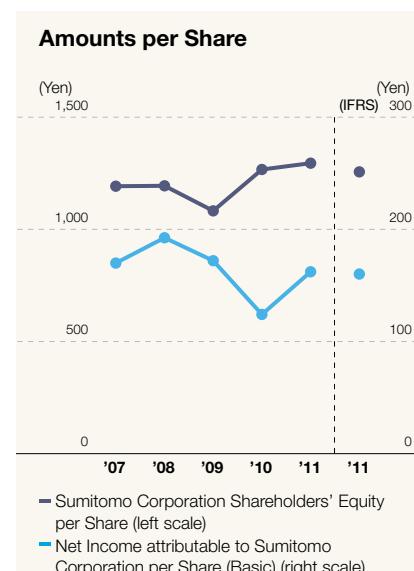
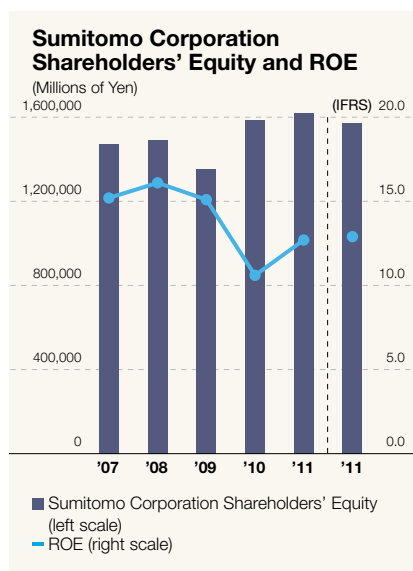
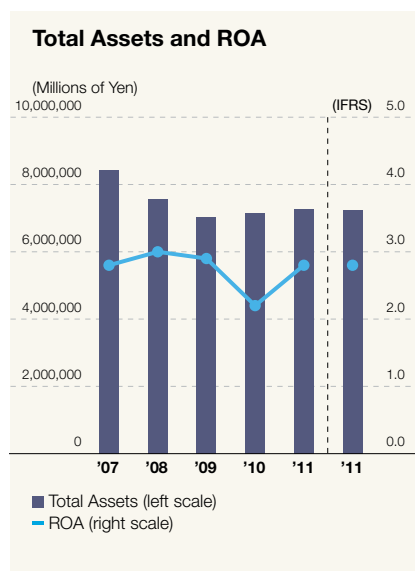
\* Under IFRSs, "Equity in earnings of associated companies, net" corresponds to "Share of profit of investments accounted for using the equity method," "Net income attributable to Sumitomo Corporation" corresponds to "Profit for the year attributable to owners of the parent," "Sumitomo Corporation shareholders' equity" corresponds to "Equity attributable to owners of the parent" and "Sumitomo corporation shareholders' equity ratio" corresponds to "Equity attributable to owners of the parent ratio."

\*<sup>1</sup> Cash dividends per share represents the cash dividends declared applicable to each respective year, including dividends paid after the year-end.

\*<sup>2</sup> Total trading transactions is presented in a manner customarily used in Japan solely for Japanese investors' purposes.

\*<sup>3</sup> 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") or IFRSs.

\*<sup>4</sup> Basic Profit = (Gross profit – Selling, general and administrative expenses (excluding provision for doubtful receivables) – Interest expenses, net of interest income + Dividends) x (1 – Tax rate) + Equity in earnings of associated companies, net (Tax rate was 41% for fiscal year ended March 31, 2007 and after)



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#### Cautionary Statement Concerning Forward-Looking Statements

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

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

## CROSS-BOUNDARY GROWTH THROUGH BUSINESS MODEL INNOVATION

Faced with momentous shifts in the global industrial structure, we aim to drive cross-boundary growth across regions, generations and organizations, with “Growing Together” as our new watchword.

Susumu Kato, President and CEO



The Great East Japan Earthquake that struck in March 2011 caused severe devastation and had a widespread impact on a great number of people. We wish to send our thoughts and prayers to all those affected by the disaster, as we honor the memories of those who lost their lives. Sumitomo Corporation will continue to put its full weight behind recovery and reconstruction efforts to assist people in the devastated areas, in hope of the speediest possible recovery.

## Quantitative and Qualitative Targets Achieved

### Summary of the FOCUS'10 Medium-term Management Plan

The FOCUS'10 medium-term management plan covered the two-year period from April 2009 to March 2011. Under the plan, we sought to build an organization and growth model that would enable sustainable growth in any financial and economic environment. The plan had three qualitative targets: steady execution of a selective & focused growth strategy; thorough reinforcement of soundness and efficiency; and development of human and organizational dynamism to enhance value-creation capability. We implemented a range of initiatives to achieve these targets, including balance sheet management measures. As a result, we achieved the plan's quantitative targets resoundingly. Net income for fiscal 2010 (ended March 31, 2011) was ¥202.7 billion, higher than the plan's initial target of ¥160.0 billion. The Risk-adjusted Return Ratio average over the 2-year plan was 12.7%, which exceeded the plan's target of around 10%.

#### FOCUS'10 Results

Net income (Billions of Yen)	Initial target	Difference	Result
Fiscal 2010	160.0	+42.7	202.7
Fiscal 2009	115.0	+40.2	155.2

FOCUS'10 Quantitative Target		Result
Risk-adjusted Return (2-year avg.)	Around 10%	12.7%



In terms of investment and finance, we invested a total of ¥600.0 billion over the past 2 years, mainly in the fields of mineral resources & energy, and media and lifestyle, with the view to enhancing our earnings streams. This represents one of the highest levels of investment and finance we have ever recorded. Even while actively investing in and financing projects, we strove to replace our assets and recover our cash. Consequently, we generated positive total free cash flow over the plan's two-year period. We finished the FOCUS'10 plan with roughly the same amount of total assets as at the beginning of the plan (March 31, 2009), excluding the increase in cash and deposits.

As you can see, I believe that we performed well against the FOCUS'10 targets. However, the fact remains that we still have certain businesses that are underperforming in terms of profitability and growth potential. It is no less true that we have valuable assets and human resources tied up in these businesses. In light of these issues, our new medium-term management plan  $f(x)$  ("f-cross"), which began in April 2011, will seek to make our medium- and long-term vision clearer than before. Based on this vision, one key priority of the new plan will be to press ahead with more effective resource management from a company-wide perspective.

## **Business Model Innovation**

### **Concepts Enshrined in the New Medium-term Management Plan $f(x)$**

The quantitative targets for the new  $f(x)$  plan are net income of ¥220.0 billion in fiscal 2011 and record net income of ¥260.0 billion in fiscal 2012, as well as a Risk-adjusted Return Ratio of at least 15% in fiscal 2012. Our balance sheet forecast calls for an increase in assets of ¥1,150.0 billion over 2 years. We intend to execute well-balanced investments in both existing and new businesses across each region and field. We are forecasting total investment and finance of ¥580.0 billion over the 2-year period. In terms of fields, we plan to focus investment and finance in the mineral resources & energy field and the environment and new energy field. In terms of regions, our main focus will be on regions with growing populations, including emerging countries, such as those in Asia and North America where future growth is expected.

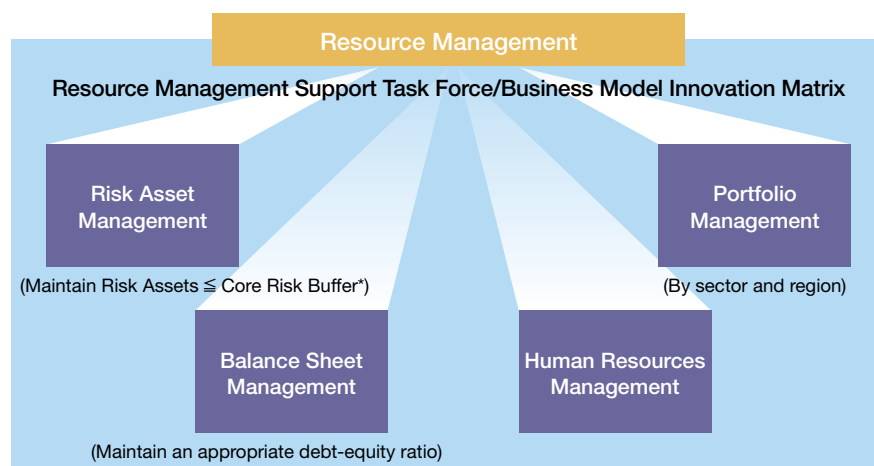
While increasing assets in this manner, we will resolve the outstanding issues carried over from FOCUS'10 and drive business model innovation. We will control the balance sheet by offsetting the increase in assets from new projects with particularly large asset reductions. As a result, we expect to finish the  $f(x)$  plan with around the same amount of total assets as at March 31, 2011. Interest-bearing liabilities will be reduced by ¥250.0 billion to around ¥2,800.0 billion through large asset reductions. Based on this, we are forecasting a net debt-equity ratio of around 1.5 times. We also expect to generate positive total free cash flow over the plan's two-year period.



I have chosen “Growing Together” as our watchword for the year 2011. This is just another way of expressing the idea of “cross-boundary growth,” which signifies the growth across regions, generations and organizations we are striving for under the  $f(x)$  plan. The  $f(x)$  plan will carry on the basic policies of FOCUS’10. Enshrined in the new plan, however, is our new goal of driving business model innovation in response to the demands of the times. In the process, every member of our organization will grow together with all of our partners by transcending various boundaries.

By “innovation,” we mean enhancing the workings of our company so that our partners will recognize us as a high-value enterprise even if we are active in the same region or field. We also mean boldly reshaping our business models in line with shifts in geographic focus and industrial structure. “Every business has a position” may be defined in terms of a combination of three factors: global power structure, industrial structure and business functions. Another way of expressing the idea of “business model innovation” is that we will reposition our businesses in terms of those parameters. By finding a new position, we can also provide opportunities to grow for the next generation of our leaders. This is one way we can implement the key aspects of our Management Principles, namely to foster a corporate culture based on “vitality” and “innovation,” and embrace a Management Style that emphasizes “the utmost respect for the individual.” Under the  $f(x)$  plan, I intend to remain absolutely focused on this style of business model innovation.

### Business Model Innovation



\* Common stock + Retained earnings + Foreign currency translation adjustments – Treasury stock, at cost

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## **Executing Four Key Actions**

### **Approaches to Achieving the Plan's Targets**

Under the  $f(x)$  plan, we will execute four key actions to ensure that we rapidly achieve business model innovation.

To this end, we must identify the specific fields where we will prioritize the allocation of business resources and accelerate strategic resource management. I also believe that effective resource management is an extremely important means of providing opportunities for talented personnel to grow and succeed professionally.

Our integrated corporate strengths are the driving force behind strategic resource management. We will deepen our integrated corporate strengths, a key competitive advantage of our company, on a global basis in collaboration with various partners around the world. I am confident that this process will lead to the creation of new value.

We must also further clarify the medium- and long-term vision for business sites if we are to harness our integrated corporate strengths to the fullest extent. We intend to develop a framework for the entire group to share our medium- and long-term vision and plans that are vital to the effective functioning of each business site. Under FOCUS'10, we have already implemented a project to develop approaches based on our vision—an initiative designed to clarify our medium- and long-term vision from multiple perspectives, including global power structure, industrial structure and business functions. Under  $f(x)$ , we will translate this project's results into specific management processes and develop this initiative through discussions at the management level.

Our people will be our most important asset for executing the above three key actions. Of course, we have continued to implement personnel development programs over many decades. However, we will now put particular emphasis on the development and deployment of talented overseas staff, as we develop a multitude of programs to enhance personnel management on a company-wide level.

## **To Always be an Admired Company**

### **Joining Forces and Growing Together**

Sumitomo Corporation aspires to become a global corporate group that contributes broadly to society. To achieve this goal, we must constantly create new value and generate commensurate profit in return. The profit we earn can be used to finance forward-looking investments and to pay dividends to our shareholders. I believe that it is crucial for management to find the right balance between the two. From this standpoint, we are targeting a dividend payout ratio in the range of 20% to 30% going forward.



I also believe that we must ensure that Sumitomo Corporation is a company people admire. This is an integral part of our corporate value. In addition to pressing ahead with business activities to generate appropriate profit, I want Sumitomo Corporation to contribute in many different ways to society as a company. No effort will be spared to this end. I believe that a solid track record of corporate citizenship will ultimately enhance our corporate value over time.

After the earthquake and tsunami disaster struck Japan, I personally visited the devastated Tohoku region. The sheer destruction was beyond anything I could imagine, and left me at a loss for words. However, I was strongly encouraged by the sight of the Group's hard-working employees, who gave top priority to relief and restoration efforts in the affected regions and at our business partners. It is precisely in these times that we must find some way to provide assistance in a manner that fully capitalizes on the strengths of integrated trading companies, with business foundations in many different fields and regions. Looking ahead, we will give careful thought to what we can do, as we redouble our efforts to provide lasting assistance to the fullest extent possible. We are determined to apply the principle of "cross-boundary growth," as set forth in our new medium-term management plan, to recovery and rebuilding efforts as well. At the same time, we will give back to society as a good corporate citizen for the benefit of our partners and society at large.

To remain a company that is admired by the public, I sincerely hope to join forces with our partners and people around the world in the quest to achieve sustainable growth together.

August 2011

Susumu Kato, President and CEO

A handwritten signature in black ink, consisting of a series of loops and strokes, representing the name Susumu Kato.



## SPECIAL FEATURES

# Growing Together

Working together to create new value with business partners, customers and employees from around the world is more important now than ever for Sumitomo Corporation to achieve further growth. This Annual Report 2011 features three businesses as examples of how the Company is growing together with stakeholders.

The first feature, "Contributing to Stable Supplies of Mineral Resources and Energy," showcases how employees and the Company have worked together in various resource business initiatives. The second feature, "Full-scale Entry Into China's Fast-Growing Pharmaceuticals Market," examines Sumitomo Corporation's relationship with business partners in China as it enters the nation's pharmaceuticals business. While the third feature, "SUMMIT Netsuper: An Online Supermarket for Diverse Lifestyles," is a portrait of how Sumitomo Corporation kept consumers at heart in developing a new market.



# Contributing to Stable Supplies of Mineral Resources and Energy

Market

Strategy

We are focused on expanding our prime upstream interests and assets, to help ensure a stable supply of mineral resources and energy, to enable the sustainable growth of Japan and the larger global economy.



**Kuniharu Nakamura**

General Manager

Mineral Resources, Energy, Chemical & Electronics Business Unit

## How do you recognize business environment surrounding the mineral resources and energy sector?

In recent years, demand for mineral resources and energy has been increasing against the backdrop of rapid economic growth in China, India, and other emerging markets. On the supplier side, the major players are increasingly dominating the industry. As a result, we are seeing the mineral resources majors strengthen their control over prices. On the customer or demand side, we are seeing moves by customers to secure their own resources interests and bolster their purchasing

power through business integration. In these and other ways, the battle for securing mineral resources and energy interests has become exceedingly fierce.

In this environment, we believe that supply and demand will remain tight. Based on this, we expect prices to continue to gradually trend upwards, despite some short-term price volatility.

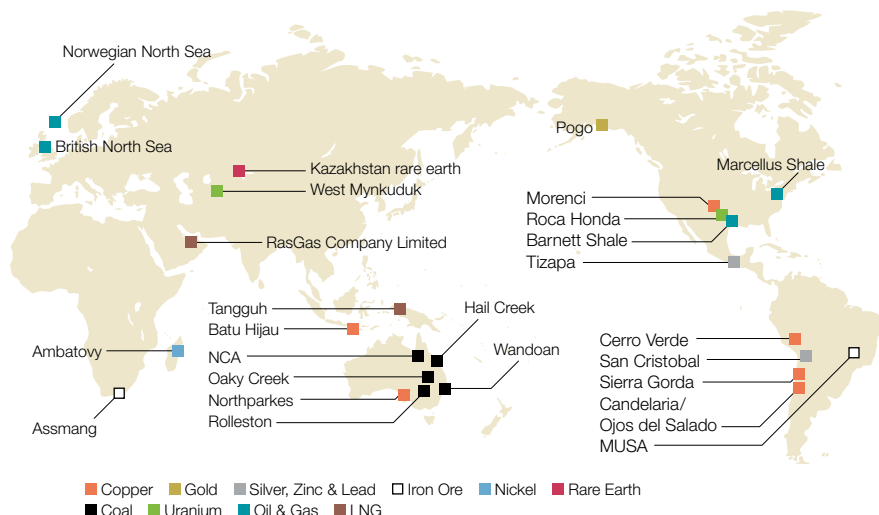
There are high hopes for future increase in supply sources driven by technological innovations such as shale gas. These new supply sources have the potential to fulfill the world's burgeoning demand for resources.

## What is your business mission, basic policies, and investment strategy?

Sumitomo Corporation's mission in the mineral resources and energy business is to help ensure stable supply to enable the sustainable growth of Japan and the larger global economy. While adhering to this mission, our basic policy is to actively expand our upstream interests from a medium and long-term perspective.

Sumitomo Corporation was a late-comer in the mineral resources and energy business relative to other peers. However, we have steadily expanded our upstream interests portfolio. Decisions on building

## Upstream Interests Portfolio in Mineral Resources & Energy



up the portfolio take three factors into consideration: commodity type, region, and time horizon. With commodity types, we see copper, coal, iron ore, petroleum and gas as key strategic commodities, and have augmented our portfolio with zinc, lead, nickel and other mineral resources. In terms of region, our objective is to diversify country risk. As for time horizon, we formulate investment strategies with time spans of up to 5 to 10 years into the future. Here, we take into account the limited operating life of each mine given that mineral resources are finite. Another consideration is that new development projects involve lead time from making investment decisions to commencing delivery of commodity supplies.

### What are Sumitomo Corporation's competitive advantages?

Besides the well-balanced upstream interests portfolio, our competitive advantages in the mineral resource and energy business lie in our actively developing and experienced human resources. Our people have gained invaluable experience and expertise by taking the lead in managing the San Cristobal Silver, Zinc and Lead

Mining Project (Bolivia), in which we have assumed full ownership. I am convinced that Sumitomo Corporation will receive stronger evaluations from our business partners by having these talented personnel work on other projects as well.

### What are your strategies for $f(x)$ ? Please describe what will contribute to your future earnings?

Under  $f(x)$ , our new medium-term management plan that began in April 2011, our business unit's strategy is to execute large projects on schedule. These projects include

the Ambatovy project in Madagascar, the MUSA iron ore project in Brazil, and U.S. shale gas projects. Our strategy also calls for continuing efforts to develop new projects in the business unit's four key strategic commodities—copper, coal, iron ore, and petroleum/gas. In addition to these measures, we decided in fiscal 2011 to invest in the Sierra Gorda project in Chile. This project is scheduled to begin contributing substantially to earnings from around 2014–2015. By building up prime interests and increasing equity in production, we aim to steadily fulfill Sumitomo Corporation's mission in this field.

### Whom will your business unit “grow together with” in contributing to society?

Mineral resources and energy projects extend over long periods of time. Therefore, it is essential that we grow together with a broad range of stakeholders, including the regions and countries where we conduct this business and the people engaged in this business. Our business unit's slogan is “Building Up People, Business and Dreams.” Guided by this slogan, we hope to make a meaningful contribution to society.

### Major Recent Investments in the Mineral Resources & Energy Field

- Acquired additional interests of the San Cristobal Silver, Zinc and Lead Mining Project and made it a wholly owned subsidiary (March 2009)
- Acquired additional oil field interests in the British North Sea through the purchase of Oranje-Nassau Energie B.V. (May 2009)
- Acquired additional interests in the Pogo Gold Mine in the U.S. (July 2009)
- Participated in the Barnett shale gas field development project in the U.S. (December 2009)
- Participated in the Marcellus shale gas field development project in the U.S. (September 2010)
- Invested capital in MUSA, an iron ore mining venture in Brazil (December 2010)
- Agreed to participate in the Sierra Gorda copper mine development project in Chile (May 2011)
- Continued development of the Ambatovy nickel project in Madagascar (scheduled for full operation in the year ending March 2014)





The MUSA iron ore mine in Brazil

#### Project Map



#### Earnings

## Iron Ore: Participation in Large-scale Iron Ore Project (Brazil)

Going forward, demand for steel is expected to steadily increase primarily in China, India, Brazil and other emerging countries.

In this climate, Sumitomo Corporation has been actively pursuing investment opportunities in prospective iron ore mining projects in Brazil over the past few years. As a result, in December 2010, we entered into a strategic partnership with Usinas Siderúrgicas de Minas Gerais S.A. (“Usiminas”), a leading Brazilian steel producer. Through this strategic partnership, we have participated in Usiminas’ existing iron ore mining operations and their planned expansion.

This venture will be a fully integrated iron ore project spanning iron ore mines, railway capacity and port facilities. Our total investment in the project will be up to US\$1,929 million, or approximately ¥170 billion.

In fiscal 2011, annual production of these mining operations is projected at around 8 million tons. We plan to expand production to around 30 million tons by 2015, along with developing port facilities.

Because the project involves existing mining operations, iron ore production has already commenced. Therefore, we expect the project to begin contributing to earnings in its first fiscal year. Estimated potentially minable resources are approximately 2.4 billion tons, giving the iron ore mines a long operating life of 30 to 40 years.

In addition, there are several small and medium-sized mines, as well as undeveloped mining deposits, in the surroundings of the project’s iron ore mines. The project offers significant upside potential through the joint development of these mines and mining deposits.

In these ways, Sumitomo Corporation believes that this project is a good fit with our strategy for its upstream interests portfolio in mineral resources. The project involves iron ore mines with relatively stable operations and demand for iron ore is expected to continue growing. Geographically, Brazil is a focus area where Sumitomo Corporation does not yet own interests in mineral resources. In terms of time horizon, the iron ore mines are already operational and are expected to contribute to earnings rapidly, while offering strong prospects for future growth.



### Together with employees

## Getting Through Negotiations on Acquiring Brazilian Iron Ore Interests

During negotiations, I found myself dealing with a counterpart who spoke Portuguese relentlessly. Without backing down, I rigorously asserted my beliefs. I made a point of shunning vague discussions for the sake of avoiding confrontation. Even so, misunderstandings arose. There were frustrating moments when we could not get our ideas across to one another. However, we developed a stronger understanding of each other’s thinking. We explored a fair and equitable way forward for both parties through logical albeit sometimes heated discussions. When we had exhausted discussions, all that remained were the toughest points to agree upon. Both parties shared their passion for the iron ore business and were able to get through these negotiations because they recognized in each other a true partner. I am now stationed at “MUSA” (Mineração Usiminas S.A., a Brazilian iron ore mining venture), where I continue to embrace challenges to make us more than just a business partner but an integral part of this business. (Hisahide Kikkawa, “MUSA”)



Together with MUSA employees  
(Mr. Kikkawa is third from right.)



#### About Shale Gas

Dramatic improvement in exploration and production (E&P) technologies, spurred by technological innovation in the 1990s, has paved the way for the economically viable exploration and development of natural gas trapped in shale. The emergence of shale gas has drastically transformed the U.S. supply and demand outlook for natural gas, and has brought about a sea change in the upstream petroleum gas industry referred to as the "shale gas revolution."

#### Earnings

### Shale Gas: First Japanese Company to Participate in the U.S. Shale Gas Business

In December 2009, Sumitomo Corporation became the first Japanese company to participate in a shale gas development project, through entering into a drilling program at the Barnett Shale Field in the state of Texas, USA. This was followed in September 2010 by participation in a shale field development project with higher potential in the U.S. state of Pennsylvania: the Marcellus Shale Field. Through these measures, we are expanding our natural gas business in the U.S.

In the Marcellus project, plans call for spending total development expenses of around \$1.2 billion (around ¥100 billion) to drill more than 1,100 wells over the next 10 years. Peak annual production is projected to reach 46 billion cubic feet (crude oil equivalent of 8.4 million barrels) in 2018.

In addition to shale gas, the project will produce Natural Gas Liquids (NGL) and condensates as byproducts. With transaction prices for these byproducts linked to crude oil prices, the project also offers upside earnings potential.

Furthermore, we will invest in gas processing operations to separate the extracted shale gas. We are also engaged in the natural gas trading and sales business. In these ways, we are working to establish a natural gas value chain across the U.S.

By taking full advantage of the insights gained in the U.S., we aim to expand our natural gas operations on a global scale going forward.

#### Construction & Mining Systems Division, Transportation & Construction Systems Business Unit

### The Sumitomo Corporation Group's Ever Increasing Presence in Mongolia Fulfilled Large Mining Equipment Order for Oyu Tolgoi, One of the World's Largest Copper and Gold Mines

In January 2011, the Sumitomo Corporation Group received a large mining equipment order for Mongolia's Oyu Tolgoi mine, one of the world's largest copper and gold mines, which is currently under development.

Oyu Tolgoi is located 550km south of Mongolia's capital Ulan Bator in the Gobi desert, which has large temperature contrasts between day and night. Mining equipment must be operated 24 hours a day, year round, and thus requires considerable specialized knowledge in terms of maintenance services and safety management. The key factor in winning this order was the positive evaluation and strong trust earned by Sumitomo Corporation Group from customers for its mining equipment services and operations, which have been cultivated through operations in the remote and harsh

conditions of the Canadian Arctic. The order also recognizes the Group's 20-year track record of business activities in Mongolia.

The Group was also highly commended for its training programs for Mongolian mine development personnel. Mongolia is blessed with abundant, undeveloped underground mineral resources. Following a recent surge in mine development, however, Mongolia now faces a shortage of mining-related engineers. In response to this issue, the Sumitomo Corporation Group has actively assisted with human resources training through measures such as the establishment of a scholarship fund at the Mongolian University of Science and Technology and conducts on-site training together with the Mongolian government. Through these measures, the Group aims to win orders for large new development projects while con-



On-site training

tributing to the development of Mongolia.

The mining equipment business is a field where the Sumitomo Corporation Group can take full advantage of its integrated corporate strengths through cooperation among Construction & Mining Systems Division, Mineral Resources and Energy Divisions and regional organizations with a global reach. It is a field where Sumitomo Corporation Group can drive substantial growth by extending our success in Mongolia to other regions around the world.



# Full-scale Entry Into China's Fast-Growing Pharmaceuticals Market

**Pharmaceuticals Market Growth Rate by Country**

(%)

30.0

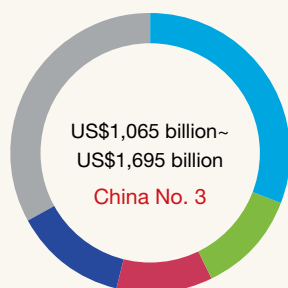
20.0

10.0

0

	2006-2010 CAGR	2011-2015 CAGR
— China	23.9%	19–22%
— U.S.	4.5%	0–3%
— Japan	2.6%	2–5%
— EU5*	4.1%	1–4%

**2015 Projected World Pharmaceuticals Market Size**



- 31% U.S.
- 12% Japan
- 11% China
- 13% EU5\*
- 33% Other

\* EU5 is the combination of five countries: Germany, France, Italy, Spain and U.K.

Source: Copyright 2011 IMS Health. All rights reserved.  
"Global Use of Medicines: Outlook Through 2015"  
(IMS Institute of Healthcare Informatics) Reprinted  
with Permission.

## Market

### China Projected to Become World's 2nd Largest Pharmaceuticals Market by 2020

China's pharmaceuticals market is a cradle of growth that has been expanding at an annual rate of nearly 20%. From its standing as the world's ninth largest pharmaceuticals market in 2005, China became the world's third largest pharmaceuticals market after the U.S. and Japan in 2010 with a market size of approximately US\$41 billion. Whereas annual market growth rates in Japan, the U.S. and Europe are expected to remain at around 4% going forward, China should continue to see annual growth of at least 20%, driven by an increase in high income earners and the development of public health insurance systems. In 2015, the Chinese market is projected to have a value of approximately US\$120 billion and in 2020 is projected to surpass Japan to become the world's second largest pharmaceuticals market.

Currently, generic drugs sold mainly by local companies account for around 70% of China's market on a selling price basis and 95% on a volume basis. The remainder consists of original brand-name drugs of foreign pharmaceuticals companies and others. In China, the market share of original brand-name drugs is thus lower than that in developed countries and regions such as Europe, the U.S. and Japan. Therefore, the original brand-name drug market is anticipated to expand further in step with China's economic development.

## Strategy

### Supply Pharmaceuticals to China in Partnership with C&O

Eyeing the potential of China's pharmaceuticals market, particularly the original brand-name drug market, Sumitomo Corporation acquired in December 2010 a 29% equity interest in C&O Pharmaceutical Technology (Holdings) Limited ("C&O"), a Chinese pharmaceuticals company. This acquisition marked Sumitomo's full-scale entry into China's pharmaceuticals market.

Sumitomo started out in the pharmaceuticals business in the 1970s with the trading of pharmaceutical ingredients. Through this trading, Sumitomo has supplied high-quality pharmaceutical ingredients worldwide. As the life sciences boom took hold in the 1980s, Sumitomo signed a sole agency agreement with the U.K.'s national research organization "Medical Research Council" and other organizations and put in place a framework for finding the seeds of innovative new drugs for the future. In the mid-1990s, Sumitomo started providing comprehensive R&D support services, ranging from alliance services for drug discovery research, license arrangement, contract manufacturing to distribution of pharmaceuticals and diagnostic agents. In the 2000s, Sumitomo acquired Oxford Finance Corporation, a financing company specializing in life science ventures in the U.S., and expanded business to the licensing of new drugs and new technologies from borrowers.

### Corporate Profile

Official Name: C&O Pharmaceutical Technology (Holdings) Limited  
Established: 2003 (listed on the Singapore Stock Exchange in 2005)  
Scope of Operations: R&D, manufacturing, import and sales of pharmaceuticals  
Business Results: Annual turnover of approx. JPY 7 billion  
Net income of approx.: JPY 1.7 billion (fiscal year ended June 30, 2010)  
No. of employees: Approx. 1,300  
Network:



Through these activities, Sumitomo has developed expertise and a track record in the supply of pharmaceutical ingredients and the new drug licensing business. Based on this expertise and experience, Sumitomo set out to enter the pharmaceutical manufacturing business as the next phase of its strategy. Specifically, it began exploring ways to establish a pharmaceuticals manufacturing platform in China's pharmaceuticals market.

C&O is a medium-sized comprehensive pharmaceuticals company that has steadily grown into a drug maker capable of integrated development, manufacturing and sales of pharmaceuticals. C&O was looking for a partner because it believed that licensing in new drugs and original brand-name drugs from overseas markets was essential to driving new growth.

This alliance constitutes a win-win relationship for both companies because each will benefit from the functions sought from one another. Based on this relationship, the alliance will enable the two companies to develop a pharmaceuticals business centered on original brand-name drugs in the fast-growing Chinese market.

### Earnings

## Contributing to People's Quality of Life

C&O has a staff of approximately 800 medical representatives (MRs) responsible for directly providing information about pharmaceutical products to hospitals. Through its network of roughly 2,000 distributors, C&O supplies pharmaceutical products to approximately 300,000 hospitals and pharmacies throughout China.

Sumitomo intends to provide pharmaceuticals developed by drug makers in Japan, the U.S. and Europe to the Chinese market through C&O and its aforementioned distribution network. At the same time, Sumitomo plans to export pharmaceuticals produced by C&O to Southeast Asia and other overseas markets. In this way, Sumitomo aims to increase C&O's annual turnover to around ¥15.0 billion, roughly double the current level, over the next 5 years. Furthermore, Sumitomo will increase C&O's lineup of high-quality, safe pharmaceuticals by supplying the highest-quality and most-competitive pharmaceutical ingredients from around the world to C&O. By doing so, Sumitomo will help to improve people's quality of life.



### Together With Our Partners

## Driving New Growth by Licensing in Pharmaceuticals From Around the World

Double-digit growth driven by healthcare reform and other factors is expected to continue for the next few years in China's emerging healthcare market. Working hand in hand with Sumitomo Corporation provides us with new business opportunities and introductions to new products through their extensive worldwide networks. Our partnership with Sumitomo Corporation also increases C&O's reputation in the pharmaceutical industry and improves our investors' and business associates' confidence in us.

Internally, there is a lot we can learn from Sumitomo's expertise that will help improve C&O's corporate management, while sharing their experience and management philosophy will better equip us, enabling us to become bigger and stronger in the emerging China market.

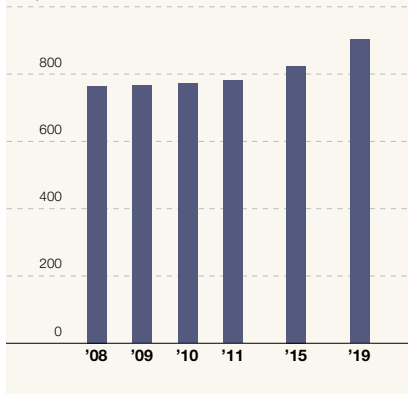


C&O Pharmaceutical Technology (Holdings) Limited  
CEO **Gao Bin**

# SUMMIT Netsuper: An Online Supermarket for Diverse Lifestyles

**Size of the Food Delivery Market in Metropolitan Tokyo**

(Billions of Yen)  
1,000



Source: Data from 2008 through 2011 modified by Sumitomo Corporation based on the Yano Research Institute's "Food Home Delivery Market 2011." Data from 2015 onward are Sumitomo Corporation estimates based on the average annual growth rate from 2008 through 2010.

## Mission Statement of SUMMIT Netsuper

**SUMMIT Netsuper,**  
by making the most of  
Internet media, directly delivers  
to customers food and beverages  
needed for daily life, products  
that enrich their lives and  
impeccable customer service  
at all times.

## Market

### The Fast-growing Market for Online Supermarkets

The market for food delivery services in the Tokyo metropolitan area is currently estimated at around ¥770 billion, including individual and joint delivery from consumer cooperatives, online supermarkets and ready-made food delivery services. The market is expected to continue growing, with projections exceeding ¥900 billion in the next five to ten years.

The social landscape is going through many changes, including an increasing number of the elderly and working women, a large number of households with high-speed Internet, and evolution in Internet applications, bringing about more diversity in consumer lifestyles. In this context, even the delivery of fresh food, considered to be the last frontier of the food delivery market, is undergoing change, as online supermarkets are attracting attention as an innovative retailing format.

The market for online supermarkets in the Tokyo metropolitan area has grown rapidly over the last few years. Although the market was only about ¥30 billion in fiscal 2010, we believe online supermarkets have the potential to make up a majority of the food delivery market in the next five to ten years.

Sumitomo Corporation commenced operation of SUMMIT Netsuper in October 2009, making it the first online supermarket based on Central Product Delivery in the Tokyo metropolitan area. Through company-owned dedicated processing and delivery centers for fresh food, produce, and general merchandise, SUMMIT Netsuper can make deliveries directly to customers. This model has several advantages over online supermarkets which make deliveries from local stores and deal with space constraints. For example, it is easier for centralized online supermarkets to scale up their order processing capacity and prevent items from going out-of-stock, as well as provide a diverse set of additional services in terms of product lineups, delivery and more.

## Strategy

### Achieve Full-scale Market Entry With a Centralized Online Supermarket Service That Leverages Our Integrated Corporate Strength

The Media, Network & Lifestyle Retail Business Unit is currently pursuing a cross-media retail strategy for expanding consumer reach and maximizing earnings opportunities. This includes providing products and services to individual consumers through various channels, including brick-and-mortar retailers, TV, the Internet and mobile phones. The online supermarket business, which combines food supermarkets and the Internet, is seen as an integral component to the new strategic operation of cross-media retail business.

### Service Highlight

#### Delivery Drop-off Service

This convenient delivery drop-off service eliminates worries about missing deliveries when away from home.



We highly recommend this service to customers who cannot accept deliveries because they are at work during the day. Even when you are away from home, products will be delivered and placed on your doorstep or other place of choice in a secure condition.



Photograph of a delivery center. Delivery centers receive daily shipments of fresh food and produce from the central processing facility, which are then parceled with other foodstuffs and sundries for delivery to customers.

The operation of an online supermarket based on central delivery requires a broad array of expertise in perishable food processing and management, as well as product development skills and direct marketing expertise in the areas of sales promotions, customer service, IT, logistics, relevant laws and regulations and risk management. With knowledge cultivated from our cross-media retail strategy, and the expertise in managing and processing perishable foods from our supermarket business, Summit, Inc., we will take full advantage of the integrated corporate strength of the entire Sumitomo Corporation Group to operate and grow this business.

### Earnings

## Long-term Initiatives to Build Social Infrastructure

One of SUMMIT Netsuper's signature strengths is its ability to promptly deliver fresh food, made possible by the operational efficiency of its dedicated centers, from online order acceptance to final delivery. In addition, many valuable services are also provided. For example, SUMMIT Netsuper offers original premium merchandise, value-priced outlet products and other special items, while accepting many different forms of payment. Other special services include options for discounted delivery fees, email notifications of expected delivery times, and a delivery drop-off service that fits customers' lifestyles by enabling them to accept deliveries without being at home.

Going forward, we will continue to upgrade and extend high value-added products and services that take advantage of centralized online supermarkets and fit the lifestyle needs of customers. Accordingly, we aim to develop online supermarket services that are more convenient and familiar to customers, and that will become an integral part of the social infrastructure. In the future, we will look to partnerships with food supermarkets other than Summit, as we expand the business over the long-term. Our current target is to grow sales from online supermarket operations to the ¥100 billion level.



## Together with Customers

### Customer Feedback

- "Before, I found it difficult to carry groceries from the supermarket to my home. Now, SUMMIT Netsuper's home delivery services have made life a lot easier."  
(Woman in her 70s)
- "I look forward to every delivery of the *Kodawari Yasai* Set (Premium Vegetable Assortment). It offers a rich variety of vegetables and includes items I usually would not buy on my own."  
(Woman in her 50s)
- "Since I spend a lot of time away from home, I am very pleased with SUMMIT Netsuper's comprehensive delivery services, such as delivery drop-off."  
(Woman in her 30s)
- "Going out to shop for groceries is not easy when you have small children with you. SUMMIT Netsuper makes shopping a breeze because I can order in my spare time and have my order delivered right to my doorstep."  
(Woman in her 20s)



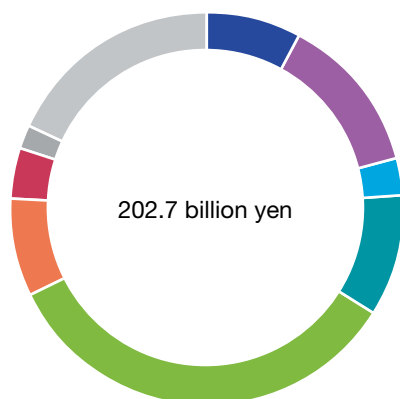
## OVERVIEW OF OPERATIONS

### At a Glance

Sumitomo Corporation conducts business globally in 9 segments, comprising 7 product-based business units and 2 domestic and overseas regional units.

#### Net Income by Segment (U.S. GAAP)

(FY2010)



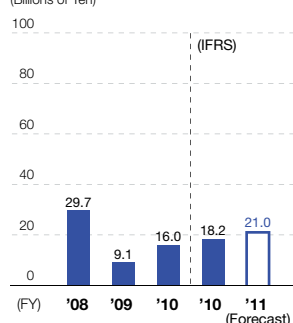
- 8% Metal Products
- 13% Transportation & Construction Systems
- 3% Infrastructure
- 10% Media, Network & Lifestyle Retail
- 34% Mineral Resources, Energy, Chemical & Electronics
- 8% General Products & Real Estate
- 4% New Industry Development & Cross-function
- 2% Domestic Regional Business Units and Offices
- 18% Overseas Subsidiaries and Branches

### Metal Products

➔ P. 28

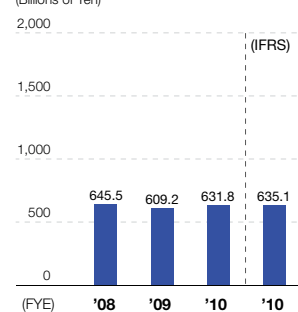
#### Net Income

(Billions of Yen)



#### Total Assets

(Billions of Yen)



#### Strategic Fields

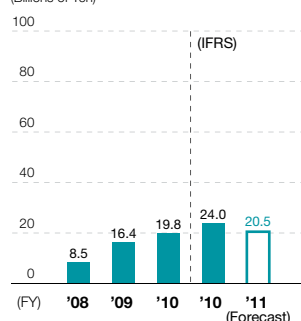
- Steel service center
- Tubular products value chain
- Overseas aluminum smelting & rolled aluminum sheet manufacturing
- Metal business for automotive & railway use
- Stainless steel processing & trading
- Wire rod processing
- Overseas structure steel business
- Metal business related to environment & alternative energy

### Media, Network & Lifestyle Retail

➔ P. 34

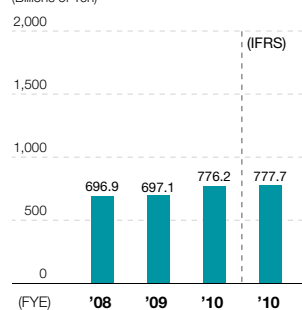
#### Net Income

(Billions of Yen)



#### Total Assets

(Billions of Yen)



#### Strategic Fields

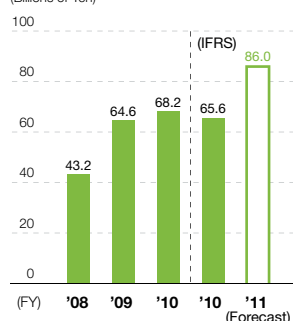
- Cable TV
- Broadcasting & cinema business
- Mobile communications
- Internet-related business
- IT solutions
- Food supermarket
- Drugstore
- Brand business
- TV shopping
- Apparel & interior-related business

### Mineral Resources, Energy, Chemical & Electronics

➔ P. 36

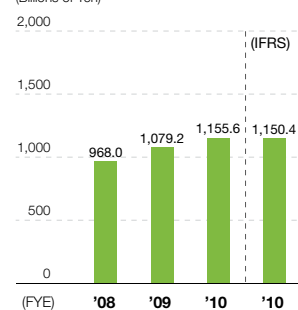
#### Net Income

(Billions of Yen)



#### Total Assets

(Billions of Yen)



#### Strategic Fields

- Copper
- Coal
- Iron ore
- Oil & gas
- Silver, zinc, lead & nickel
- Petrochemical products
- Sulfuric acid & rare earth
- EMS
- Agricultural chemicals & pharmaceuticals
- Pet care

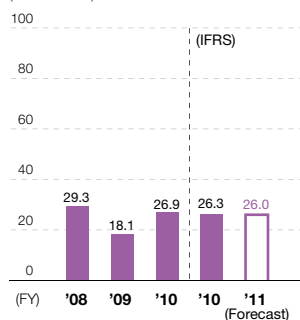


## Transportation & Construction Systems

→ P. 30

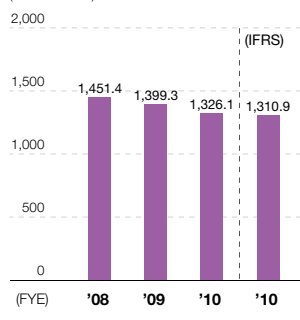
### Net Income

(Billions of Yen)



### Total Assets

(Billions of Yen)



### Strategic Fields

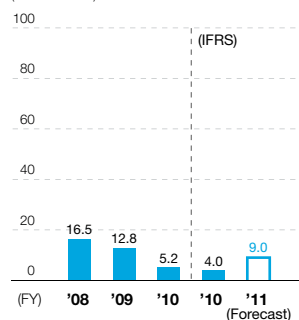
- Ship business
- Aerospace
- Railway EPC project
- Automobile export & sales
- Automotive leasing & retail finance
- Automotive manufacturing
- Construction equipment dealership & agricultural equipment sales
- Construction equipment rental
- Mining equipment

## Infrastructure

→ P. 32

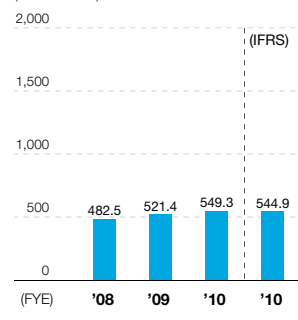
### Net Income

(Billions of Yen)



### Total Assets

(Billions of Yen)



### Strategic Fields

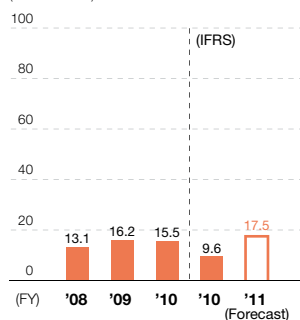
- IPP/IWPP
- Power Plant EPC
- Telecommunications
- Wind power & water infrastructure
- Industrial infrastructure
- Telecommunication project
- Power energy solutions

## General Products & Real Estate

→ P. 38

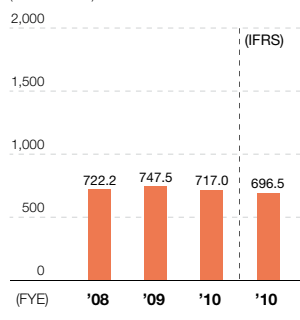
### Net Income

(Billions of Yen)



### Total Assets

(Billions of Yen)



### Strategic Fields

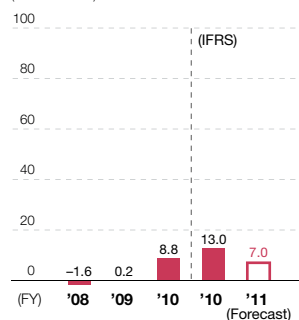
- Fresh foods
- Fertilizer
- Grain & sugar
- Tires
- Lumber & building materials
- Ready-mixed concrete
- Pulp & paper
- Office building & retail facility leasing business
- Condominium sales business
- Real estate fund business

## New Industry Development & Cross-function

→ P. 40

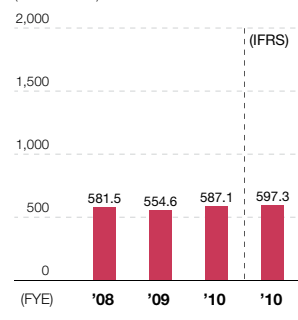
### Net Income

(Billions of Yen)



### Total Assets

(Billions of Yen)



### Strategic Fields

- PV business
- Environmental solution business
- Lithium-ion battery-related business
- VC/PE investment
- Leasing business
- Commodity business
- Value-added logistics
- Overseas industrial parks
- Insurance

# Metal Products



**Shunichi Arai**

General Manager  
Metal Products Business Unit

- Planning & Administration Dept.
- Iron & Steel Division, No. 1
- Iron & Steel Division, No. 2
- Iron & Steel Division, No. 3
- Tubular Products Division
- Non-Ferrous Products & Metals Division

## Business Unit Overview

Our business covers a broad range of steel products, including sheets and tubular products, and non-ferrous metals such as aluminum and titanium. We have an extensive value chain that satisfies the diverse needs of customers in a broad range of fields. In steel sheets, we provide a full range of services via our worldwide steel service center network, mainly to automakers and home appliance manufacturers. Services include steel sheet procurement, inventory management, processing and just-in-time supply. In tubular products, we are enhancing our functions as a total service provider by developing oil field services in addition to supplying tubular products to leading oil and gas companies through our proprietary supply chain management (SCM) system. In non-ferrous metals, our priority is to expand our production centers for primary aluminum and aluminum sheets.

Going forward, we will continue to reinforce our business by enhancing our entire value chain from upstream to downstream operations and upgrading its functions. In the process, we will continue to configure our business around participation in upstream manufacturing operations as the axis.

## Fiscal 2010 Results

In fiscal 2010, we reported net income of ¥16.0 billion, ¥6.9 billion higher than in the previous fiscal year. This mainly reflected solid performance in the overseas steel service center business and the tubular products business in North America.

In the tubular products business, we acquired two companies, namely SCOMI OMS Oilfield Service Pte Ltd and SCOMI OMS Oilfield Holding Sdn Bhd. Both companies are involved in the processing and sale of tubular products used in oil and gas production via a network of 10 offices in 7 countries mainly in Asia and the Middle East. These acquisitions have extended our tubular product value chain by enabling us to provide even higher quality services in the Asian and Middle Eastern markets, where demand for energy is anticipated to increase at an ever-faster pace going forward.

In the non-ferrous metals business, we joined an aluminum-smelting project in Malaysia operated by Press Metal Berhad, the country's largest aluminum extrusion company. This move will ensure stable long-term procurement of aluminum. Through this project, we aim to increase our trade in primary aluminum metal in the Asian market, where demand is expected to increase.

## Performance Highlights

(Billions of Yen)

(FY)	'06	'07	'08	'09	'10 (U.S. GAAP)	'10 (IFRS)	'11 (Forecasts/IFRS)
Gross Profit	77.6	80.2	86.4	54.1	66.1	66.1	<b>73.0</b>
Equity in Earnings of Associated Companies, Net	7.4	9.0	8.8	2.9	5.9	—	—
Net Income	26.3	29.2	29.7	9.1	16.0	18.2	<b>21.0</b>
Basic Profit	28.5	29.5	31.5	8.6	18.9	—	—
Total Assets	799.2	755.5	645.5	609.2	631.8	635.1	—

## *f* (x) Strategies

We aim to expand and upgrade our business by enhancing value chains in the energy and the automobile and transportation equipment fields, which offer strong growth prospects; expanding aluminum operations; and actively capturing growth in demand for building materials and other products in emerging countries.

### **Enhancing the Tubular Products Value Chain to Meet Increased Energy Demand over the Medium to Long Term**

Our tubular products business boasts an industry-leading network and trading volume, based on the global presence of our multifunctional operations. For example, we provide integrated Supply Chain Management (SCM) services spanning the ordering of tubular products to inventory management, processing, inspection, transportation and maintenance from our network of 17 locations in 14 countries around the world.

Demand for tubular products for crude oil and gas development projects is anticipated to increase steadily in the medium to long term, in response to heightened demand for energy mainly in emerging countries. For this reason, we intend to further enhance the tubular product value chain we have developed so far, with the view to expanding our earnings. Efforts will be directed particularly at stepping up initiatives in upstream manufacturing operations. Here, we are working to launch a seamless pipe manufacturing business in

Brazil through a joint venture with Sumitomo Metal Industries, Ltd. and Valloirec S.A. We aim to expand sales of competitive products from this new mill to North America, Africa, the Middle East and other regions.

Another priority is to extend and upgrade manufacturing operations in North America in response to increases in demand.

### **Building a Stronger Business in Steel Sheets, Tubular Products, Railway Products, Forging & Casting and Steel Logistics Equipment to Meet Changing Customer Needs and Growing Demand in Emerging Countries**

In China, Southeast Asia and other emerging countries and regions, demand is increasing for automobiles as well as motorcycles, home appliances and construction materials, driven by surging personal consumption.

Supplies of steel sheets and other raw materials for these products are projected to become increasingly tight going forward. In steel sheets, we will capture burgeoning demand by extending and upgrading our steel service center network

of 41 companies in 14 countries, mainly in China and other parts of Asia. Meanwhile, customer needs are diversifying in a host of other product categories as well. In response, we will expand our business infrastructure by addressing customer needs more flexibly. This will be achieved by setting up new locations, expanding facilities and refining and extending processing technologies.

### **Expanding Aluminum Production and Processing Centers**

Our aluminum business boasts one of the best transaction records in primary aluminum sales among Japanese general trading companies. Looking ahead, we will accelerate the development of production centers in global markets where growth is expected, with the view to building up our aluminum business network.

In the U.S. and Asia, we will strive to increase the depth of our aluminum value chain by conducting aluminum smelting, plate rolling and other operations through alliances with business partners. These efforts will help us to upgrade and extend our aluminum business.

### **Joining an Aluminum-Smelting Project**

In Malaysia, Sumitomo Corporation is pursuing an aluminum-smelting project with Press Metal Berhad, the country's largest aluminum extrusion company. The first phase of the project will have an annual aluminum smelting capacity of 120,000 tons, while the optioned second phase will raise the annual capacity by 240,000 tons. Sumitomo Corporation plans to supply the aluminum ingot and billet mainly to the Asian market through its network. In our aluminum business, we are transforming our earnings structure by shifting our emphasis from domestic operations and trading to overseas operations and project investments. As with this project, we will work to increase the depth of our aluminum value chain especially by participating in upstream fields.



# Transportation & Construction Systems



**Kazuo Ohmori**

General Manager  
Transportation &  
Construction Systems Business Unit

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

## Business Unit Overview

We are expanding our upstream, midstream and downstream operations in the fields of automobiles, ships, aircraft, railway and other transportation systems as well as construction equipment. In automotive operations, our growing global value chain covers manufacturing, wholesale, retail, leasing, and retail finance services. In the ship business, we are the only trading company that holds an equity stake in a shipbuilding firm. We are also engaged in the ship-owning and operating business. In the construction equipment business, we have the highest transaction volume of construction equipment among trading companies, with construction equipment sales handled through our global network. Our value chain also covers rental operations and used construction equipment sales, and we are expanding mining equipment services. We are making inroads into agricultural machinery sales overseas too. Our aircraft-related operations involve international trading in civil aircraft, engines and related equipment, and imports of defense-related equipment. In addition, our transportation systems business promotes transportation projects and has strengths in railcar manufacturing and exports.

## Fiscal 2010 Results

In fiscal 2010, we reported net income of ¥26.9 billion, up ¥8.8 billion year on year. The main reasons for this increase were a strong performance in the automobile and motorcycle financing business in Indonesia and solid results in the ship business. Another positive factor was steady growth in sales of construction equipment in China and mining equipment.

In the automotive field, we started talks on forming a business and capital alliance between Sumitomo Mitsui Auto Service Company, Limited and Hitachi Capital Auto Lease Corporation. These talks also covered transfers of Sumitomo Mitsui Auto Service shares in conjunction with the alliance. In another development, we acquired additional shares of Mazda Motor Corporation in anticipation of joint business development in emerging countries. In the construction equipment field, we established a mining equipment sales and service company in Mongolia and we won a contract for Komatsu mining equipment for use at Oyu Tolgoi, one of the world's biggest copper and gold mines. We worked to horizontally apply our expertise in maintenance services for mining equipment developed in our Canadian mining equipment operations to Mongolia.

## Performance Highlights

(Billions of Yen)

(FY)	'06	'07	'08	'09	'10 (U.S. GAAP)	'10 (IFRS)	'11 (Forecasts/IFRS)
Gross Profit	134.6	157.7	155.6	130.8	146.3	145.7	<b>154.0</b>
Equity in Earnings of Associated Companies, Net	5.0	7.1	7.7	8.4	10.7	—	—
Net Income	26.7	41.6	29.3	18.1	26.9	26.3	<b>26.0</b>
Basic Profit	29.0	35.3	35.1	25.0	38.7	—	—
Total Assets	1,140.7	1,604.9	1,451.4	1,399.3	1,326.1	1,310.9	—

## *f* (x) Strategies

Looking 10 years into the future, we will boldly attempt to set up new high value-added, high-growth businesses while upgrading our established core businesses further. In the process, business resources will be strategically allocated to each field.

### **Strengthening the Automobile Business by Capturing Economic Growth in Emerging Countries**

Looking ahead, the automotive market expects to enjoy rising demand as motorization takes hold in emerging countries.

In Indonesia, where personal consumption is rapidly increasing, we will continue to strengthen finance businesses for both automobiles and motorcycles to capture burgeoning demand. In manufacturing, KIRIU Corporation, an automobile parts manufacturing subsidiary, will install additional production lines at plants in China, India and Mexico in response to buoyant demand for parts from automakers. We will also bolster our automobile production operations in India. Furthermore, efforts will be made to strengthen automotive sales operations in Iraq and other emerging countries where rapid economic development is anticipated.

### **Key Themes in the Construction Equipment Business: Emerging Countries, Rentals, and Mining Equipment**

In China, India, Iraq and other emerging countries, demand for construction

equipment is projected to increase on the back of surging demand for infrastructure development. In China, we are particularly focused on seizing demand by reinforcing the operating infrastructure of our distributorship.

Meanwhile, in the U.S. and Japan, the rental of construction equipment has become more common than ownership. Therefore, we will promote construction equipment rental operations primarily in these markets. In other areas, like Mongolia and Russia, we expect to see further growth in their mining equipment markets atop soaring demand for mineral resources, and we will develop mining equipment businesses spanning sales, repairs and maintenance services. Thus, we will expand these businesses which fit the requirements of each market.

### **Replacing the Ships We Now Own With New, High-Profit Ships and Maintaining a Stable Asset Portfolio Over the Medium to Long Term**

The ship business saw global distribution volume fall precipitously in the wake of the Lehman Brothers collapse. Despite some

recovery in distribution volume primarily in emerging countries, the outlook remains uncertain mainly because of concerns about the oversupply of new ships. Despite these challenging conditions, by replacing the vessels we own in a timely manner, we will enhance asset efficiency and maintain and expand our asset portfolio into one that ensures stable earnings over the medium and long terms.

### **Sumitomo Mitsui Auto Service: Aspiring to Industry Leadership Through an Alliance**

Sumitomo Mitsui Auto Service is enhancing and expanding its business infrastructure through a capital and business alliance with Hitachi Capital Auto Lease. This alliance is crucial to rising above increasingly fierce competition in the auto leasing industry. One particularly important measure will be to enhance profitability by growing maintenance services targeting both companies' customer bases. The two companies intend to build an organization that has the potential for industry leadership in terms of a dominant market share.

### **Actively Promoting Rail Projects**

Railways are attracting renewed attention as a means of public transport because they can provide solutions for increasingly serious traffic congestion associated with growing urbanization worldwide. Railway projects also provide an effective means of countering global warming and addressing other environmental issues, as well as promoting employment and stimulating the economy. This shift in transportation mode is gaining ground not only in Asia and other emerging economies, but also in developed countries such as the U.S. More large investments are being made in public transportation infrastructure, including high-speed rail construction projects. Based on our extensive track record, we will maintain a strong presence in each market. At the same time, we will steadily execute sustainable growth strategies while maintaining our emphasis on ties with regional communities.



Conceptual drawing of diesel railcars contracted with the U.S.

The acclaimed commuter railcars the Company delivered to the Taiwan Railways Administration





# Infrastructure



**Takahiro Moriyama**

General Manager  
Infrastructure Business Unit

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

## Business Unit Overview

The Infrastructure Business Unit's vision is to become "a highly specialized group that contributes to society through infrastructure enhancement." Our business covers various fields such as IPP/IWPP<sup>\*1</sup>, power plant EPC<sup>\*2</sup>, telecommunications, wind power/water infrastructure, industrial infrastructure and more. In these fields, by optimally combining trade business and business investment, we are stably expanding our earnings base. Our competitive advantage in the power business lies in our strong integrated project management and execution, including finance and risk management functions. Our track record of power plant EPC projects, which covers design, procurement and construction, currently stands at approximately 47,000MW, which is the first tier among Japanese trading companies. In the overseas IPP/IWPP field, our power generation capacity reached approximately 5,300MW<sup>\*3</sup> as of March 31, 2011.

<sup>\*1</sup> IPP: Independent Power Producer

IWPP: Independent Water and Power Producer

<sup>\*2</sup> EPC: Engineering, Procurement and Construction

<sup>\*3</sup> Total of both operational and contracted generation capacity as of March 31, 2011

## Fiscal 2010 Results

In fiscal year 2010, we reported net income of ¥5.2 billion, down ¥7.6 billion year on year. The main reasons for this decrease were fewer power plant EPC contracts and lower revenue from IPP business in Indonesia due to a revision in leasing fees.

In the power infrastructure field, we acquired an equity stake position with Korea Electric Power Corporation in the Shuweihaat S3 project, a gas-fired combined cycle power plant in the United Arab Emirates.

In the telecommunications, environment & industrial infrastructure field, we formed alliances with two industry leaders in the water infrastructure field, Beijing Capital Co., Ltd. of China, and VA Tech Wabag Limited of India. In the wind power business, we have participated in the one of the world's largest wind farms, the 845MW Caithness Shepherds Flat wind project, in Oregon, the United States. We have also been awarded a contract to deliver and construct a flight control system which includes a state-of-art technology air traffic control system for the Department of Transportation and Communications of the Philippines.

## Performance Highlights

(Billions of Yen)

(FY)	'06	'07	'08	'09	'10 (U.S. GAAP)	'10 (IFRS)	'11 (Forecasts/IFRS)
Gross Profit	38.3	41.0	40.4	31.2	23.0	23.3	31.0
Equity in Earnings of Associated Companies, Net	5.2	6.8	7.6	6.5	5.8	—	—
Net Income	16.5	18.9	16.5	12.8	5.2	4.0	9.0
Basic Profit	13.3	16.0	16.3	9.8	5.0	—	—
Total Assets	472.6	478.8	482.5	521.4	549.3	544.9	—

## *f* (x) Strategies

Our four basic *f*(x) (“f-cross”) strategies are to “enhance our human resources base,” “build a competitive edge through alliances,” “capture growth in emerging countries,” and “strengthen our optimization of business portfolio.” Guided by these strategies, we will strengthen our earnings base throughout the mid and long term, while flexibly evolving our business model to cope with change.

### **Power Infrastructure Business: Building Stable Earnings Base Over the Medium and Long Terms**

To develop an optimal global business portfolio, we have been expanding our operations in key markets where we have a strong competitive edge through past experience and vast market insight, such as Asia, the Middle East, Australia and the United States. In Indonesia, where electricity supply is tight, we are finishing the expansion of two additional 660MW units at the Tanjung Jati B coal-fired thermal power plant, with the start of operation planned for 2012. We have been heavily pursuing greenfield start-up projects including geothermal power plants mainly in emerging countries in Southeast Asia and the Middle East to capture high growth potential business in our investment portfolio.

Furthermore, we have upgraded our Operation & Maintenance services to better serve our customers’ needs, which have contributed to increasing the value of the business we own and operate and to building a better earnings base.

### **Utilizing Power Infrastructure Insight and Expertise into the Wind Power and Water Infrastructure Business**

The power infrastructure business requires insight into the host-country market and strong bonds of trust with business partners and customers, in addition to business expertise in finance and risk management. We have utilized the resources, which have been long honed in the power infrastructure business, into the wind power and water and sewage facility business sector. Both of these fields offer good prospects for rapid market expansion in the years ahead. In the water infrastructure business, we have reached beyond our current operations in Mexico and Turkey to form alliances with Beijing Capital and Wabag. These alliances will play a pivotal role in accelerating our efforts to capture demand in China, Asia, India, the Middle East and other regions. Overall, we aim to increase the number of beneficiaries of our business to more than 20 million people within the next several years. In the wind power business, we now have a retained generation capacity of 300MW. In addition to operations in Japan, this

figure was achieved by starting a new project in China and acquiring an established business in the United States in fiscal year 2009. We focus on increasing our presence in the key markets of China and the United States, while actively pursuing inroads into Australia, South Africa, Europe and other new markets. Our goal is to quickly increase our generation capacity to 1,000MW.

### **Telecommunications Business: Balancing Regional Diversity and Business Models to Deliver Multifaceted Value Worldwide**

In the Telecommunications Business field, we will expand our earnings base, utilizing our business expertise while optimizing our business portfolio. Our vision is to become a fully integrated telecommunications operator that delivers multifaceted value, through our predominant mobile phone-related and broadband businesses, as well as value-added service businesses such as data center operations and remittance and settlement services, primarily in our strategic markets of Asia and CIS regions.

### **Shuweihat S3 Power Generation Project**

Together with Korea Electric Power Corporation, Sumitomo Corporation has acquired an equity stake position in the Shuweihat S3 project in the United Arab Emirates—a project to develop a 1,600MW gas-fired combined cycle power plant. Plans call for completing and commencing commercial operation of the plant in March 2014. All electricity generated at the plant will be supplied to the Abu Dhabi Water & Electricity Authority over 25 years. Using cutting-edge gas turbines manufactured by Siemens of Germany, the plant will boast high thermal efficiency with very low gas consumption and CO<sub>2</sub> emissions. In these respects, the plant will embody Sumitomo Corporation’s commitment to environmentally friendly business operations. Currently, Gulf region countries are seeing burgeoning demand for electricity in step with the diversification of industry and greater industrialization. Here, we aim to further accelerate ongoing efforts to enlarge our portfolio of prime power infrastructure business assets.



# Media, Network & Lifestyle Retail



**Yoshio Osawa**

General Manager  
Media, Network & Lifestyle Retail Business Unit

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

## Business Unit Overview

Throughout the ongoing convergence of various media, including broadcasting and telecommunications, and increasing diversification of consumer spending patterns, the Media, Network & Lifestyle Retail Business Unit is developing integrated approaches to create and provide new value tailored to the diverse lifestyles of consumers.

In the media field, we provide both infrastructure and content services through our cable television (CATV), multichannel television programming and film-related businesses.

In the network field, our business activities center on IT solutions, Internet-related operations and mobile communications. In the lifestyle and retail fields, our main businesses are TV shopping, supermarkets, drugstores, luxury brands, and apparel OEM\*.

\* OEM (Original Equipment Manufacturing); contract production of branded merchandise

## Fiscal 2010 Results

In fiscal 2010, we reported net income of ¥19.8 billion, up ¥3.4 billion year on year. This result reflected a solid performance by Jupiter Telecommunications Co., Ltd. (J:COM), Japan's largest CATV company. Subsidiary reorganization also led to a positive impact on profits from resulting tax effects.

In the media field, Sumitomo Corporation acquired additional voting shares of J:COM through a tender offer, becoming its largest shareholder with 40.1% of the voting shares (versus 27.5% previously). In the network field, Sumitomo Corporation and Sumisho Computer Systems Corporation (SCS) conducted a joint tender offer for the shares of CSK Holdings Corporation (CSK), another company in the IT services industry, for an intended SCS-CSK merger. In the lifestyle and retail fields, Jupiter Shop Channel Co., Ltd., Japan's biggest television shopping company, leveraged the Sumitomo Corporation Group's diverse business portfolio to create a multichannel retailing strategy for expanding its customer base.

## Performance Highlights

(Billions of Yen)

(FY)	'06	'07	'08	'09	'10 (U.S. GAAP)	'10 (IFRS)	'11 (Forecasts/IFRS)
Gross Profit	126.1	168.7	176.4	176.6	182.8	183.2	220.0
Equity in Earnings of Associated Companies, Net	12.7	9.3	10.0	10.0	15.8	—	—
Net Income	12.5	13.8	8.5	16.4	19.8	24.0	20.5
Basic Profit	15.4	19.1	17.5	14.6	22.8	—	—
Total Assets	513.9	675.6	696.9	697.1	776.2	777.7	—

## f(x) Strategies

By developing leading businesses in each industry, strengthening value chains among subsidiaries and affiliates, and developing a multichannel retailing strategy which combines media, IT, and retailing, we will establish a robust consumer business unique to Sumitomo Corporation.

### Moving into the Next Phase of Growth at J:COM

J:COM, the foundation of our media business, is Japan's leading CATV provider with a market share of 36% (as of September 30, 2010). The media industry is in the process of a major upheaval, driven by the emergence of Internet-based media and new media devices, as well as the convergence of broadcasting and telecommunications.

In this climate, J:COM conducts sales activities closely tied to local markets through a network of directly-operated shops. It also invests in and operates a highly popular lineup of 17 specialized channels. Leveraging these strengths, J:COM will develop and roll out new products and aggressively capture growth from demand for digital media, with the aim of further increasing its customer base, around 3.45 million households as of March 31, 2011.

### Strengthening the IT Solutions Business through SCSK Ramp Up

In October 2011, CSK will merge its operations with SCS, and the resulting company

will be called SCSK Corporation. The merger will seamlessly integrate systems development, implementation, IT infrastructure development, hardware and software sales, and other operations from both companies. By combining these technical and human resources, SCSK will be able to provide a one-stop service to client companies. Furthermore, the merger will enhance the new company's ability to provide better sales propositions, technologies, services and more. By realizing such synergies through integration as soon as possible, SCSK aims to establish itself as an industry-leading global IT services company with a full lineup of offerings.

### Creating Multichannel Retailing through Jupiter Shop Channel

Although Japan's consumer market is considered to be quite mature, valued at ¥135 trillion, it still remains a market of tremendous scale. Accordingly, Jupiter Shop Channel (SHOP) views major landscape shifts such as changing consumer preferences and diversification in consumption as a growth opportunity. Crucial to driving further growth will be to develop

attractive products, enhance program planning, and enlarge the customer base. Placing SHOP at the core of our multichannel retailing business, we intend to further accelerate collaboration with our retail and brand businesses.

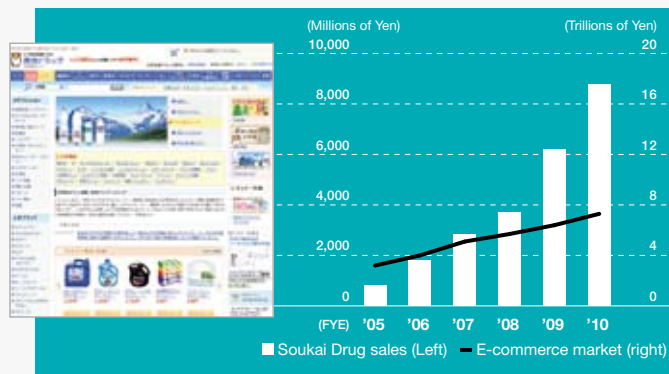
### Moving into Fast-Growing Emerging Markets

While continuing to increase our position in the domestic market, we will actively extend our successful business models in Japan to overseas markets. Initially, we will look primarily to China and other parts of Asia where we will focus on building business platforms in TV shopping and retail-related operations, as well as in the mobile and e-commerce fields.

### Online Drugstore Soukai Drug Sees Continued Rapid Growth

Soukai Drug Co., Ltd. is a leading Internet retailer of daily necessities, drinking water, health foods and other merchandise. Soukai Drug has gained popularity among consumers for providing needed goods at low prices, and for delivering orders in a timely and attentive manner. As a result, Soukai Drug has outpaced the total market in growth. Ever since investing in Soukai Drug in 2004, Sumitomo Corporation has bolstered the company's logistics system, enhanced the marketing initiatives of the company and made other improvements by lending its wealth of Internet business expertise. We have also been quick to respond to changes in the business environment, such as the rapid uptake of smartphones. Looking ahead, we aim to drive further growth at Soukai Drug by improving the convenience and usability of the service for shoppers.

Soukai Drug: <http://www.soukai.com/>



<Source of data on e-commerce market>  
"IT Market Navigator" (2008-2010), Nomura Research Institute, Ltd.

# Mineral Resources, Energy, Chemical & Electronics



**Kuniharu Nakamura**

General Manager  
Mineral Resources, Energy,  
Chemical & Electronics Business Unit

- Planning & Administration Dept.
- Mineral Resources Division No. 1
- Mineral Resources Division No. 2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division

## Business Unit Overview

We are active in the fields of mineral resources, energy, basic chemicals and electronics, and life science.

In the mineral resources & energy business, we define copper, coal, iron ore, crude oil and gas as key strategic resources. Going forward, we intend to continue upgrading and expanding our prime assets with respect to each of these resources. We are also building depth in our mineral resources portfolio with interests in uranium, zinc, and rare metals such as nickel and cobalt. In trading activities in such areas as carbon products, ferrous raw materials, petroleum and gas, we are expanding business globally in China, Asia and other markets in which we expect demand to grow.

In the basic chemicals and electronics fields, we trade in cutting-edge electronic industry materials, as well as raw materials, organic and inorganic chemicals and plastics. We also actively develop rare earth resources and conduct EMS\* operations. In the life science field, we trade in pharmaceuticals, agricultural chemicals, household insecticides and pet-care products.

\* EMS (Electronics Manufacturing Services): the provision of electronics device manufacturing services on a contract basis.

## Fiscal 2010 Results

In fiscal 2010, we reported net income of ¥68.2 billion, up ¥3.7 billion year on year. This increase was mainly the result of strong showings by a coal mining operation in Australia and the copper mining business in Indonesia, coupled with a generally steady performance by chemicals businesses.

In the field of mineral resources & energy, we took an equity stake in an integrated iron ore mining development project in Brazil spanning iron mines, railway capacity and port facilities, as a strategic partner to Usinas Siderúrgicas de Minas Gerais S.A. We also reinforced our portfolio of upstream interests through the acquisition of rights in a U.S. shale gas development project.

In the basic chemicals field, we started talks with MolyCorp, Inc. of the U.S. on rare earth supplies to Japan. In the life science field, we took a management stake in C&O Pharmaceutical Technology (Holdings) Limited through a share acquisition.

## Performance Highlights

(Billions of Yen)

(FY)	'06	'07	'08	'09	'10 (U.S. GAAP)	'10 (IFRS)	'11 (Forecasts/IFRS)
Gross Profit	96.0	94.0	91.9	84.6	110.6	111.3	<b>129.0</b>
Equity in Earnings of Associated Companies, Net	16.3	2.8	37.0	34.4	32.8	—	—
Net Income	40.9	36.7	43.2	64.6	68.2	65.6	<b>86.0</b>
Basic Profit	29.7	13.4	55.9	49.5	66.7	—	—
Total Assets	1,116.9	1,113.2	968.0	1,079.2	1,155.6	1,150.4	—



## *f* (x) Strategies

We aim to strengthen our portfolio in both depth and quality to ensure that its earnings base is maintained and improved for the future. Measures include expanding and replacing existing interests, along with extending and upgrading upstream interests through new investments, in addition to ensuring steady execution of current major upstream projects. Reinforcing distinctive and highly sophisticated businesses in growing and emerging markets will also be important.

### Steady Execution of Large-scale Mineral Resource Projects

Nickel production at the Ambatovy nickel mining and refining project in Madagascar has fallen behind initial plans. However, we are giving top priority to starting commercial production during fiscal 2011. The project, which integrates all processes through to refining nickel, is one of the world's largest of its kind, and is geared toward ensuring the stable, long-term supply of rare metals. This includes cobalt, which is a by-product of nickel processing.

At the San Cristobal Silver, Zinc and Lead Mining Project in Bolivia, we are first and foremost focused on increasing this project's value. To this end, we will continue to improve the ore recovery rate and stabilize operations so as to ensure stable production at a high operating rate. Exploration efforts will also be continuously implemented with the view to increasing ore reserves.

### Increasing Prime Upstream Interests; Enhancing Portfolio Depth and Quality by Assets Replacement

Demand for copper, coal, iron ore, crude oil, and natural gas are projected to increase in line with growth in emerging countries. We therefore see these as strategic resources. Our goal is to expand and upgrade prime assets with respect to key strategic resources through the expansion of ongoing projects such as a coal mining project in Australia, and through acquisitions of new interests. In copper, we will work to regain our equity production capacity in copper we lost through the sale of part of our interest in the Batu Hijau copper mine.

In addition, we will steadily execute ongoing projects such as the iron ore mine acquired in the previous fiscal year in Brazil and an interest in a U.S. shale gas development project.

We will also continue to strengthen our portfolio with high-profitability assets to enhance its quality.

### Expanding Business Globally by Trading Broadly in Chemicals and Electronic Materials Promising Growth in Developed and Emerging Countries

In Kazakhstan, the U.S. and other countries, we are working tirelessly to develop businesses that will ensure a stable supply of rare earths, which are crucial to next-generation automobiles and other products.

In the pharmaceutical field, we intend to increase the enterprise value of C&O Pharmaceutical Technology (Holdings) Limited, in which we now have a stake in management. Measures will include licensing new drugs and supplying competitive pharmaceutical ingredients.

In the agricultural chemicals field, we will further expand and upgrade our global sales network for agricultural chemicals. To this end, we will enter the North American and fast-growing Asian markets, and enhance our sales network in the Western European market, among other measures.

### Strategic Business and Capital Alliance with Unicharm in the U.S. Pet-Care Business

In May 2011, Sumitomo Corporation and Unicharm Corporation signed a Letter of Intent on the launch of a strategic joint pet-care business in the U.S. Under the Letter of Intent, Sumitomo will sell a 51% share of the total outstanding stock of wholly owned subsidiary Hartz Mountain Corporation to Unicharm. In the U.S., Hartz Mountain is the No.1 brand of flea and tick products, natural treats, training pads and dog toys, and other pet-care products.

In the initial stages, Sumitomo and Unicharm aim to dramatically grow the pet-care business by rolling out Unicharm's premium products, such as pet toilet sheets for dogs, in the U.S.—the world's largest market for pet-care products. Over the longer term, both companies hope to expand the business beyond the U.S. to markets around the world.



# General Products & Real Estate



**Shinichi Sasaki**

General Manager  
General Products & Real Estate Business Unit

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

## Business Unit Overview

We are active in three main businesses closely tied to daily life: food, materials and supplies, and construction and real estate.

In the food business, we have an integrated business model that extends from food production to quality management and sales. This model puts top priority on food safety and reliability, which are important to customers.

In the materials and supplies business, we are the industry leader in multiple fields, including tires, ready-mixed concrete, lumber and building materials and recovered paper.

In construction and real estate, our core businesses are the leasing and management of office buildings and retail facilities, housing development and sales, and the real estate investment fund business. Efforts are also focused on large-scale, mixed-use development projects.

## Fiscal 2010 Results

In fiscal 2010, we reported net income of ¥15.5 billion, down ¥0.6 billion year on year, despite higher earnings at TBC Corporation, a U.S. tire marketer. This was mainly in backswing of gains realized in the replacement of assets recorded in the previous fiscal year.

In food operations, we raised our equity stake in a grain storage and export terminal operations business in Australia, making the company a wholly owned subsidiary. In addition, we entered into a comprehensive alliance with the Jilin Grain Group Co., Ltd., the largest agricultural product accumulation and processing company in China's Jilin Province. Looking ahead, we will study the feasibility of joint businesses spanning food processing, distribution and sales centered on rice, corn, and other grains in China.

In the construction and real estate business, we made progress in replacing existing assets and acquiring new, prime properties that will form the basis of our earnings in the future. Moreover, condominium sales were solid in the Tokyo metropolitan area, Kansai region and China.

## Performance Highlights

(Billions of Yen)

(FY)	'06	'07	'08	'09	'10 (U.S. GAAP)	'10 (IFRS)	'11 (Forecasts/IFRS)
Gross Profit	118.1	122.0	111.1	101.4	98.4	99.1	108.0
Equity in Earnings of Associated Companies, Net	2.4	2.0	1.7	0.7	3.6	—	—
Net Income	17.2	19.5	13.1	16.2	15.5	9.6	17.5
Basic Profit	17.4	18.3	15.3	12.2	14.3	—	—
Total Assets	741.7	742.0	722.2	747.5	717.0	696.5	—

We will optimally allocate business resources based on changes in the industrial structure and regional markets, as we work to globalize our business operations.

## **Food: Respond to Grain Demand in Emerging Countries and Increase Banana Production**

In Asia and the Middle East, Western diets are increasingly taking hold in step with recent economic development, not to mention population growth. This has fueled increased demand for edible grains, oil and fats for edible oil production and livestock feed ingredients. In response, we intend to boost exports to each region by leveraging our upstream value chain from the grain accumulation, grain storage and export terminal operations of our Australian Group companies to exports. Efforts will also be focused on flour milling and processing operations.

In the banana business, we plan to continue expanding farms directly managed by Group companies to augment our production base. In addition, we will work to broaden our earnings through sales in Japan, the Middle East and China.

## **Tires: TBC Corporation and Opportunities in Emerging Countries**

In the U.S. tire market, tire sales volume has turned up in line with the economic

recovery. However, we are still cautious about the outlook based on rising raw materials prices and other factors. In response, TBC will strive to enhance cost competitiveness by maximizing its breadth of supply sources while continuing to emphasize maintenance services at retail locations. Furthermore, we will study the feasibility of moving into the tire sales business in emerging countries, where demand is projected to expand going forward.

## **Construction and Real Estate: Prime Properties Key to Future Earnings**

The vacancy rate for office buildings is improving primarily in Tokyo. Our office building business has grown steadily because we have many prime tenants and our office building properties are concentrated in the central business districts of Tokyo where demands are strong. While replacing existing assets, we will promote the development of the Kanda and Kyobashi districts, both of which are strategic areas for our office building business. In Kanda, we acquired a portion of the Tokyo Denki University campus. We will continue our efforts to develop a

city block that includes this site. Other priority projects include the redevelopment of the Sumitomo Corporation Jinbocho Building.

In condominium sales, the key to maintaining solid earnings will be to acquire prime development sites on favorable terms in the center of Tokyo, where demand is expected to stay firm over the medium and long terms.

In the retail facilities business, we are working on the Shonan Tsujido project. This project will see us flex our retail property development skills to develop a large-scale shopping center in front of JR Tsujido station. Opening is planned for autumn 2011. Other projects we are actively pursuing include the development of a mixed-use development combining a shopping center and condominium units.

## **Strengthening Agriculture in Japan**

Sumitomo Corporation took a 20% equity stake in SAKAUE Co., Ltd., a leading agricultural production corporation that practices rotational cropping to grow vegetables and feed crops in Kagoshima Prefecture. SAKAUE has been actively building up its farmland. In the process it has checked any further increases in abandoned arable land and created new jobs in the agriculture sector. The company has spared no effort to improve its productivity by adopting the extensive use of farming machinery and an agricultural process management IT system on a total of 150 hectares of farmland developed through the consolidation of 320 individual plots. This model of agriculture is universally effective for farmland across Japan, much of which is located between hills and mountains and covers only a small area. We intend to accelerate the penetration and growth of SAKAUE's agricultural model, while combining it with our expertise in production, distribution and sales as a general trading company. In doing so, Sumitomo Corporation aspires to take the initiative in reinvigorating agriculture in Japan.



# New Industry Development & Cross-function



**Yasuyuki Abe**

General Manager  
New Industry Development & Cross-function  
Business Unit

- Planning & Administration Dept.
- New Business Development & Promotion Division
- Financial Service Division
- Logistics & Insurance Business Division

## ■ Business Unit Overview

Our business unit was reorganized in April 2010. We currently provide high-value-added financial and logistics services. These operations were previously conducted by our Financial and Logistics Business Unit. In addition, business activities in new industrial fields, such as the environment and new energy, were previously spread out among different business units. These businesses were consolidated in our business unit, enabling us to develop and promote each business from a company-wide perspective.

In the new industrial field, we are strategically developing and promoting solar photovoltaic power generation, environmental and recycling businesses, emission trading and greenhouse gas reduction, and lithium-ion batteries, as well as venture investment targeting emerging markets and other growth fields. In financial services, we make a market in commodities including in derivative products as one of the largest Japanese trading companies. We also run a leasing business focused on aircraft with Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL), a joint venture of Sumitomo Corporation. In logistics, we provide comprehensive logistics services worldwide, principally through Sumisho Global Logistics Co., Ltd. We also operate multiple high-value-added industrial park businesses in Vietnam and other countries.

## ■ Fiscal 2010 Results

In fiscal 2010, we reported net income of ¥8.8 billion, ¥8.6 billion higher than the previous fiscal year, partly due to improved results at SMFL.

In the solar photovoltaic power generation field, we entered new solar photovoltaic power generation projects in France and Italy, following participation in an ongoing project in Spain. In the next-generation battery field, we set up 4R Energy Corporation, a joint venture with Nissan Motor Co., Ltd., to start a business feasibility study on secondary uses of lithium-ion batteries used in electric vehicles. In the financial services field, we continued to focus resources on aircraft operating leasing, for which demand is expected to increase. In the logistics field, we expanded logistics services within Southeast Asia and China in step with economic growth in each region.

### Performance Highlights

(Billions of Yen)

(FY)	'06	'07	'08	'09	'10 (U.S. GAAP)	'10 (IFRS)	'11 (Forecasts/IFRS)
Gross Profit	29.2	31.8	26.8	23.4	30.4	30.4	<b>30.0</b>
Equity in Earnings of Associated Companies, Net	1.4	0.9	3.8	6.3	7.3	—	—
Net Income	5.9	5.1	(1.6)	0.2	8.8	13.0	<b>7.0</b>
Basic Profit	7.0	6.1	3.8	4.9	8.1	—	—
Total Assets	430.1	449.5	581.5	554.6	587.1	597.3	—

We aim to increase our earnings by strategically developing and promoting business in new growth fields from a company-wide, medium and long-term perspective.

## **Becoming a Major Player in Sustainability (Low Carbon & Re-cyclical): Upgrading Business Functions While Multiplying Earnings**

Looking ahead, the structure of society will be dramatically reshaped as we approach a low-carbon and recycling-oriented society. In this climate, we intend to upgrade our business functions while multiplying earnings with the aim of making Sumitomo Corporation a major player in low-carbon and re-cyclical sustainability.

In the solar photovoltaic power generation field, we will parlay our wealth of expertise in Europe to develop businesses in other parts of the world. We will also start looking at securing business interests in solar cell materials to extend and upgrade our value chain for the solar power generation business.

In the next-generation battery field, we are building value chains for lithium-ion batteries and pioneering new businesses derived from electric vehicles. Specifically, together with Nissan Motor Co., Ltd., we will work to develop businesses around the secondary use of lithium-ion batteries for electric vehicles. Here, another priority

is to develop recharging infrastructure for electric vehicles.

In the environmental recycling business, we have started recycling used consumer electronics and home appliances in Tianjin, China. Going forward, we plan to laterally expand this recycling business to all of China. In the future, we aim to further expand this business to other parts of Asia as well. In the emission trading and greenhouse gas reduction field, we will work to develop CO<sub>2</sub> selective permeable membranes into a viable business.

## **Working With SMFL to Grow the Aircraft Leasing Business**

Although private-sector capital investment has been recovering since the financial crisis, the leasing market in Japan continues to face challenging conditions. Despite this difficult environment, the aircraft leasing market offers strong growth prospects over the medium and long terms. In this field, we have steadily enlarged our aircraft portfolio targeting worldwide markets, with operations centered on SMFL Aircraft Capital Corporation B.V., a joint venture

we founded with SMFL. In the next few years, we plan to obtain a fleet of 70–100 owned aircraft. Furthermore, we intend to extend collaboration with SMFL beyond aircraft leasing to new fields.

## **Expand the Overseas Industrial Park Business and Move Into New Regions in Logistics**

We are working diligently to enhance industrial park services through such initiatives as holding tenant company meetings and upgrading infrastructure at our industrial parks in Vietnam, the Philippines and Indonesia.

In addition to focusing on the sale of lots at the Thang Long Industrial Park II in Vietnam, we are exploring the feasibility of developing industrial parks in other regions including India, where market penetration by Japanese corporations can be expected. In the logistics field, we plan to move into growing regions such as Brazil and India.

## **New Home Appliance Recycling Plant in Tianjin, China Fills Demand for Recycling Services**

On April 21, 2011, Tianjin Dowa Green Angel Summit Recycling Co., Ltd. officially completed construction of a new recycling plant in Tianjin, China. This company is a joint venture set up by Sumitomo Corporation, Dowaco System Co., Ltd. and Tianjin Green-Angel Renewable Resource Recovery Co., Ltd. in Tianjin to recycle consumer electronics and home appliances. The new plant plans to recycle 400,000 items of waste per year in five main home appliance categories—TVs, refrigerators, washing machines, air conditioners and PCs. Amid growing public interest in recycling in China, Sumitomo Corporation aims to expand its environmental and recycling businesses throughout the country.





# Principal Subsidiaries and Associated Companies Contributing to Consolidated Results

(Billion yen)				
	Shares in equity (End of FY2010) (%)	Main Business	FY2009 equity in earnings (U.S. GAAP)	FY2010 equity in earnings (U.S. GAAP)
<b>Metal Products</b>				
SC Pipe Services Inc.	100.00	Investment in pipe manufacturing and sales company in the U.S.	0.2	2.1
ERYNGIUM Ltd.	*100.00	Manufacturing, processing and distribution of specialty metals for OCTG market	2.5	2.1
Sumisho Metalex Corporation	*100.00	Sale of non-ferrous metal products, materials for home heat solution	0.6	1.1
Asian Steel Company Ltd.	100.00	Shearing, slitting, and sale of steel plates	0.3	0.9
<b>Transportation &amp; Construction Systems</b>				
P.T. Oto Multiartha	83.86	Financing of automobiles	3.6	5.0
P.T. Summit Oto Finance	*99.56	Financing of motorcycles	3.7	4.3
Sumitomo Mitsui Auto Service Company, Limited	60.00	Leasing of motor vehicles	2.3	4.2
<b>Infrastructure</b>				
MobiCom Corporation	33.98	Integrated telecommunication service in Mongolia	1.5	1.7
Perennial Power Holdings Inc.	*100.00	Development, ownership and management of power plant in the U.S.	1.5	0.9
<b>Media, Network &amp; Lifestyle Retail</b>				
Jupiter Telecommunications Co., Ltd.	40.12	Operation of multiple cable TV systems (MSO) and channels (MCO)	8.9	15.9
Jupiter Shop Channel Co., Ltd.	99.60	Operation of TV shopping channel	9.2	9.3
Sumisho Computer Systems Corporation	60.55	System Integration; data processing services; development and sale of computer software and hardware	2.0	2.3
Summit, Inc.	*100.00	Supermarket chain	2.4	1.8
Asmik Ace Entertainment Inc.	96.59	Production, distribution and sale of movies and videos	(1.2)	0.3
<b>Mineral Resources, Energy, Chemical &amp; Electronics</b>				
Sumisho Coal Australia Pty. Ltd.	100.00	Investment in coal mines in Australia	10.7	25.9
Nusa Tenggara Mining Corporation	74.28	Investment in and financing of the Batu Hijau copper/gold mine project in Indonesia	14.8	15.4
2 silver, zinc and lead business companies in Bolivia	100.00	Investment in silver, zinc, and lead mine operating, and ore concentrate sales companies in Bolivia	18.2	13.4
Oresteel Investments (Proprietary) Limited	*49.00	Investment in Assmang iron ore and manganese mine in South Africa	9.3	7.4
SC Minerals America, Inc.	*100.00	Investment in the Morenci copper mine, the Pogo gold mine in the U.S. and the Candelaria & Ojos del Salado copper mines in Chile	2.5	4.3
SMM Cerro Verde Netherlands B.V.	20.00	Investment in the Cerro Verde copper mine in Peru	2.0	3.8
2 companies with oil field interests in the North Sea	*—	Development, production and sale of crude oil and natural gas in the British and Norwegian zones of the North Sea	2.4	2.5
Sumitomo Shoji Chemicals Co., Ltd.	*100.00	Sale and trade of chemicals and plastics	(0.9)	2.2
LNG Japan Corporation	50.00	Trading of LNG, investment and financing related to LNG business	0.6	1.4
The Hartz Mountain Corporation	*100.00	Manufacturing, distribution, and sales of pet care products	0.7	0.9
Sumi Agro Europe Limited	*100.00	Investment in agricultural chemicals business in Europe	0.6	0.7
Sumitronics Corporation	100.00	Electronics Manufacturing Service	0.5	0.6
Petro Summit Pte. Ltd.	*100.00	International trade of crude oil and petroleum products	1.5	0.2
Cantex Inc.	*100.00	Manufacture and sale of polyvinyl chloride pipes	(1.4)	(0.7)
<b>General Products &amp; Real Estate</b>				
TBC Corporation	*100.00	Retail and wholesale of tires	3.7	4.9
2 companies in the banana business	—	Import and sale of fruits and vegetables	2.6	1.7
Summit Rural Western Australia Pty. Ltd.	*100.00	Import of fertilizer materials and sale of chemical fertilizers in Western Australia	(4.3)	(0.7)
<b>New Industry Development &amp; Cross-function</b>				
Sumitomo Mitsui Finance and Leasing Company, Limited	*40.00	Finance & Lease	7.1	10.6
Sumisho Aircraft Asset Management B.V.	*100.00	Aircraft operating lease	0.5	0.4
<b>Overseas</b>				
Sumitomo Corporation of America	100.00	Export, import, wholesale	7.7	17.2
Sumitomo Corporation Europe Holding Ltd.	100.00	Export, import, wholesale	8.9	5.7
Total 9 subsidiaries in China	100.00	Export, import, wholesale	1.5	5.0
Sumitomo Corporation Asia Pte. Ltd.	100.00	Export, import, wholesale	4.3	4.6
Sumitomo Australia Limited	100.00	Export, import, wholesale	(1.7)	0.9

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



### Corporate Governance

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## Basics of Sumitomo Corporation

Sumitomo Corporation Group's Corporate Mission Statement, consisting of the Management Principles and the Activity Guidelines, is the fundamental and ultimate value standard of the Company. The Management Principles are the redefinition of Sumitomo's business philosophy, which has been cultivated over its 400 years of business history, from a contemporary and global perspective set out in a simple and clear structure. The Activity Guidelines stipulate the required behavior of the Company and its officers and employees and provide the means to realize the Management Principles.

### Management Principles and Activity Guidelines

The first sentence of the Corporate Mission Statement "We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new values, and contributes broadly to society" constitutes the "Corporate Vision" of the Company.

The first article of the Management Principles "To achieve prosperity and realize dreams through sound business activities" represents the "Corporate Mission," the second article "To place prime importance on integrity and sound management with utmost respect for the individual" represents the "Management Style" and the third article "To foster a corporate culture full of vitality and conducive to innovation" represents the "Corporate Culture" of the Company, respectively.

Sumitomo Corporation shall share this value standard throughout the Group, and shall practice it in each business activity to contribute to realization and improvement of the economic and social value of all stakeholders of the Company.

### Sumitomo's Business Philosophy

The origin of the Management Principles lies in Sumitomo's business philosophy, which has been inherited and adhered to by the Sumitomo Group for the more than 400 years since its foundation.

In essence, it tells us that "We should place prime importance on integrity and sound business activities, and should never be moved from joy to sorrow by daily market fluctuations. But, when faced with a paradigm shift, we must take the lead in striving for structural innovation. In this way we can and should create meaningful values not only for ourselves but for society as well."

It implies a universal value valid enough even now, but more than 400 years have passed. There are some expressions that are too profound for the officers and employees of today, and other articles requiring some complementing for a company doing business on a global basis like Sumitomo Corporation. Thus, we have translated it into plain language and reorganized it in a clear structure in the Management Principles formulated in 1998.

### Corporate Mission Statement

#### Corporate Vision

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

#### Management Principles

##### Corporate Mission

- To achieve prosperity and realize dreams through sound business activities

##### Management Style

- To place prime importance on integrity and sound management with utmost respect for the individual

##### Corporate Culture

- To foster a corporate culture full of vitality and conducive to innovation

#### Activity Guidelines

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



Monjuin Shiigaki ("Founder's Precepts")  
Showing Sumitomo's business philosophy  
(around 1650, from Sumitomo Historical Archives)

# Corporate Governance System

We believe that the ultimate goals of corporate governance are “improving management efficiency” and “maintaining sound management” as well as “ensuring management transparency” to achieve the first two goals. Based on this belief, we are working to establish a corporate governance system that serves the interests of shareholders and all other stakeholders.

## Past Initiatives to Strengthen and Enhance Corporate Governance

To date, we have strengthened and improved our corporate governance system through initiatives covering many points, such as optimizing the size of the Board of Directors, setting term limits for the Chairman of the Board of Directors and the President and CEO, shortening the terms of Directors, establishing advisory bodies, strengthening the corporate auditors system, introducing the executive officer system, and appointing external advisors.

Our approach to corporate governance is embodied in the “Sumitomo Corporation Corporate Governance Principles,” which can be accessed from the following web page.

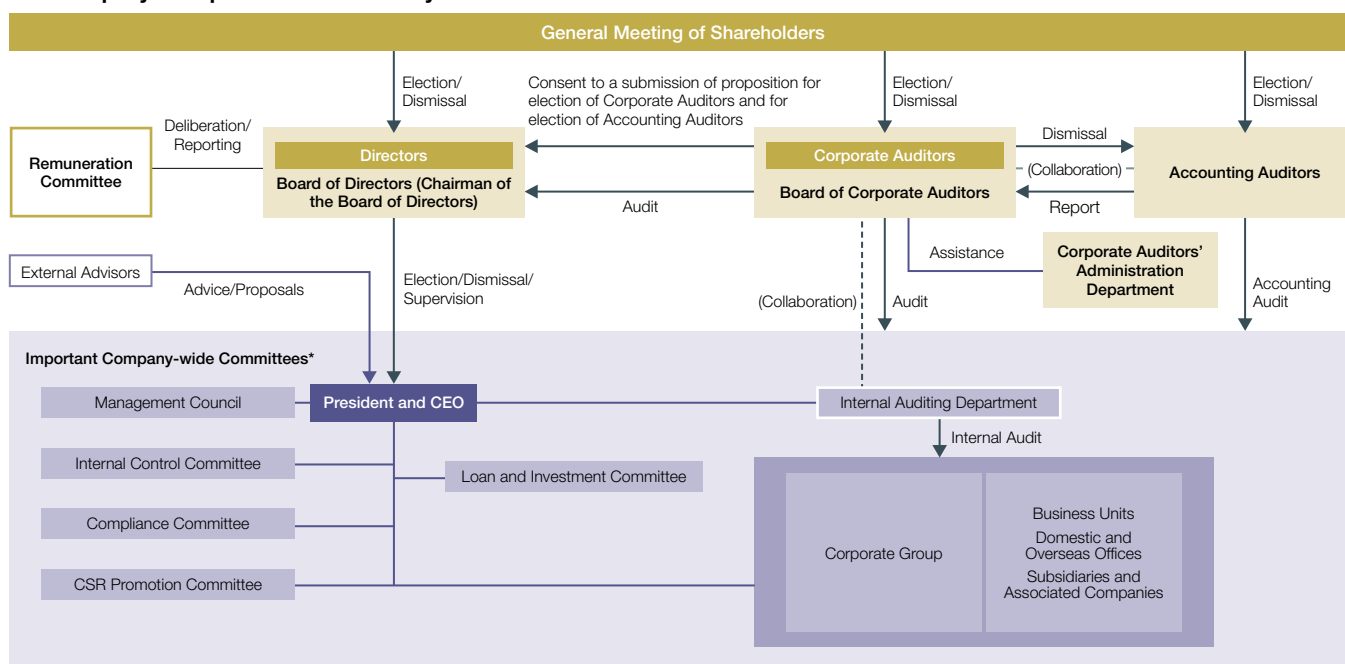
URL: <http://www.sumitomocorp.co.jp/english/company/governance/detail01.html>

## Features of Our Corporate Governance System

Even after a corporation with committees based system of corporate governance became able to be adopted by the Commercial

Code revised in 2002, we have maintained our existing corporate auditor system while enhancing and reinforcing it through auditing from diversified external viewpoints and with opinions and advice from additional external advisors, which, we believe, is the most legitimate to improve the effectiveness of our corporate governance. Based on “Sumitomo’s business philosophy,” we have established the Sumitomo Corporation Group’s Management Principles and Activity Guidelines, and work to enforce these principles and guidelines among all officers and employees, in order to share the basic values that must be respected by the Sumitomo Corporation Group, including compliance with laws and regulations. From the perspective of maintaining sound management, we have developed a system for ensuring compliance with laws and regulations by establishing a Compliance Committee and introducing a “Speak Up System” for internal reporting, among other measures. Guided by the belief that management itself must conduct its duties with high ethical standards, we have clearly stated in the “Sumitomo Corporation Corporate Governance Principles” that in principle,

## The Company’s Corporate Governance System



\* Management Council: Exchange of opinions and information on basic policy and important matters related to management  
The Internal Control Committee is tasked with the overall management and timely evaluation of internal controls, and the development, implementation and promotion of basic internal control policies, among other duties  
Loan and Investment Committee: Deliberation of important matters, such as investment and financing  
Compliance Committee: Enhancement of Group compliance focused on “maintaining sound management”

the Chairman of the Board of Directors and the President are each limited to terms of up to six years.

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

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

## Framework for “Improving Management Efficiency” and “Maintaining Sound Management”

### Directors and the Board of Directors

#### ■ Optimization of Size of Board of Directors

We halved the number of Board members from 24 in 2003. As of July 2011, the Board has 12 members. Through this optimized Board of Directors, which oversees the operations of the business and serves as the Company's decision-making body concerning key management matters, we aim to facilitate substantial and active discussion as well as to promote greater efficiency and effectiveness in the decision-making process.

#### ■ Limiting Terms of Directors

In June 2005, the terms of Directors were reduced from two years to one year. We aim to clarify the responsibility of management among members of management each fiscal year. This, in turn, helps ensure fast reaction times to changes in business conditions.

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

In principle, the positions of Chairman of the Board of Directors and

the President and CEO are clearly defined and separate in order to ensure mutual supervision and both positions cannot be held simultaneously by one person. In principle, the Chairman of the Board of Directors and the President and CEO are each limited to terms of six years. These limitations on the tenure of top management help minimize the possibility of governance problems.

#### ■ Establishment of the Advisory Body to the Board of Directors

With the aim of enhancing the transparency and objectivity of decision-making processes with regard to the remuneration of Directors and Executive Officers, we established the Remuneration Committee. Functioning as an advisory body to the Board of Directors, no fewer than half of the Committee members are from outside the Company. The Remuneration Committee is in charge of studying remuneration and bonuses of directors and executive officers, and reports the results of its studies to the Board of Directors.

### Corporate Auditors and the Board of Corporate Auditors

#### ■ Enhancement of Corporate Auditing Framework

To further strengthen external views within the corporate auditing framework, we added one external auditor in June 2003, bringing the number of external auditors to three out of the five members on the Board of Corporate Auditors. Of these three, two are legal experts (a former Public Prosecutor General and a former President of the Tokyo High Court) and one is an accounting expert—ensuring an auditing system that incorporates a diversity of perspectives. The three external auditors possess a high degree of independence, such as by satisfying the conditions for independent officers stipulated by the listing rules of Japanese stock exchanges.

## Particulars Regarding the Remuneration of the Company's Directors

Particulars regarding the remuneration of the Company's Directors and Corporate Auditors for fiscal 2010 are as follows:

Classification	Number of payees	Total amount of remuneration, etc.	Additional information
Directors	12 persons	1,355 million yen	The breakdown of the total remuneration in the column to the left is as follows: (1) Monthly remuneration 725 million yen (2) Bonuses subject to the resolution of the 143rd Ordinary General Meeting of Shareholders 515 million yen (3) Amount recorded as expenses for granting the Ninth New Share Acquisition Rights (issued on July 31, 2010) 15 million yen (4) Amount recorded as expenses for granting the Fifth New Share Acquisition Rights (for a stock-linked compensation plan) (issued on July 31, 2010) 77 million yen (5) Amount recorded as expenses for granting the Fourth New Share Acquisition Rights (for a stock-linked compensation plan) (issued on July 31, 2009) 24 million yen
Corporate Auditors (particulars relating to Outside Corporate Auditors)	6 persons (3 persons)	125 million yen (38 million yen)	The remuneration in the column to the left is the aggregate total of the Corporate Auditors' monthly remuneration.

1. As of the end of the fiscal year, we had 12 Directors and 5 Corporate Auditors.

2. No Director of the Company is concurrently an employee of the Company.

3. The maximum amount of monthly remuneration to Directors is 75 million yen per month, resolved at the 118th Ordinary General Meeting of shareholders held on June 27, 1986.

4. The maximum amount of monthly remuneration to Corporate Auditors is 11 million yen per month, resolved at the 125th Ordinary General Meeting of shareholders held on June 29, 1993.

5. In addition to the remuneration above, the Company pays retiring Directors a retirement bonus in appreciation of their service.

6. The total of each amount of money in “Additional information” of Directors presented above is not equal to “Total amount of remuneration, etc. pertaining to this fiscal year” of Directors presented above, because each such amount of money is rounded to the nearest million.



Reason for selection and the profile of the Outside Corporate Auditors are as follows.

#### Akio Harada

##### Reason for selection

Akio Harada has a broad range of expertise and long years of experience as both a prosecutor and lawyer. He was selected and asked to perform audits from a broad perspective on the grounds his character and insight is most suited for the position.

##### Profile

December 1999	Chief Prosecutor, Tokyo High Prosecutors Office
July 2001	Prosecutor General
October 2004	Admitted to the Bar (incumbent)
June 2005	Corporate Auditor of Sumitomo Corporation (incumbent)

#### Tsuguoki Fujinuma

##### Reason for selection

Tsuguoki Fujinuma has a broad range of expertise, including on matters of finance and accounting, and long years of experience as an accountant. He was selected and asked to perform audits from a broad perspective on the grounds his character and insight is most suited for the position.

##### Profile

June 1993	Representative Partner, Showa Ota & Co. (now Ernst & Young ShinNihon LLC)
May 2000	Chairman, International Federation of Accountants
July 2004	Chairman, The Japanese Institute of Certified Public Accountants
July 2007	Advisor, The Japanese Institute of Certified Public Accountants (incumbent)
June 2008	Corporate Auditor of Sumitomo Corporation (incumbent)

## Message From an Outside Corporate Auditor



#### Tsuguoki Fujinuma

Outside Corporate Auditor  
Certified Public Accountant  
Appointed as outside corporate auditor in 2008

During my career, I have been involved with corporate accounting in many different roles, both in Japan and overseas. In my former roles, I have served as President of the International Federation of Accountants and the President and Chairman of The Japanese Institute of Certified Public Accountants. In 2008, I was appointed as an outside corporate auditor of Sumitomo Corporation. In this role, I conduct auditing duties while applying my knowledge and experience to the fullest extent.

Let me share with you several points that I believe are characteristic of corporate governance at Sumitomo Corporation. First, all officers and employees have a strong awareness of the importance of corporate governance issues. Second, the corporate governance system is functioning effectively. The former point illustrates just how deeply Sumitomo's Management Principles and its underlying 400 year-old business philosophy permeate the organization. The latter point is a testament to the Company's willingness to incorporate a breadth of opinions from outside the organization, and the culmination of innovative steps to actually do so.

For example, the Company's emphasis on external perspectives is evident in how it has instituted a system where three out of five corporate auditors are outside corporate auditors. However, I believe that the Company has also developed an environment that is conducive to eliciting my frank personal opinions. Specifically, the Company provides an opportunity every month for me to openly discuss a range of topics with the Chairman and President, ranging from current affairs to progress on important projects. Opportunities are also provided at the Board of Corporate Auditors meetings to receive briefings in advance on agenda matters that will be submitted to the Board of Directors. These opportunities enable a deeper and more meaningful exchange of opinions.

As the globalization of business proceeds and major changes reshape the business landscape, I believe that general trading companies will fulfill an increasingly important role going forward. I am convinced that Sumitomo Corporation can fulfill such a role through solid execution of its new Medium-Term Management Plan:  $f(x)$ . Sumitomo Corporation was also one of the first companies in Japan to adopt International Financial Reporting Standards (IFRS). I hope to put my insights as an IFRS Foundation\* Trustee Vice-Chair to good use in providing appropriate advice on the practical implementation of IFRS.

\* The supervisory body of the International Accounting Standards Board (IASB). The IFRS Foundation is working in the public interest to develop high-quality international accounting standards that provide transparent and comparable information in general purpose financial statements.

## Message from an External Advisor



### Minoru Noda

External Advisor  
Professor, Graduate School of Global Business,  
Meiji University  
Appointed as External Advisor to the Company in 2011

When I was working for a prominent think tank, I used to conduct analysis of what affected consumer behavior. But once I came to the realization that it is people that moved markets, I have consistently focused on People in Organizations. Based on that theme, in recent years, I have been conducting ongoing research focused on energizing middle management and building their organizations.

My connection to date with Sumitomo Corporation had been from the standpoint of a lecturer at their in-house training sessions. But now that I have been appointed an external advisor, I'd like to fulfill two new roles. The first is to offer advice and suggestions related to building organizations and nurturing people. Going forward, Sumitomo Corporation aims to build an organization and foster personnel in a manner conducive to create more businesses. I want to contribute to this process by drawing on my expertise as a specialist.

My second role is to offer advice and suggestions on common sense within Sumitomo Corporation. My impression is that Sumitomo Corporation's organization is a well balanced one, based on a relationship of mutual trust among all officers and employees. The Company needs to be flexible enough, however, to bring outside ideas in, and to keep internal common sense from slipping into complacency. To this end, I will seek to give my opinions from an outside perspective, aimed at modifying and expanding the meaning of common sense. I recognize that a system of external advisors helps create an effective framework for implementing these initiatives, because it facilitates the frank and smooth exchange of opinions in view of Sumitomo Corporation's management issues and trends.

The concern is rising that Japan's influence may wane as its population decreases amid an increase in the global population. Under these circumstances, perhaps the time has come to seriously consider what we as a people must do and what roads we must take. In the past, trading companies had played a major part in the expansion stage of the Japanese economy. Going forward, however, I think it will become their important task to draw a new vision for Japan in an era of paradigm change, further contributing to the global economy. Together with Sumitomo Corporation, I am committed to shouldering my responsibility in pursuing that quest.

### Mutsuo Nitta

#### Reason for selection

Mutsuo Nitta has a broad range of expertise and long years of experience as both a judge and lawyer. He was selected and asked to perform audits from a broad perspective on the grounds his character and insight is most suited for the position.

#### Profile

December 2004	President of the Tokyo High Court
April 2007	Admitted to the Bar (incumbent)
October 2007	Commissioner of the Tokyo Metropolitan Public Safety Commission
April 2008	Visiting Professor of the Meiji University Law School (incumbent)
June 2009	Corporate Auditor of Sumitomo Corporation (incumbent)

#### ■ Ensuring Audit Effectiveness

Corporate Auditors attend meetings of the Board of Directors and all other important internal meetings, to obtain the information necessary for proper auditing. Corporate Auditors also meet the Chairman of the Board of Directors and the President and CEO every month to exchange opinions on material issues regarding management policy and auditing. Moreover, the Corporate Auditor's Administration Department is assigned to assist Corporate Auditors, so that the auditing system functions effectively and without hindrance.

#### ■ Collaboration between Internal Auditing Department and Accounting Auditors

To ensure audit efficiency, Corporate Auditors interact closely with the Internal Auditing Department, receiving reports on internal audit plans and their results in a timely manner. In addition, Corporate Auditors exchange information with and monitor the auditing activities of the Accounting Auditors through regular meetings. By attending audit review meetings with the Accounting Auditors and observing inventory audits, the Corporate Auditors constantly work to improve audit efficiency and quality. Furthermore, Corporate Auditors attend meetings of the Internal Control Committee and request reports on the status of internal control systems from other departments responsible for internal control, along with their cooperation on audits.

#### Introduction of an Executive Officer System

We have introduced an executive officer system with the aim of clarifying the responsibilities and authority for execution and strengthening the monitoring function of the Board of Directors. We currently have 36 Executive Officers (as of July 31, 2011) selected by the Board of Directors. Of these, 11 Executive Officers also serve concurrently as Directors, including seven who are also General Managers of Business Units. In this way, we aim to prevent

gaps between decisions made at Board of Directors meetings and the execution of those decisions.

### Appointment of External Advisors

Management Council members meet with outside specialists employed as external advisors to incorporate outside perspectives into our management. In this way, external advisors provide us with advice from diverse perspectives on various themes related to management issues. External advisors also give speeches and lectures in their respective areas of expertise, such as leadership and career development, to employees at various levels within our organization.

### System for Ensuring Management Transparency

#### Basic Policy on Information Disclosure

To bring an accurate understanding of the Company's management policies and business activities to all our stakeholders, we shall strive to make full disclosure, not limiting ourselves to the disclosure of information required by law but also actively pursuing the voluntary disclosure of information.

### Communicating with Shareholders and Other Investors

#### ■ Encouraging the Execution of Voting Rights at the General Meeting of Shareholders

We send out a Notice of Convocation to shareholders three weeks prior to each regularly scheduled General Meeting of Shareholders. For the convenience of overseas shareholders, we also provide an English-language translation of the notice on our website. We have allowed our shareholders to exercise their voting rights via the Internet using personal computers since 2004 and via the Internet using mobile phones since 2005. In 2007, we introduced the Electronic Voting Platform operated by Investor Communication Japan, Inc. (ICJ), instituted by Tokyo Stock Exchange, Inc. and others. The new platform allows institutional investors sufficient time to thoroughly examine the propositions to be resolved at the meeting.

### ■ Disclosure of Various Information

Our corporate website endeavors to ensure the provision of proactive and timely disclosure of various documents and materials containing information that may be useful in making investment decisions. These documents and materials include financial results, *yukashoken houkokusho* (Japanese annual securities reports), and the Company's presentation materials. Moreover, the website provides Sumitomo Corporation's *Annual Report*, *Report on Responsibility & Sustainability* and *SC News*, the Group's public relations news magazine. The website also presents features compiled to introduce Group-wide topics such as the projects the Company operates all over the world.

### ■ Investor Relations

In addition to working to enhance the disclosure of information on our website, in order to ensure direct communication with shareholders and other investors, we hold quarterly meetings attended by management to provide information on our financial results for analysts and institutional investors. For overseas investors, we periodically visit the United States, the United Kingdom, and other countries in Europe and Asia to hold one-on-one meetings with investors in each region. In addition, in fiscal 2004 we began regularly holding meetings with individual investors in Japan. In fiscal 2010, we held such meetings in three cities. (Considering the affects of the Great East Japan Earthquake, we reduced the number of meetings in fiscal 2010.)

While working to strengthen and enhance our corporate governance structure and systems, from the perspectives of "improving management efficiency" and "maintaining sound management," we will continue to further strengthen internal auditing, risk management and compliance, to further improve the effectiveness of internal control.

### Website



Homepage  
<http://www.sumitomocorp.co.jp/english/>



Investor Relations  
<http://www.sumitomocorp.co.jp/english/ir/>

### Publications



Annual Report



Report on Responsibility & Sustainability



SC NEWS

# Internal Control and Internal Audits

The Sumitomo Corporation Group has strengthened its internal controls in order to retain the trust of all its stakeholders.

## Internal Control

The Sumitomo Corporation Group is formed of seven Business Units as well as regional organizations in Japan and overseas. The Business Units, organizations and group companies collectively work together in broad business fields. It is essential that we provide a uniform standard in operational quality at these businesses, irrespective of their business sector or region. This standard must also meet the expectations of our stakeholders.

From this perspective, we launched our Internal Control Program in 2005 to perform a comprehensive evaluation of the status of internal controls using a standards-based checklist. This Internal Control Program checklist covers approximately 350 points pertaining to general operations that should be common across the Group, including risk management, accounting and financial controls and compliance.

To ensure that this checklist assessment is conducted effectively, we make concerted efforts to educate all our officers and employees, including those at Group companies, on the essential fine points of internal controls that must be verified.

In August 2010, we launched a fully redesigned Internal Control Committee. The new committee is responsible for the management and evaluation of overall internal control across the entire Sumitomo Corporation Group and the development and implementation of basic policies on internal control. While the committee promotes group-wide activities, business units and regional organizations in Japan and overseas are implementing their own internal control activities in place of the previous group-wide, comprehensive checklist assessment.

These “internal control activities” specifically refer to the planning, implementation, evaluation and improvement of our internal control systems and processes. Each organizational unit carries on these activities continuously on a daily basis with timely and optimal support from its Planning & Administration Department, contributing to the sustainable growth and development of the Group.

### ■ Fulfillment of Legal Requirements

In recent years, due to social demands, legislation requiring companies to constantly improve and monitor their internal control systems has been passed under the Japanese Company Law and the Financial Instruments and Exchange Law. We have treated meeting these legal obligations as an opportunity to further reinforce our internal control program, which we had implemented

ahead of the enactment of this legislation. Our efforts in this area are ongoing and not transitional.

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

To comply with the internal control reporting rules stipulated in the Financial Instruments and Exchange Law, which took effect on April 1, 2008, we are tracking and evaluating our internal controls with regard to the reliability of financial reporting, as required by the law, through the effective application of Internal Control Program results and its promotion structure.

Through the aforementioned efforts and measures, the Sumitomo Corporation Group aims to continuously improve the quality of its operations.

## Internal Audits

The Internal Auditing Department, which reports directly to the President, was established as an independent organization to monitor company-wide operations. Internal audits are performed at all organizations within the Company and Group companies. The internal audit results are reported directly to the President every month, and reported regularly to the Board of Directors.

The Internal Auditing Department checks comprehensively organizations’ assets, the way of risk-management, status of compliance and business processes to find their problems and risks inherent. The Internal Auditing Department helps to raise the quality of organizational management by encouraging voluntary improvements and evaluating the effectiveness and the validity of each process.

# Compliance

Positioning compliance as a basic premise for all corporate activity, Sumitomo Corporation is building a compliance structure in accordance with clearly defined policies. In maintaining strict adherence to this compliance structure, we are ensuring our existence as a going concern and securing our credibility and status.

## Policies and the Reporting Structure of Corporate Compliance

It is our policy that both officers and employees should never risk transgression in pursuit of profit for the Company. In order to promote compliance, Sumitomo Corporation established the Compliance Committee under the direct supervision of the President and CEO. The Compliance Committee is responsible for preparing the Company's Compliance Manual and distributing it to all officers and employees. The Compliance Manual covers the following 19 Guiding Principles to ensure the Company's bottom line: "If there is even a trace of doubt, don't do it." If a potential compliance problem is detected, we continuously encourage our employees to report it to their supervisors or the relevant departments immediately, so that the best countermeasures can be implemented swiftly.

## Compliance Training and Education

Employees have access to the latest version of the Compliance Manual and other manuals detailing applicable laws and regulations on the Company's intranet. We also offer various training programs and educational activities on compliance, including: programs for specific groups, such as employees, managers and corporate officers new to the Company; seminars provided by each Business Unit; seminars targeted at all officers and employees; and seminars for overseas offices and Group companies. We also make use of various domestic and overseas conferences for compliance education. In addition, we hold e-learning compliance seminars open to employees from all levels and plan to continue these seminars for new and other employees. Such e-learning is also held at Group companies.

## Speak-Up System

If an employee becomes aware of a possible compliance problem, he or she can pass the information along the chain of command. In addition, the "Speak-Up System" was introduced to allow individuals to report a potential problem directly to the Compliance Committee. Outside legal counsel and our Corporate Auditors have been included as additional points of contact to further augment the system. Although, in principle, reporting individuals are asked to identify themselves so that they can be updated on the outcome of their cases, Company rules state that both the identity of such individuals and the nature of the information provided are kept confidential, and that no negative repercussions will redound on the reporting employees due to such reporting. The Compliance Committee is responsible for handling all the information it receives in an appropriate manner.

## Speak-Up System Diagram



## Guiding Principles

Business Activities	Corporate Citizen as a Member of Society	Maintenance of a Good Working Environment	Personal Interest
<ul style="list-style-type: none"> <li>• Observing Antimonopoly Laws</li> <li>• Security Trade Control</li> <li>• Customs / Controlled Items</li> <li>• Compliance with Applicable Laws</li> <li>• Respecting and Protecting Intellectual Property Rights</li> <li>• Prohibition of Unfair Competition</li> <li>• Information Management</li> <li>• Preservation of the Environment</li> <li>• Overseas Business Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Prohibition on Giving Bribes</li> <li>• Prevention of Unlawful Payments to Foreign Governmental Officials</li> <li>• Political Contributions</li> <li>• Confrontation with Antisocial Forces</li> </ul>	<ul style="list-style-type: none"> <li>• Respect for Human Rights*</li> <li>• Prohibition of Sexual Harassment</li> <li>• Prohibition on Abuse of Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Insider Trading</li> <li>• Conflict of Interest</li> <li>• Proper Use of Information Systems</li> </ul>

\* Based on the Universal Declaration of Human Rights.



# Risk Management

In order to cope effectively with the diversifying risk environment, we have built a risk management framework by developing our risk management approach from a micro to a macro perspective, and shifting our focus from “minimizing losses from individual transactions” to “maximizing corporate value.” This framework is strongly linked to the management plan, playing a critical role in supporting the efficient management of our corporate resources.

## The Purpose of Risk Management

We define “risk” as “possibility of losses due to the occurrence of anticipated or unanticipated situations” and as “possibility of not achieving the expected return on business activities.” We have set the following three items as the purpose for our risk management activities.

### 1. Stabilize Performance:

Minimize discrepancies between the plan and the actual results

### 2. Strengthen Financial Base:

Maintain Risk-adjusted Assets within the buffer (shareholders' equity)

### 3. Maintain Corporate Reputation:

Fulfill CSR requirements and preserve corporate reputation

## Risk Management Basic Policy

We classify our risks into two categories: Quantifiable risk and Non-quantifiable risk. Quantifiable risk is defined as “value creating risk,” where we proactively take to gain the return. Our policy is to maximize the risk-adjusted return while maintaining Risk-adjusted Assets within our buffer.

Non-quantifiable risk is defined as “value breaking risk,” which only generates losses when it surfaces. We are building a framework that prevents or minimizes the probability of this risk to materialize.

## Risk Management Framework

### Managing Quantifiable Risk

#### ■ Managing Investment Risk

Once an investment is made, it is often difficult to make a withdrawal decision and the loss impact is usually significant in scale. To manage the investment risk, we have in place an integrated framework covering the entry process to the exit process. For the entry process, we carefully select investments that exceed the hurdle rate, a threshold for the rates of return on new investments relative to the cost of capital. In case of new investments for large-scale, important projects, cases are put forward to the Loan and Investment Committee for thorough examination, and if such investments significantly underperform the original business plans, Value-Up plans shall be formulated and executed with the support of the Committee. When the performance of investments falls short of required standards after a certain period from their inception, we

have an Exit Rule that shall designate those investments as “Investments to withdraw from.”

#### ■ Managing Credit Risks

We have incorporated our original credit rating model, the Sumisho Credit Rating (SCR), to assess our customers' credit risk. The authority level to provide credit exposure to customers depends on the assigned credit rating, and the risk weight is set for each rating category. In addition, we regularly review the customers' credit limits and appropriately manage the credit exposure under those limits.

#### ■ Managing Market Risks

We set limits on contract balances as well as the maximum amounts of allowable losses for six months or a full year for commodity and financial instrument transactions. At the same time, we constantly monitor the potential amount of loss, (Value at Risk (VaR)—an estimate of potential risk or in case the total figures of realized and unrealized gain/loss are negative at the time of monitoring, the total of VaR and the relevant negative figures), to ensure that the potential amount of loss falls within the maximum amounts of allowable losses. In addition, we conduct liquidity risk management for each product on an individual futures market basis in order to be prepared in the event that it becomes difficult to close positions due to shrinking liquidity. The Financial Resources Management Group undertakes both the back and middle office functions in order to completely separate those functions from the Business Units, thereby enabling us to maintain the soundness of internal checks.

#### ■ Managing Concentration Risks

As we are operating globally and engaging in a variety of business fields, we need to ensure that the risks are not excessively concentrated in particular areas. In order to avoid overly concentrated exposure in certain countries and regions, we have in place a country risk management system. In addition, in order to avoid the excessive concentration of resources in any specific field and refine our business portfolio, we thoroughly discuss the amount of Risk-adjusted Assets distributed to each unit and business line in meetings such as the “strategy conference,” which is held among CEO and general managers of each unit and “loan and investment committee,” which deliberates on important investment and financing.

## Managing Non-quantifiable Risks

Non-quantifiable risks are those that must be borne, but for which we cannot expect returns. These include litigation and other legal risks, operational risks such as clerical mistakes or fraud acts, and natural disaster risk. Some of these risks involve events that rarely occur but could have a critical impact on our operations once they arise. Our basic policy is to prevent or minimize the probability of these risks to materialize. Accordingly, we periodically assess non-quantifiable risks on a global and consolidated basis. We do this through a range of initiatives to strengthen our internal control across the Group under the leadership of the Internal Control Committee as well as through independent activities by our business units and regional organizations in Japan and overseas. Based on the assessment result, we continuously search for a more efficient and effective organizational structure and procedures to improve the quality of our business operations.

## Embedding the Sense of Risk Management

Although we have been constructing the best possible risk management framework to cope with diversified risks, we cannot completely prevent the incurrence of loss in the course of business activities only by the framework itself. We are putting our efforts into implementing the initiatives that enable us to quickly identify the occurrence of losses in order to suppress loss accumulation and prevent the contagion effects that lead to secondary losses. These initiatives include devising ways to quickly identify the cause of losses and share such information among top management and related departments. We have compiled a database of such loss

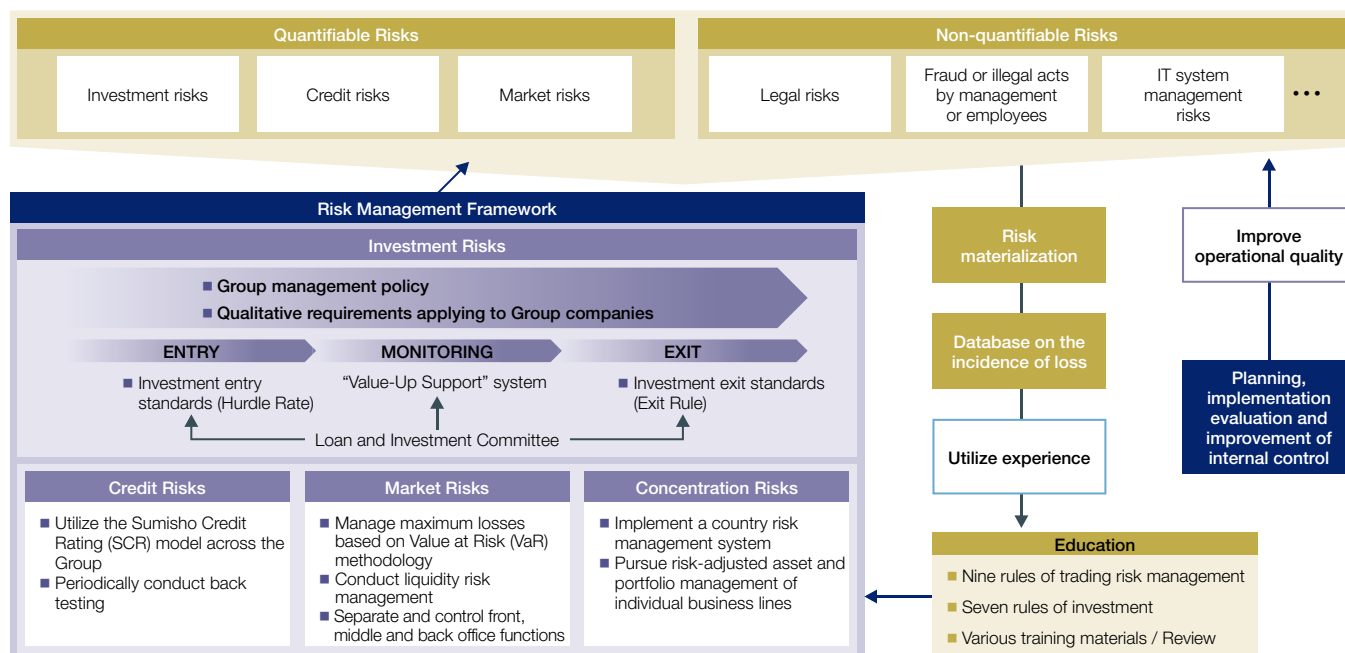
information that allows for the systematic analysis of the causes of loss-incurring events. These analyses are used as training materials for employees as part of various educational programs. Through this knowledge feedback process, individual employees can upgrade their risk management capabilities, supporting the prevention of the same kind of loss events.

## Eyeing the Future of Risk Management

Over the past decade, Sumitomo Corporation has created a formidable risk management framework by studying advanced methods and processes. Our goal is to implement the best practices in risk management while maintaining the flexibility to adapt to changes in the business environment. The surrounding environment is continually changing, however, and new business model that we could never have imagined are emerging on a daily basis. Responding to changing circumstances in a timely and effective manner, we continually upgrade our risk management under the direction of top management.

## Information Security Control Structure

Sumitomo Corporation works to enhance its information management system to maintain and improve information security. Our approach to this end includes the development of internal rules and manuals as well as the provision of employee training and awareness-raising activities, with a focus on taking preventive measures against risks identified within the Group relating to leakages of confidential information and compliance with the Personal Information Protection Act, which came into full effect in April 2005.



# Human Resources Management

Sumitomo Corporation is actively implementing various HR initiatives to recruit, retain, develop and utilize capable talent in a strategic and well-planned manner, who can contribute broadly to society and create new value over the medium and long term with a good understanding of the Sumitomo Corporation Group's Management Principles and Activity Guidelines and the practice of SC VALUES\*.

## Strengthening Human Resources Management on a Company-wide Level

To ensure the sustainable growth of the Sumitomo Corporation Group, it is vital to strengthen our recruitment and development of global talent in a strategic and well-planned manner from a medium- and long-term perspective, pursuing human resources strategies in line with business strategies. Under the new medium-term management plan “ $f(x)$ ,” we aim to achieve “cross-boundary growth,” the growth together with all our partners across regional, generational, and organizational boundaries, while carrying on with the basic policy and various initiatives adopted under the previous medium-term management plan “FOCUS’10.”

### Strengthening our recruitment and development of global talent

#### ■ Strategic development and placement of key staff in each overseas office

Sumitomo Corporation is making the best effort to train locally hired employees in overseas offices and group companies and assign them to play more important roles as a proactive response in global business operations. As part of these efforts, we are conducting training programs for locally hired employees at different career levels (staff in charge, managers and senior executives). At the training programs, more than 200 participants per annum from all over the world come to the Head Office in Tokyo, Japan, to share the corporate DNA that runs through the Sumitomo Corporation Group and strengthen their sense of unity as a member of the Group through reaffirming Sumitomo's business philosophy, and the Management Principles of the Group. In addition, information is shared on management direction and strategies, and the participants attend “skill-up” seminars on a variety of themes as well as joint workshops with Head Office employees.



Training for locally hired employees overseas

\* SC VALUES embodies the nine core behaviors based on our Management Principles and Activity Guidelines expected of all members of the Sumitomo Corporation Group.

## SC VALUES

### 1. Integrity and Sound Management

To comply with laws and regulations, while maintaining the highest ethical standards.

### 2. Integrated Corporate Strength

To create no boundaries within the organization; always to act with a company-wide perspective.

### 3. Vision

To create a clear vision of the future, and to communicate to share it within the organization.

### 4. Change and Innovation

To accept and integrate diversity in values and behavior, and to embrace change as an opportunity for action.

### 5. Commitment

To initiate, own, and achieve organizational objectives.

### 6. Enthusiasm

To act with enthusiasm and confidence, and to motivate others through such action.

### 7. Speed

To make quick decisions and act promptly.

### 8. Human Development

To fully support the development of others' potential.

### 9. Professionalism

To achieve and maintain high levels of expertise and skills.

#### ■ Development of the infrastructure for global HR management Global HR Database

We plan to make the profile of our human resources more visible by establishing a database which contains the individual personnel development plan in order to identify and share information on key personnel at Head Office and overseas organizations. Our efforts will be focused on development of infrastructure for strategic allocation of Head Office employees and locally hired employees across regions and organizations on a global basis.



Image of training center

### Global HRD Center

We are scheduled to complete a new training center in the Ginza, Tokyo, in 2012. The new training center will serve as a training center to develop global talent and as a strategic multi-purpose facility. As a training center, we will use this center to strengthen our human resources development across the entire Group worldwide and to encourage our diversified human resources management. The facility will also provide a

multi-purpose and versatile space, supplementing Head Office functions. In this center, we expect to see our global colleagues from around the world, irrespective of organization or country, meeting for intensive discussions on the future visions and strategies of our Group.

### Conducting strategic placement of human resources on a company-wide level

At Sumitomo Corporation, under the company's overriding principles of autonomous management and self-responsibility, each business unit implements its own strategic human resources management. Business unit also conduct their own staff training and education in order to ensure their medium and long term strategic human resources' needs will be fully satisfied. Under the " $f(x)$ ," we carry on what we have done and we conduct strategic placement of human resources across business units on a company-wide level.

#### ■ Further development of cross-organizational personnel Job rotation training

We have introduced job rotation training between Business Units and Corporate Group to allow our employees to have not only on-site experience but also a company-wide perspective, as well as management's point of view. Under the " $f(x)$ ," we also promote job rotation training across Business Units to develop our talent capable of leading cross-industrial businesses and managing business subsidiaries. We aim to increase the diversity of our human resources with broad experiences and different values.

### Human Resources Development Fund

In fiscal year 2010, a new internal fund for human resources development was established to facilitate the effort to ensure and develop enough talent required to achieve the medium- and long-term growth strategies of business units and divisions. The fund is effectively used for sending trainees to overseas offices to develop our global talent in a strategic and well-planned manner. In particular, we increased the number of language trainees of Chinese, Russian, Spanish, Portuguese, etc., to grasp the expanding business opportunities in the emerging market, which will become

important management issues of our Group in the future. Furthermore, we also plan to invest aggressively in human resources development from a medium- and long-term perspective and send employees who are primarily in managerial positions to overseas short-term executive programs to acquire the latest management literacy and build a network with global executives, as well as send locally hired employees of overseas offices to the Head Office.

### Sumisho Business College (SBC)

Sumisho Business College (SBC), a corporate university, offers around 300 courses a year. For instance, visiting the Besshi Copper Mine, the origin of the Sumitomo Corporation Group, has been conducted with the aim of providing participants with an opportunity to realize Sumitomo's business philosophy, which inspired the Sumitomo Corporation Group's present-day Management Principles. Through a variety of programs provided by SBC, our employees can learn basic knowledge and skills required in common, advanced specific expertise and also develop their leadership. The concept behind SBC is that the growth opportunity is "something to take by oneself" instead of "something to be given." Under this concept, we intend to further upgrade and extend these programs as a system to support our good talent who are able to think and act on their own, and deliver results.



Visit to the Besshi Copper Mine



Executive Management Program

#### ■ Enhancement of long-term HR development & placement plan

##### Diversified recruitment sources and strategic reallocation based on HR analysis

We intend to promote reallocation of our human resources at the company-wide level, including recruitment and job rotations among business units, based on the business strategies at each organization. From the standpoint of recruitment, we will seek to diversify our recruitment sources, including in collaboration with our regional organizations and subsidiaries, in addition to increasing the hiring of new graduates and mid-career recruits in Japan. We will also promote personnel development and placement at each organization by implementing succession planning for key posts such as general managers, while reorganizing human resources data to facilitate the assignment of the right person to the right position.

# Contributions to Sustainable Development

“Sumitomo’s business philosophy” is expressed in the following credo: “Benefit for self and others, private and public interests are one and the same.” This means that “Sumitomo’s business activities must benefit not only Sumitomo’s own businesses, but also society and the nation.” This approach of seeing corporate activities within the scope of relationships with society is identical to what is referred to as CSR (Corporate Social Responsibility) today. Sumitomo’s business philosophy, as described above, is illustrated in clauses in the Management Principles of the Sumitomo Corporation Group such as “To create new value, and contribute broadly to society,” and “To achieve prosperity and realize dreams through sound business activities,” and it has become deeply rooted as the universal and unchanging basis of our business activities.

## How We See CSR at the Sumitomo Corporation Group

At the preamble to the Sumitomo Corporation Group Management Principles, the corporate vision of the group is described by the following: “We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.” For us then, promoting CSR means conducting responsible business activities based on our corporate vision, which is also the same as implementing the Group’s Management Principles. We work on social issues from the standpoint of a corporation while building better relationships with stakeholders through sound business activities and social contribution activities, with the aim of building a sustainable society. For us, this means achieving prosperity and realizing the dreams of all our stakeholders, and we recognize this as the fundamental basis of CSR.

## Initiatives for the United Nations Global Compact

The Sumitomo Corporation Group supports the 10 principles of the UN Global Compact (GC), an international CSR-related initiative that proposes values held in common with the Group’s Management Principles. We are committed to enhancing our corporate value by clearly identifying areas of improvement in our business activities in light of the values advocated by the 10 principles.

### The Global Compact’s 10 Principles



#### Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

#### Labour Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

#### Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

\* We also support the Global Human Rights Declaration, which the 10 principles of the UN Global Compact comply with.

## ➔ Report on Responsibility & Sustainability

For details on our CSR activities, please refer to our Report on Responsibility & Sustainability. The report is available on our website: <http://www.sumitomocorp.co.jp/english/society/report.html>



## Initiatives for the Supply Chain CSR

The Sumitomo Corporation Group set down the CSR (Corporate Social Responsibility) Action Guidelines for Supply Chains, in November 2009. By implementing these guidelines, which are based on our Management Principles, we are aiming to achieve a sustainable and better society by working together with our suppliers and business partners in order to create new values while at the same time fulfilling our social responsibilities in such areas as strict compliance with laws and regulations, respect for human rights, and protection of the environment.

### The Sumitomo Corporation Group CSR Action Guidelines for Supply Chains

(November 2009)

The Sumitomo Corporation Group aims to be a global organization that constantly stays a step ahead in dealing with change, creates new value and contributes broadly to society. In its Management Principles, the Group sets forth its mission to achieve prosperity and realize dreams through sound business activities, and to strictly adhere to a management style which places prime importance on integrity and sound management with utmost respect for the individual.

In line with its Management Principles, the Sumitomo Corporation Group hereby sets down the CSR (Corporate Social Responsibility) Action Guidelines for Supply Chains, aiming to achieve a sustainable and better society. With a view to further strengthening “global relations”—one of the elements of the business foundation that supports our integrated corporate strength, which is our core competence—we will request our suppliers and business partners to kindly accept, understand and practice these guidelines so that together we can fulfill our social responsibilities in the value chain in which we are jointly involved.

Our suppliers and business partners are expected:

1. To respect the human rights of employees and never treat employees in an inhumane manner
2. To prevent forced labor, child labor and unreasonably cheap labor
3. Not to practice discrimination with respect to employment
4. To respect the rights of employees to associate freely in order to ensure smooth negotiation between labor and management
5. To strive to provide employees with a safe and healthy work environment
6. To strive to protect the global environment
7. To ensure the quality and safety of products and services
8. To ensure fair transactions, abiding by all applicable laws, rules and regulations, and to prevent all types of corruption, including extortion and bribery
9. To disclose information regarding the above in a timely and appropriate manner

## Global Safety Management

The Sumitomo Corporation Group puts “safety first” in its business activities. Endeavoring to better prepare for and prevent incidents, accidents and disasters in Japan and overseas, we regularly conduct educational activities and upgrade our safety planning infrastructure. Through these means, we work diligently to ensure that all executives and employees maintain a deep awareness of crisis situations, understand all appropriate safety guidelines and measures and put them into practice.

As a part of the aforementioned endeavors, we are striving to realize “zero” workplace accidents at subsidiaries and associated companies engaged in manufacturing, processing and warehouse activities. A Safety Management Committee has been established at each Business Unit. These committees take action to ensure safety management and prevent workplace accidents together with Group subsidiaries and associated companies in Japan and overseas.

### Measures to Improve Safety Awareness and Prevent Accidents

In the Metal Products Business Unit, all subsidiaries and associated companies document their safety activities in accordance with the Group’s *Safety Manual*, *Safety and Hygiene Management Guidelines*, and *Work* handbooks, and every employee is appropriately trained on safety in the workplace. This vigilance helps prevent accidents before they happen.

In the Tubular Products Group’s Supply Chain Management operations worldwide, the employees of the Group companies, customers and subcontractors work together to conduct safety management in order to create safe work environments and procedures designed to minimize the risk of accidents for all involved. We also strive on a daily basis to continuously raise safety awareness among Sumitomo employees and our contractors.

In fiscal 2010, we completed the risk assessments and established management programs for the coating, storage and transportation of 100,000 tons of large diameter line pipe in Dunkerque, France. We have also worked on the improvement of our Global HSE Management System. This included the upgrading of procedures and reduction of the risks associated with offloading the products from the vessels in Florø, Norway, and the significant improvement of HSE performance in

Dampier, Australia. Upgrades to our web-based HSE Portal have resulted in improved reporting, analysis and sharing of information across our global operations.



Workers wearing personal protective equipment and individual safety harnesses during vessel unloading operations—Florø, Norway

## Initiatives for the Environment

The Sumitomo Corporation Group recognizes that environmental issues are global in scale, and are long-term matters that will affect future generations. As a global organization, the Group has established an environmental policy of striving to achieve sustainable development, by way of sound business activities, aimed at symbiosis between social and economic progress and environmental preservation.

### Case in Point: Shaping a Greener Future by Promoting and Popularizing Solar Power Generation

In April 2010, Sumitomo Corporation consolidated operations in the environment and new energy field into the newly established New Business Development & Promotion Division. Under the new division, the Company set up the Solar Business Department and positioned the solar power generation business as a core environmental business.

In the Solar Business Department, Sumitomo Corporation has an extensive value chain ranging from the procurement of raw materials needed to produce solar panels to solar panel sales and operation of solar power generation projects. Notably in the latter field, Sumitomo Corporation constructed a solar power generation project with a total generation capacity of 12.6MW in 2008 on Tenerife, one of the Canary Islands of Spain. These islands receive the greatest amount of sunshine in all of Europe. This project has given Sumitomo Corporation considerable experience and knowledge in the solar power project field.

In February 2011, Sumitomo Corporation invested in a solar power generation project with a total generation capacity of 9.7MW in the Puglia region of southern Italy. The Company is operating the project as its largest shareholder. In France, Sumitomo Corporation, together with a local partner, participated in a solar power generation project with a total generation capacity of 31MW in the city of Les Mées on the outskirts of Marseilles in southern France. Sumitomo Corporation became the first Japanese company to launch such a project in France. Construction work is now steadily under way with the view to commencing operations this autumn. Each of these projects is blessed with ideal geographical conditions, and there are high hopes for each to contribute to society over the long term as a stable source of electricity with a low environmental impact.

Going forward, the Group will continue to promote solar power generation in various locations worldwide, while looking to utilize wind, geothermal, biomass and other sources of renewable energy in accordance with geographical conditions, as it works to help shape a greener future through the businesses related to multifarious power infrastructure that helps to achieve a low-carbon society.



Solar power generation project on the island of Tenerife, Spain



Solar power generation project in the city of Les Mées in southern France

## Initiatives for Social Contribution

The Sumitomo Corporation Group is engaged in social contribution activities aimed at developing the next generation of human resources who will drive the sustainable development of society, and contributing to local communities in areas we do business all over the world. We also take part in various activities as a corporate citizen.

### Case in Point: Lectures Bearing the Sumitomo Corporation Name Provided in Four Universities in China and Vietnam

To support leadership development of the next generation in China and Vietnam, Sumitomo Corporation started offering lectures bearing its name in 2006 at Nankai University (Tianjin) and Tsinghua University (Beijing) in China and Hanoi National Economics University in Vietnam. At the request of the Foreign Trade University in Hanoi, Vietnam, Sumitomo Corporation began holding lectures at this university starting this year.

With a unique theme—“Corporate Social Responsibility,” “Global Leadership” and “Management of Global Corporations”—for each university, the courses are all designed to develop future leaders of China and Vietnam. Sumitomo Corporation works in cooperation with the universities to plan and run these courses. The courses have proven popular among students and have received high marks from all quarters, including the Tianjin city government, which said: “This program greatly contributes to human resources development and globalization within the region.”

At Tsinghua University, which marked its founding centennial in April 2011, the Sumitomo Corporation President and CEO gave a commemorative address titled “Leadership in the Management of Integrated Trading Company in the Ever-changing Global Economy.” This address was part of a series of commemorative events marking the university’s founding centennial. The venue was very lively. On the day of the lecture, the auditorium was filled to its capacity of 200 people, and some students stood in the back to hear the address. In the Q&A session afterwards, Mr. Kato was unable to answer all the questions with so many audience members raising their hands. Intensive discussions were held with very dedicated and enthusiastic students.

Through these lectures, we strongly hope that numerous Chinese and Vietnamese students will develop a stronger understanding of Japanese companies and businesses and build strong economic ties with Japan as they pursue their careers. Staying true to these aspirations, we will continue to offer these courses going forward.



Commemorative address by President and CEO of Sumitomo Corporation, at Tsinghua University (China)



A student asks a question after a lecture at Hanoi National Economics University (Vietnam)

# Directors and Corporate Auditors

(As of July 1, 2011)



<b>Shunichi Arai</b> Executive Vice President	<b>Susumu Kato</b> President and CEO	<b>Kazuo Ohmori</b> Executive Vice President	<b>Motoyuki Oka</b> Chairman of the Board of Directors	<b>Takahiro Moriyama</b> Executive Vice President
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## Directors and Corporate Auditors

Chairman of the Board of Directors

**Motoyuki Oka**

President and CEO

**Susumu Kato**

Director

**Kazuo Ohmori**

Director

**Shunichi Arai**

Director

**Takahiro Moriyama**

Director

**Toyosaku Hamada**

Director

**Kuniharu Nakamura**

Director

**Shinichi Sasaki**

Director

**Takuro Kawahara**

Director

**Yoshio Osawa**

Director

**Yasuyuki Abe**

Director

**Masayuki Doi**

Standing Corporate Auditor (Full-Time)

**Kenzo Okubo**

Corporate Auditor (Full-Time)

**Ichiro Miura**

Corporate Auditor (Lawyer)

**Akio Harada\***

Corporate Auditor (Certified Public Accountant)

**Tsuguoki Fujinuma\***

Corporate Auditor (Lawyer)

**Mutsuo Nitta\***

Notes: 1. All Directors are Representative Directors.

2. Outside Corporate Auditors are indicated by an asterisk (\*).



## Executive Officers

### ■ President and CEO

#### Susumu Kato

### ■ Executive Vice Presidents

#### Kazuo Ohmori

General Manager, Transportation & Construction Systems Business Unit

#### Shunichi Arai

General Manager, Metal Products Business Unit

#### Takahiro Moriyama

General Manager, Infrastructure Business Unit

### ■ Senior Managing Executive Officers

#### Kenji Kajiware

General Manager for China, CEO of Sumitomo Corporation China Group, General Manager, Beijing Office, President of Sumitomo Corporation (China) Holding Ltd.

#### Toyosaku Hamada

CFO, General Manager, Financial Resources Management Group

#### Takashi Kano

General Manager for the Americas, President and CEO of Sumitomo Corporation North America Group, Director & President of Sumitomo Corporation of America

#### Kuniharu Nakamura

General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit

#### Shinichi Sasaki

General Manager, General Products & Real Estate Business Unit

#### Takuro Kawahara

General Manager, Human Resources, General Affairs & Legal Group

#### Yoshio Osawa

General Manager, Media, Network & Lifestyle Retail Business Unit

#### Yasuyuki Abe

General Manager, New Industry Development & Cross-function Business Unit  
General Manager, Financial Service Division

#### Kazuhisa Togashi

Assistant General Manager, Metal Products Business Unit,  
General Manager, Iron & Steel Division, No. 3

#### Kazuhiro Takeuchi

General Manager for Asia, President and CEO of Sumitomo Corporation Asia Group, Director & President of Sumitomo Corporation Asia Pte. Ltd

### ■ Managing Executive Officers

#### Naoki Hidaka

General Manager, Kansai Regional Business Unit

#### Masayuki Doi

General Manager, Corporate Planning & Coordination Group,  
General Manager, Corporate Planning & Coordination Dept.

#### Toru Furihata

Assistant General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit,  
General Manager, Mineral Resources Division No. 2

#### Hiroyuki Inohara

Assistant General Manager, Financial Resources Management Group,  
General Manager, Finance Dept.

#### Masaru Nakamura

General Manager for Europe, CEO of Sumitomo Corporation Europe Group,  
Director & President of Sumitomo Corporation Europe Holding Limited, Chairman, Director & President of Sumitomo Corporation Europe Limited

#### Makoto Nakamura

General Manager, Internal Auditing Dept.

#### Kohei Hirao

Assistant General Manager, Infrastructure Business Unit,  
General Manager, Telecommunication, Environment & Industrial Infrastructure Business Division

#### Michihiko Kanegae

Assistant General Manager, Infrastructure Business Unit,  
General Manager, Global Power Infrastructure Business Division

#### Kiyomi Machida

General Manager, Chubu Regional Business Unit

#### Hideki Iwasawa

Assistant General Manager, Financial Resources Management Group,  
General Manager, Corporate Risk Management Dept.

### ■ Executive Officers

#### Akira Takeuchi

General Manager, Mineral Resources Division No. 1

#### Koichi Takahata

General Manager, Accounting Controlling Dept.

#### Nobuhiko Yuki

General Manager, Life Science Division

#### Kiyoshi Ogawa

General Manager, Legal Dept.

#### Hiroaki Mizobuchi

General Manager, New Business Development & Promotion Division

#### Masao Sekiuchi

General Manager, Non-Ferrous Products & Metals Division

#### Masato Sugimori

Executive Vice President and CFO of Sumitomo Corporation North America Group,  
Executive Vice President and CFO of Sumitomo Corporation of America, Assistant General Manager for the Americas

#### Yutaka Sekine

General Manager, Planning & Administration Dept., Transportation & Construction Systems Business Unit

#### Masahiro Fujita

Assistant General Manager, Corporate Planning & Coordination Group

#### Yoshihiro Fujiura

Assistant General Manager for China, General Manager, Transportation & Construction Systems, Infrastructure Business Unit of Sumitomo Corporation China Group, President of Sumitomo Corporation (Hong Kong) Ltd.

#### Akira Satake

General Manager, Planning & Administration Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit

#### Toshifumi Shibuya

General Manager, Planning & Administration Dept., Media, Network & Lifestyle Retail Business Unit

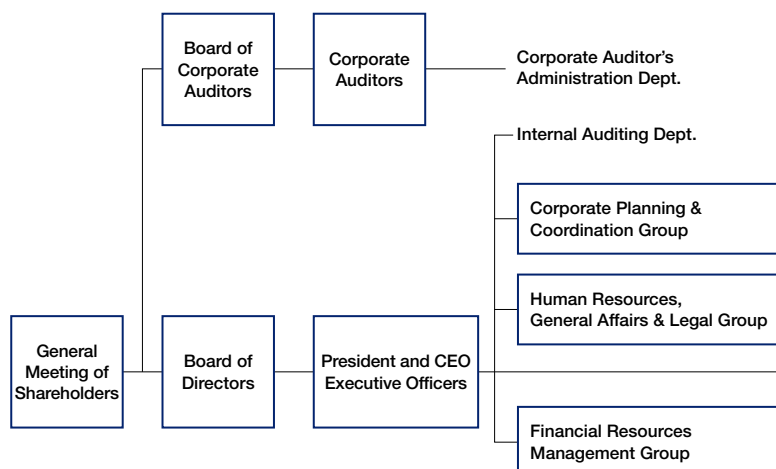


# BUSINESS OPERATING STRUCTURE

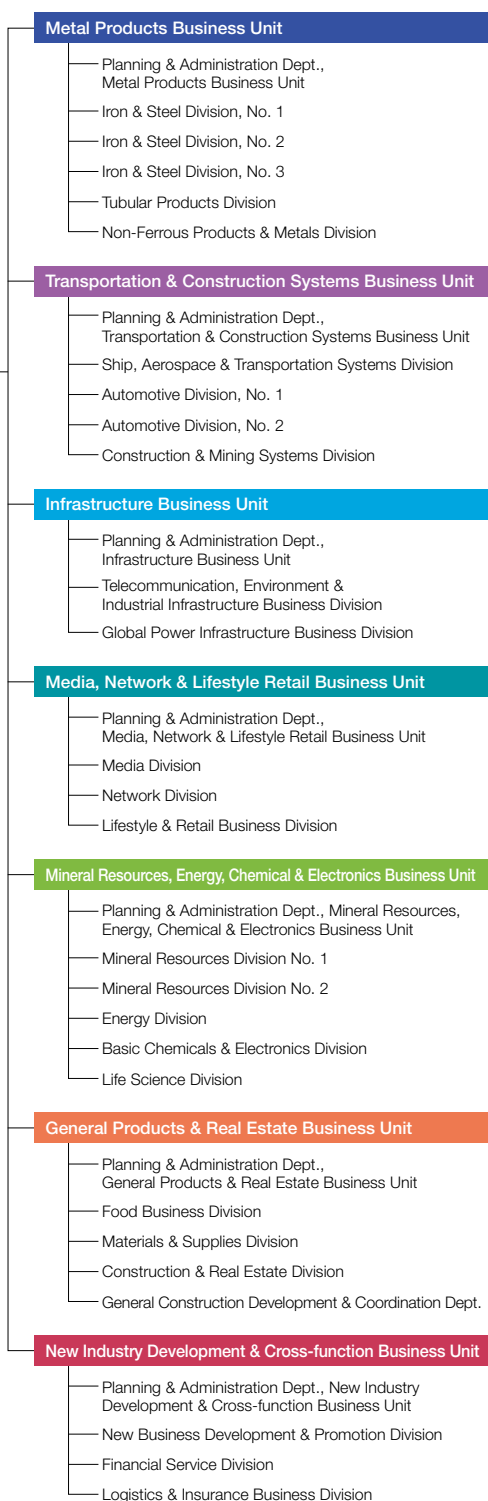
## Organization

(As of July 1, 2011)

### ■ CORPORATE GROUP



### ■ BUSINESS UNITS



#### JAPAN

3 Subsidiaries  
3 Regional Business Units  
2 Offices

#### OVERSEAS

40 Subsidiaries  
1 Branch  
25 Offices

# Regional Business Units and Subsidiaries

(As of July 1, 2011)

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

# Global Network

(As of July 1, 2011)



## EUROPE AND CIS

London  
Aberdeen  
Oslo  
Prague  
Warsaw  
Milan  
Madrid  
Dusseldorf  
Paris  
Brussels  
Moscow  
Vladivostok  
St. Petersburg  
Kiev  
Almaty  
Astana  
Tashkent

## AFRICA

Algiers  
Casablanca  
Johannesburg  
Nairobi  
Luanda  
Antananarivo  
Accra

## MIDDLE EAST

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

## OCEANIA

Sydney  
Melbourne  
Perth  
Auckland

## Overseas: 64 countries

40 Subsidiaries / 88 locations  
1 Branch / 1 location  
25 Offices / 25 locations

**Total 114 locations**

## Japan:

Headquarters  
3 Subsidiaries / 9 locations  
3 Regional Business Units / 12 locations  
2 Offices / 2 locations

**Total 24 locations**

## ASIA

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

## NORTH AMERICA

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

## CENTRAL AMERICA AND SOUTH AMERICA

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

## JAPAN

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

# Principal Subsidiaries and Associated Companies

(As of March 31, 2011)

		Subsidiary/ Associated Company	Main Business
<b>Metal Products Business Unit</b>			
<b>Japan</b>	Alcut Co., Ltd.	Sub.	Shearing, slitting, and blanking of aluminum coils, sheets, and circles
	Hokkaido Shearing Kaisha, Ltd.	Sub.	Fabrication and sale of steel products
	Ishihara Kohtetu Co., Ltd.	Sub.	Stock, sale, and processing of tool steel
	KS Summit Steel Co., Ltd.	Sub.	Steel service center (processing and sale of steel sheets)
	Mazda Steel Co., Ltd.	Sub.	Shearing, slitting, and blanking of steel sheets
	SC Pipe Solutions Co., Ltd.	Sub.	Sale of steel piping and other steel products
	SC Tubulars Co., Ltd.	Sub.	Sale of specialty tubular products
	Sofuku-koki Co., Ltd.	Sub.	Manufacture and sale of steel racks
	Sumisho Metalex Corporation	Sub.	Sale of non-ferrous metal products, materials for home heat solution
	Sumisho Speciality Steel Corporation	Sub.	Stock, sale, and processing of specialty steel
	Sumisho Tekko Hanbai Co., Ltd.	Sub.	Sale of steel products
	Summit Showa Aluminum Ltd.	Sub.	Production of aluminum alloy ingots
	Summit Steel Corporation	Sub.	Sale of steel sheets
	Summit Steel Oita	Sub.	Steel service center (processing and sale of steel sheets)
	Tanimoto Steel Corporation	Sub.	Shearing, slitting, and sale of steel plates
<b>Asia</b>	Dalian Summit Metal Products Co., Ltd. (China)	Sub.	Shearing, slitting, and sale of steel plates
	Dong Guan Summit Metal Products Co., Ltd. (China)	Sub.	Shearing, slitting, and sale of steel plates
	Dong Guan S.Y. Metal Ltd. (China)	Sub.	Shearing, slitting, and sale of steel plates
	Foshan Summit Nikka Mold & Metal Products Co., Ltd. (China)	Sub.	Stock, sale, and processing of tool steel
	Hangzhou Summit Metal Products Co., Ltd. (China)	Sub.	Shearing, slitting, and sale of steel plates
	Shanghai Hi-Tec Metal Products Co., Ltd. (China)	Sub.	Manufacture and sale of metal-processing products
	Shanghai Nikka Metal Products Co., Ltd. (China)	Sub.	Stock, sale, and processing of tool steel
	Shanghai Summit Metal Products Co., Ltd. (China)	Sub.	Shearing, slitting, and sale of steel plates
	Tianjin Hua Zhu Metal Products Co., Ltd. (China)	Sub.	Shearing, slitting, and sale of steel plates
	Wuxi Meifeng Metal Products Co., Ltd. (China)	Sub.	Shearing, slitting, and sale of steel plates
	Zhongshan Nomura Steel Product Co., Ltd. (China)	Sub.	Shearing, slitting, and sale of steel plates
	India Steel Summit Private Limited (India)	Sub.	Shearing, slitting of steel plates and manufacture of metal stamping parts and die
	P.T. Super Steel Indah (Indonesia)	Ass.	Shearing, slitting, and sale of steel plates
	P.T. Super Steel Karawang (Indonesia)	Sub.	Shearing, slitting, and sale of steel plates
	Steel Centre Malaysia Sdn. Bhd. (Malaysia)	Sub.	Shearing, slitting, and sale of steel plates
	Sumiputeh Steel Centre Sdn. Bhd. (Malaysia)	Ass.	Shearing, slitting, and sale of steel plates
	Calamba Steel Center Inc. (Philippines)	Sub.	Shearing, slitting, and sale of steel plates
	Mactan Steel Center Inc. (Philippines)	Sub.	Shearing, slitting, and sale of steel plates
	Asian Steel Company Ltd. (Singapore)	Sub.	Shearing, slitting, and sale of steel plates
	Mason Metal Industry Co., Ltd. (Taiwan)	Sub.	Shearing, slitting, and sale of steel plates
	CS Metal Co., Ltd. (Thailand)	Ass.	Shearing, slitting, and sale of steel plates
	CS Non-Ferrous Center Co., Ltd. (Thailand)	Ass.	Shearing, slitting, and sale of non-ferrous metal sheets
	Sumisho Laser Welding (Thailand) Co., Ltd. (Thailand)	Sub.	Manufacturing of metal tailor welded blanks (TWB)
	Thai Steel Service Center Ltd. (Thailand)	Sub.	Shearing, slitting, and sale of steel plates
	Hanoi Steel Center Co., Ltd. (Vietnam)	Sub.	Shearing, slitting, and sale of steel plates
	Saigon Steel Service & Processing Co. (Vietnam)	Ass.	Shearing, slitting, and sale of steel plates
<b>The Middle East</b>	Summit Steel (M.E.) FZCO (UAE)	Sub.	Trade of various steel products, steel service center, sale of flat steel products
<b>Europe</b>	Steel Center Europe, S.R.O. (Czech)	Ass.	Shearing, slitting, and sale of steel plates
<b>The Americas</b>	Servilamina Summit Mexicana S.A. de C.V. (Mexico)	Sub.	Steel service center (processing and sale of steel sheets)
	AB Tube Processing, Inc. (U.S.)	Sub.	Tube processing for airbag inflators
	Arkansas Steel Associates LLC (U.S.)	Ass.	Steel mini mill (manufacture of railroad tie plates)
	SC Pipe Services Inc. (U.S.)	Sub.	Investment in pipe manufacturing and sales company in the U.S.
<b>Oceania</b>	Summit Stainless Steel LLC (U.S.)	Sub.	Sales of stainless steel products
	SC Metal Pty. Ltd. (Australia)	Sub.	Investment in aluminum smelting operation in Australia



		Subsidiary/ Associated Company	Main Business
Transportation & Construction Systems Business Unit			
Japan	KIRIU Corporation	Sub.	Automotive components manufacturer (disc rotors, brake drums, etc.)
	Oshima Shipbuilding Co., Ltd.	Ass.	Shipbuilding
	SC-ABeam Automotive Consulting	Sub.	Automotive industry focused consulting
	SC Automotive Investment	Sub.	Automotive related investment fund operation and management
	Sumisho Aero-Systems Corporation	Sub.	Sale of aerospace equipment
	Sumisho Machinery Trade Corporation	Sub.	Trading of machinery, equipment and automobiles
	Sumisho Marine Co., Ltd.	Sub.	Ship related operational services
	Sumisho Rental Support Corporation	Sub.	Rental of aerial work platforms, temporary housing house, hydraulic excavator, attachment, etc.
Asia	Sumitomo Mitsui Auto Service Company, Limited	Sub.	Leasing of motor vehicles
	Chongqing Sumisho Yunxin Logistics Co., Ltd. (China)	Sub.	Logistics service and light assembly for automotive components
	SC Construction Machinery (Shanghai) Corporation (China)	Sub.	Sale, rental, other services of construction equipment
	Shanghai Baosteel Summit Auto Trading Co., Ltd. (China)	Ass.	Dealership of motor vehicles
	Kubota Agricultural Machinery India Private Ltd. (India)	Ass.	Sale of tractors, combines, and rice transplanters in India
	SML Isuzu Limited (India)	Sub.	Commercial vehicle manufacturer
	P.T. Oto Multiartha (Indonesia)	Sub.	Financing of automobiles
	P.T. Summit Oto Finance (Indonesia)	Sub.	Financing of motorcycles
	P.T. Traktor Nusantara (Indonesia)	Ass.	Forklift hire/rental, and sale/service for forklift, farm tractor and industrial equipment
	Sumisho Motor Finance Corporation (Philippines)	Ass.	Financing of motorcycles
	Summit Auto Management (Thailand)	Sub.	Holding and management company of automotive dealership and finance companies
	Summit Capital Leasing Co., Ltd. (Thailand)	Sub.	Financing of motorcycles
	Toyota Can Tho Company Ltd. (Vietnam)	Ass.	Dealership of Toyota motor vehicles
	Toyota Giai Phong Company (Vietnam)	Ass.	Dealership of Toyota motor vehicles
	Toyota Ly Thuong Kiet (Vietnam)	Sub.	Dealership of Toyota motor vehicles
The Middle East	Summit Auto Trade Facilities (Jordan)	Sub.	Financing of motor vehicles
	Nissan Otomotiv A.S. (Turkey)	Sub.	Import and wholesale of Nissan motor vehicles and parts
Europe	Sumitec International, Ltd. (Russia)	Sub.	Sale and aftersales service of construction, mining and material handling equipment
	Summit Motors (Vladivostok) (Russia)	Sub.	Import and sale of Toyota motor vehicles and parts
	Tecnosumit (Tecnologia para La Construcción y Minería S.L.) (Spain)	Sub.	Holding and management company of Komatsu distributors and other business in Europe
	Toyota Canarias, S.A. (Canary Islands, Spain)	Sub.	Import and wholesale of Toyota and Lexus motor vehicles and parts
	LLC Summit Motors Ukraine (Ukraine)	Sub.	Dealership of Toyota and Lexus motor vehicles
	Toyota Ukraine (Ukraine)	Sub.	Import and wholesale of Toyota and Lexus motor vehicles and parts
The Americas	SMS Construction and Mining Systems Inc. (Canada)	Sub.	Holding and management company of Komatsu distributor and other business
	SMS Equipment Inc. (Canada)	Sub.	Operates dealership of Komatsu construction, mining machinery, and others
	Plaza Motors Corporation (Puerto Rico)	Sub.	Import and sale of Mazda motor vehicles
	Linder Industrial Machinery Company (U.S.)	Sub.	Operates dealership of Komatsu construction equipment and others
	SMS International Corporation (U.S.)	Sub.	Holding and management company of Komatsu distributor and other business
	Summit Motor Management, Inc. (U.S.)	Sub.	Holding and management company of automotive dealerships
Oceania	Summit Auto Lease Australia Pty Limited (Australia)	Sub.	Motor vehicle leasing to corporate customers
Africa	Toyota Libya FZC (Libya)	Sub.	Import and sale of Toyota motor vehicles and parts

		Subsidiary/ Associated Company	Main Business
<b>Infrastructure Business Unit</b>			
<b>Japan</b>	Inamoto Manufacturing Co., Ltd.	Sub.	Manufacture and sale of industrial washing machines
	SC Hiroshima Energy Corporation	Sub.	Electricity and Steam Supply for Elpida Memory, Inc. (Energy Service Provider)
	Sumisho Inax Corporation	Sub.	Sale and maintenance of industrial washing machines
	Sumisho Machinery Trade Corporation	Sub.	Trading of machinery, equipment and automobiles in Japan
	Sumitomo Shoji Machinex Co., Ltd.	Sub.	Sale of machinery and equipment
	Summit Energy Corporation	Sub.	Planning, development and operation of business in electric power and energy field
	Summit Power Holdings Limited	Sub.	Planning, development and operation of electric power
<b>Asia</b>	MobiCom Corporation (Mongolia)	Ass.	Integrated telecommunication service in Mongolia
	Mekong Energy Company Ltd. (Vietnam)	Ass.	Power generation and supply of electricity in Vietnam
<b>The Middle East</b>	Hidd Power Company (Bahrain)	Ass.	Power generation and sea water desalination project company in Bahrain
	Shuweihat CMS International Power Company PJSC (UAE)	Ass.	Power generation and sea water desalination project company in the UAE
<b>Europe</b>	CBK Netherlands Holdings B.V. (Netherlands)	Ass.	Holding company of CBK Power Company Ltd, which operates hydraulic power plant in the Philippines
<b>The Americas</b>	Perennial Power Holdings Inc. (U.S.)	Sub.	Development, ownership and management of power plant in the U.S.
	Summit Wind Power Texas, Inc. (U.S.)	Sub.	Development, ownership and management of wind-power plant in the U.S.
<b>Oceania</b>	Summit Southern Cross Power Pty. Ltd. (Australia)	Sub.	Development, ownership and management of power plant in Australia

<b>Media, Network &amp; Lifestyle Retail Business Unit</b>			
<b>Japan</b>	Asmik Ace Entertainment Inc.	Sub.	Production, distribution and sale of movies and videos
	Barneys Japan Co., Ltd.	Sub.	Import and sale of apparel, accessories, cosmetics, and goods
	CSK CORPORATION (from April 2011)	Sub.	System development, IT management and BPO (Business Process Outsourcing)
	EWEL, Inc. (from April 2011)	Ass.	Corporate benefits administration outsourcing
	JBS Limited	Sub.	Program play-out and relay services for TV channel operators
	Jupiter Shop Channel Co., Ltd.	Sub.	Operation of TV shopping channel
	Jupiter Telecommunications Co., Ltd.	Ass.	Operation of multiple cable TV systems (MSO) and channels (MCO)
	LANCEL JAPAN LIMITED	Sub.	Sole import and sale of bags and accessories, "LANCEL"
	Mammy Mart Corporation	Ass.	Supermarket chain
	MARC JACOBS JAPAN K.K.	Ass.	Import and sale of bags, apparel and accessories, "MARC JACOBS" and "MARC BY MARC JACOBS"
	Montrive Corporation	Sub.	Sole import, designing and sale of the luxury line of chenille fabrics, "FEILER"
	Naracamicie Co., Ltd.	Sub.	Sale, import and design of women's apparel and accessories, "NARA CAMICIE"
	Nissho Electronics Corporation	Ass.	Sale and support of computer software and hardware; system integration
	SC NETSUPER CORP.	Sub.	Online grocery shopping service
	Soukai Drug Co., Ltd.	Sub.	Internet drugstore
	Sumisho Computer Systems Corporation	Sub.	System integration; data processing services; development and sale of computer software and hardware
	Sumisho Drugstores Inc.	Sub.	Drugstore chain
	Sumisho Interior International Inc.	Sub.	Space and interior designing and installation, import, export and sale of consumer goods, such as furniture and carpet for residential and contract use
	Sumitex International Co., Ltd	Sub.	Production and sale of textile products and materials
	Summit, Inc.	Sub.	Supermarket chain
	T-Gaia Corporation	Ass.	Sale of cellular phones and fixed line telecommunication services
	United Cinemas Co., Ltd.	Sub.	Development and operation of multiplex cinema theaters
	WAMINET Japan K.K.	Sub.	Data transfer and storage services for video, music and image sources

		Subsidiary/ Associated Company	Main Business
Mineral Resources, Energy, Chemical & Electronics Business Unit			
Japan	Enessance Holdings Co., Ltd.	Ass.	Planning strategy of LPG & home solution business, controlling its subsidiaries, and LPG wholesale
	LNG Japan Corporation	Ass.	Trading of LNG, investment and financing related to LNG business
	Nippon Power Graphite Co., Ltd	Ass.	Manufacture and sale of lithium-ion battery anode material
	Nusa Tenggara Mining Corporation	Sub.	Investment in and financing of the Batu Hijau copper/gold mine project in Indonesia
	Osakagas Summit Resources Co., Ltd.	Ass.	Investment in oil and natural gas development business
	Petrocokes Japan Ltd.	Sub.	Manufacture and sale of petroleum needle coke
	Soda Ash Japan Co., Ltd.	Sub.	Sale of soda ash from the U.S.
	Sumitomo Shoji Chemicals Co., Ltd.	Sub.	Sale and trade of chemicals and plastics
	Sumitronics Corporation	Sub.	Electronics manufacturing service
	Summit Agro International, Ltd.	Sub.	Development and sales of crop protection products, household insecticides and pet-care products
	Summit CRM, Ltd.	Sub.	Trading of carbon-related materials (coke, etc.), refractories and ferrous raw materials
	Summit Pharmaceuticals International Corporation	Sub.	Drug discovery services, pharmaceutical development, and supply of active pharmaceutical ingredients, intermediates and formulations
Asia	Petro Summit Pte. Ltd. (Singapore)	Sub.	International trade of crude oil and petroleum products
	Sumitronics Taiwan Co., Ltd. (Taiwan)	Sub.	Sale of electronics materials and parts
Europe	Appak LLP (Kazakhstan)	Ass.	Development of uranium mine in Kazakhstan and production/sale of uranium ore concentrates
	SMM Cerro Verde Netherlands B.V. (Netherlands)	Ass.	Investment in the Cerro Verde copper mine in Peru
	Interacid Trading S.A. (Switzerland)	Sub.	International trade of sulfur and sulfuric acid
	Summit Minerals GmbH (Switzerland)	Sub.	Sale of silver, zinc and lead concentrates produced in San Cristobal project in Bolivia
	C & O Pharmaceutical Technology (Holdings) Limited (Bermuda Islands)	Ass.	R&D, manufacture, import, and sale of pharmaceutical products
	Summit Petroleum Limited (U.K.)	Sub.	Exploration, development, production and sale of and investment in oil and natural gas in U.K. North Sea
	Sumi Agro Europe Limited (U.K.)	Sub.	Investment in agricultural chemicals business in Europe
The Americas	Minera San Cristobal S.A. (Bolivia)	Sub.	Mining of San Cristobal silver, zinc and lead project in Bolivia
	Mineração Usiminas S.A. (Brazil)	Ass.	Exploitation, production and export of iron ore and development of related infrastructure
	Summit Agro Mexico S.A. de C.V. (Mexico)	Sub.	Sale of agricultural chemicals in Mexico
	Cantex Inc. (U.S.)	Sub.	Manufacture and sale of polyvinyl chloride pipes
	Pacific Summit Energy LLC (U.S.)	Sub.	Sale of natural gas
	Presperse Corporation (U.S.)	Sub.	Formulation and distribution of specialty ingredients and formulated solutions for the cosmetic and personal care markets
	SC Minerals America, Inc. (U.S.)	Sub.	Investment in the Morenci copper mine, the Pogo gold mine in the U.S. and the Candelaria and Ojos del Salado copper mines in Chile
	Summit Discovery Resources LLC (U.S.)	Sub.	Exploration, development, production, sale of and investment in natural gas in North America
	Summit Petrochemical Trading Inc. (U.S.)	Sub.	Sale and trade of aromatics products
	The Hartz Mountain Corporation (U.S.)	Sub.	Manufacturing, distribution, and sales of pet care products
Oceania	SC Mineral Resources Pty. Ltd. (Australia)	Sub.	Investment in the Northparkes copper mine in Australia
	Sumisho Coal Australia Pty. Ltd. (Australia)	Sub.	Investment in coal mines in Australia
Africa	Ambatovy Minerals S.A. (Madagascar)	Ass.	Mining of Ambatovy nickel project in Madagascar
	Dynatec Madagascar S.A. (Madagascar)	Ass.	Processing and refining of Ambatovy nickel project in Madagascar
	Oresteel Investments (Proprietary) Limited (South Africa)	Ass.	Investment in Assmang iron ore and manganese mine in South Africa
General Products & Real Estate Business Unit			
Japan	Chiba Flour Milling Co., Ltd	Ass.	Flour milling
	Chiba Kyodo Silo Co., Ltd.	Sub.	Operation of silo facility and handling of grain, such as wheat, barley and corn
	Green San-ai Inc.	Sub.	Collection, converting, and sales of recovered-paper

		Subsidiary/ Associated Company	Main Business
	HARUMICORPORATION	Ass.	Facility management of Harumi Triton Square
	i879 Co., Ltd.	Sub.	Online flower gifts order processor
	IG Kogyo Co., Ltd.	Sub.	Manufacture and sale of insulated metal panels for roofing and walls
	KISHIWADA CANGAN BAYSIDE MALL CORPORATION	Sub.	Management, operation and leasing of multipurpose facilities
	KI Fresh Access, INC.	Ass.	Fresh product wholesale
	Musashino Paper Inc.	Sub.	Collection, converting, and sales of recovered-paper
	Nissin Sugar Manufacturing Co., Ltd.	Ass.	Sugar refining
	REIBI CO., LTD.	Sub.	Facility management of buildings in Kansai region
	SAKAUE Co., Ltd.	Ass.	Production of vegetables and corn
	S.C. Cement Co., Ltd.	Sub.	Sale of cement, ready-mixed concrete and concrete products
	S.C. Cement (Kyushu) Co., Ltd.	Sub.	Sale of ready-mixed concrete, concrete products, cement and aggregate
	SC Foods Co., Ltd.	Sub.	Import, development, and sale of foodstuffs
	SEVEN INDUSTRIES CO., LTD.	Sub.	Manufacture and sale of laminated lumber and wood products
	Shinko Sugar Co., Ltd.	Sub.	Sugar refining
	Shinko Sugar Mill Co., Ltd.	Sub.	Sugar production
	Sumifru Corporation	Sub.	Import and sale of fruits and vegetables
	Sumisho & Mitsubussan Kenzai Co., Ltd.	Ass.	Sale of building materials
	SUMISHO BUILDING MANAGEMENT CO., LTD.	Sub.	Property management of office buildings
	Sumisho Paper Co., Ltd.	Sub.	Sale of pulp, recovered-paper, paper, paperboard and packaging materials
	Sumisho Realty Management Co., Ltd.	Sub.	Asset management business of real estate
	SUMISHO TATEMONO CO., LTD.	Sub.	Sales and management of residential properties, housing remodeling
	Sumisho Urban Kaihatsu Co., Ltd.	Sub.	Planning, development, management, and operation of shopping centers
	Summit Agri-Business Corporation	Sub.	Manufacture and sale of fertilizer and agriculture-related materials
	Summit Oil Mill Co., Ltd.	Sub.	Manufacture and sale of vegetable oil and oil meal
	Yasato Kosan Co., Ltd.	Sub.	Owning and operating of golf course: Summit Golf Club (Ibaraki Pref.)
	Yokohama City Management Co., Ltd.	Ass.	Management, operation and leasing of multipurpose facilities in Minato Mirai 21
Asia	Summit Fertilizer (Foshan) Co., Ltd (China)	Ass.	Manufacture and sale of chemical fertilizer
	Summit Fertilizer (Qingdao) Co., Ltd. (China)	Ass.	Manufacture and sale of chemical fertilizer
	P.T. Summitmas Property (Indonesia)	Ass.	Management, operation and leasing of office buildings
	Sumifert Sdn. Bhd. (Malaysia)	Sub.	Import and sale of fertilizers
	Dunlop Tire Thailand Co., Ltd. (Thailand)	Ass.	Wholesale of tires to the replacement tire market in Thailand
	Sumi-Thai Fertilizer Co., Ltd. (Thailand)	Sub.	Import of fertilizer materials and sale of chemical fertilizers
The Middle East	Shaheen Tyres Company L.L.C. (UAE)	Ass.	Import and sale of tires in the UAE
Europe	Dunlop Tire CIS, LLC (Russia)	Ass.	Import and sale of tires in CIS (except Ukraine/Mordovskaya)
	OAO Terneyles (Russia)	Ass.	General forest products company
	ZAO PTS Hardwood (Russia)	Ass.	Manufacture and sale of laminated lumber and wood products
	ZAO STS Technowood (Russia)	Sub.	Manufacture and sale of laminated lumber and wood products
The Americas	Volterra S.A. (Chile)	Ass.	Afforestation, manufacture and sale of woodchip for paper
	TBC Corporation (U.S.)	Sub.	Retail and wholesale of tires
Oceania	Australian Bulk Alliance Pty., Ltd. (Australia)	Sub.	Investment in grain export terminal in Australia
	Emerald Group Australia Pty Ltd (Australia)	Ass.	Grain collecting
	Summit Rural Western Australia Pty. Ltd. (Australia)	Sub.	Import of fertilizer materials and sale of chemical fertilizers in Western Australia
New Industry Development & Cross-function Business Unit			
Japan	Bluewell Corporation	Sub.	Agent for casualty insurance and life insurance
	Bluewell Insurance Brokers Ltd.	Sub.	Broker for casualty insurance and re-insurance
	GALLIA PLUS Corporation	Sub.	Financial service

	Subsidiary/ Associated Company	Main Business
	LS Design Investments Co., Ltd.	Sub. Co-GP firm of "WILL business development consortium (Fund)"
	SC Bio Capital Co., Ltd.	Sub. Investment funds
	Sumisho Global Logistics Co., Ltd.	Sub. Global logistics provider
	Sumisho Materials Corporation	Sub. Trading of precious metals and other products
	Sumitomo Mitsui Finance and Leasing Company, Limited.	Ass. Finance and lease
	Summit Air Service Corporation	Sub. Travel agency
	Tomra Japan Limited	Ass. Collection and recycling of used beverage containers
Asia	Nanjing CMSCL Co., Ltd. (China)	Ass. Automobile related transportation
	Sumisho Global Logistics (China) Co., Ltd. (China)	Sub. Warehousing and distribution services
	Tianjin Dowa Green Angel Summit Recycling Co., Ltd. (China)	Ass. e-Waste recycling business
	Wuxi Sumisho Hi-tech Logistics Co., Ltd. (China)	Ass. Warehousing and distribution services
	Sumitomo Corporation Equity Asia Limited (Hong Kong)	Sub. Venture investment in China and Asia
	P.T. East Jakarta Industrial Park (Indonesia)	Sub. Development, sales, and operation of industrial estate in Indonesia
	PT Sumisho Global Logistics Indonesia (Indonesia)	Sub. Warehousing and distribution services
	First Philippine Industrial Park, Inc. (Philippines)	Ass. Development, sales, and operation of industrial estate in Philippines
	Bluewell Insurance (Singapore) Pte. Ltd. (Singapore)	Sub. Captive insurance company
	Sumisho Capital Management (Singapore) Pte. Ltd. (Singapore)	Sub. Investment management
	Sumisho Global Logistics (Thailand) Co., Ltd. (Thailand )	Sub. Warehousing and distribution services
	Dragon Logistics Co., Ltd. (Vietnam)	Ass. Warehousing and distribution services
	Thang Long Industrial Park Corporation (Vietnam)	Sub. Development, sales, and operation of industrial estate in Vietnam
	Thang Long Industrial Park II Corporation (Vietnam)	Sub. Development, sales, and operation of industrial estate in Vietnam
Europe	Lavansol 1 S.A.S (France)	Ass. Development and operation of solar power generation plant
	Sumisho Global Logistics Europe GmbH (Germany)	Sub. Forwarding, logistics business
	Energia Rinnovabile S.r.l (Italy)	Sub. Development and operation of solar power generation plant
	Energy Power S.r.l (Italy)	Sub. Development and operation of solar power generation plant
	SMFL Capital Corporation B.V. (Netherlands)	Sub. Aircraft operating lease
	Sumisho Aircraft Asset Management B.V. (Netherlands)	Sub. Aircraft operating lease
	Energia Verde De La Macaronesia, S.L. (EVM) (Spain)	Ass. Development and operation of solar power generation plant
	EVM2 Energias Renovables S.L. (EVM2) (Spain)	Ass. Development and operation of solar power generation plant
	Bluewell Reinsurance Company (Bermuda) Ltd. (U.K.)	Sub. Captive insurance company (Rent A Captive)
	Sumitomo Corporation Global Commodities Limited (U.K.)	Sub. Trading and marketing of commodities
The Americas	Presidio Ventures, Inc. (U.S.)	Sub. Strategic venture investment in USA
	Sumisho Global Logistics (USA) Corporation (U.S.)	Sub. International intermodal transport
Oceania	Bluewell Reinsurance (Micronesia) Ltd. (Micronesia)	Sub. Captive insurance company
Domestic		
Japan	Ishida Metal Co., Ltd.	Sub. Processing and sale of stainless steel sheets
	Nippon Katan Co., Ltd.	Sub. Manufacture and sale of power line hardware
	SC Machinery & Service Co., Ltd.	Sub. Sales of equipment for automotive industries and FA products
	Sumisho Airbag Systems Co., Ltd.	Sub. Manufacture and sale of cushion for side curtain airbag
	Sumisho Material Chugoku Co., Ltd.	Sub. Sale of steel materials for civil engineering and construction
	Sumisho Montblanc Co., Ltd.	Sub. Processing and sale of work uniforms and related clothing products
	Sumisho Steel Sheets Works Co., Ltd.	Sub. Processing and sale of steel products
	Tortoise Co., Ltd.	Sub. Sale of interior goods and home furnishing to consumers' cooperatives
Oceania	Summit Wool Spinners Limited (New Zealand)	Sub. Manufacture and sale of wool yarn for carpets



		Subsidiary/ Associated Company	Main Business
<b>Overseas</b>			
<b>The Middle East</b>	Mezon Stainless Steel FZCO (UAE)	Sub.	Sales of stainless steel tubular, pipe, and plates
	SC Tubular and Steel Products (M.E.) FZCO (UAE)	Sub.	Sale of steel tubular and steel products
<b>Europe</b>	Sumisho Global Logistics Europe GmbH (Germany)	Sub.	Forwarding, logistics business
	Summit D&V Kft. (Hungary)	Sub.	OEM supply, sub-assembly and sequence delivery of automotive components
	Summit Auto Poland Sp. z.o.o (Poland)	Sub.	Dealership of Honda motor vehicles
	Summit Motors Poland Sp. z.o.o. (Poland)	Sub.	Dealership of Ford motor vehicles
	Summit Finance Slovakia s.r.o. (Slovakia)	Sub.	Financing of motor vehicles
	Summit Motors Slovakia s.r.o. (Slovakia)	Sub.	Import and sale of Ford motor vehicles and parts
	Summit Leasing Slovenija d.o.o. (Slovenia)	Sub.	Financing of motor vehicles and dealership
	Summit motors Ljubljana d.o.o (Slovenia)	Sub.	Import and sale of Ford motor vehicles and parts
	SC Motors Sweden AB (Sweden)	Sub.	Management company of automotive distributorship and finance company, and wholesale of parts and accessories
	ERYNGIUM Ltd. (U.K.)	Sub.	Manufacturing, processing and distribution of speciality metals for OCTG market
	Sumitomo Corporation Capital Europe Plc (U.K.)	Sub.	Financial services to Group companies
<b>The Americas</b>	Summit Tubulars Corporation (Canada)	Sub.	Sales of tubular products for oil and gas industry
	AMTB Summit, S DE R.L. DE C.V. (Mexico)	Ass.	Blanking and laser-welding of steel parts for automotive industry
	Atlantic Hills Corporation (U.S.)	Sub.	Residential real estate development
	Cantex Inc. (U.S.)	Sub.	Manufacturing and sales of polyvinyl chloride pipes
	Consolidated Systems, Inc (U.S.)	Ass.	Manufacturing and sales of steel products for construction
	Diversified CPC International, Inc. (U.S.)	Sub.	Mixing, refining, and sale of aerosol gases
	Global Stainless Supply, Inc. (U.S.)	Sub.	Wholesale of stainless steel tubes
	Katana Summit LLC (U.S.)	Sub.	Manufacturing of wind power tower
	Leavitt Tube Company, LLC (U.S.)	Ass.	Manufacturing of structural tubing
	123 Mission LLC (U.S.)	Sub.	Office building leasing
	Oxford Finance Corporation (U.S.)	Sub.	Specialty finance dedicated to life science and healthcare industry
	Perennial Power Holdings, Inc. (U.S.)	Sub.	Development, ownership and management of power plants in the U.S.
	Premier Pipe LLC (U.S.)	Sub.	Sales of tubular products for oil and gas industry
	Pipeco Services, Inc (U.S.)	Sub.	Sales of tubular products for oil and gas industry
	SCOA Residential, LLC (U.S.)	Sub.	Investment in house/apartment developments
	1750 K Street LLC (U.S.)	Sub.	Office building leasing
	Stanton Wind Energy, LLC (U.S.)	Ass.	Investment in wind power plant projects
	Steel Summit Holdings, Inc. (U.S.)	Sub.	Steel service center (processing and sale of steel sheets)
	Steel Summit International, Inc. (U.S.)	Sub.	Sales of steel products
	Sumisho Global Logistics (USA) Corporation (U.S.)	Sub.	International intermodal transport
	Summit Wind Energy Inc, (U.S.)	Sub.	Investment in wind power plant projects
	TBC Corporation (U.S.)	Sub.	Retail and wholesale of tires
	The Hartz Mountain Corporation (U.S.)	Sub.	Manufacturing, distribution, and sales of pet care products
	Tubular Solutions Alaska, LLC (U.S.)	Sub.	Sales of tubular products for oil and gas industry
	201 Biscayne LLC (U.S.)	Sub.	Office building leasing
	Unique Machine, LLC (U.S.)	Sub.	OCTG/Accessory threading
	VAM USA, LLC (U.S.)	Ass.	OCTG/ Accessory threading
	V & M Star LP (U.S.)	Ass.	Seamless tubular products mill
<b>Others</b>			
<b>Japan</b>	Sumisho Administration Services Co., Ltd.	Sub.	Personnel & general affair service
	Sumitomo Shoji Financial Management Co., Ltd.	Sub.	Financial services such as cash management, trade settlement, and accounting services to Sumitomo Corporation and its subsidiaries
	Sumitomo Shoji Research Institute, Inc.	Sub.	Research and consulting for Sumitomo Corporation Group companies



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**Toyosaku Hamada**

CFO, General Manager, Financial Resources Management Group

### Please explain the background and the reason for adopting IFRS (International Financial Reporting Standards)

IFRS has already been adopted in the European Union since 2005, as well as in over 120 countries around the world. In Japan, early adoption of IFRS was permitted from the fiscal year ending March 31, 2010 for Japanese listed companies

engaged in international finance or business activities.

Considering this situation, we have recognized that we will be able to advance group management on a global basis through adoption of IFRS, which is a single set of high-quality accounting standard that facilitate uniform measurement of financial condition and operating performance anywhere in the world. That's why we adopted IFRS in time with the launch of "*f(x)*," our new medium-term management plan.

### Please explain the significance of adopting IFRS

IFRS places priority on disclosure to shareholders, investors and all other stakeholders. We are sure that shareholders and investors will be able to evaluate our financial condition and operating performance more appropriately, and that the convenience of our financial statements will be improved further.

In addition, we consider IFRS to be one of our significant management tools.

### What do you mean by "one of our significant management tools?"

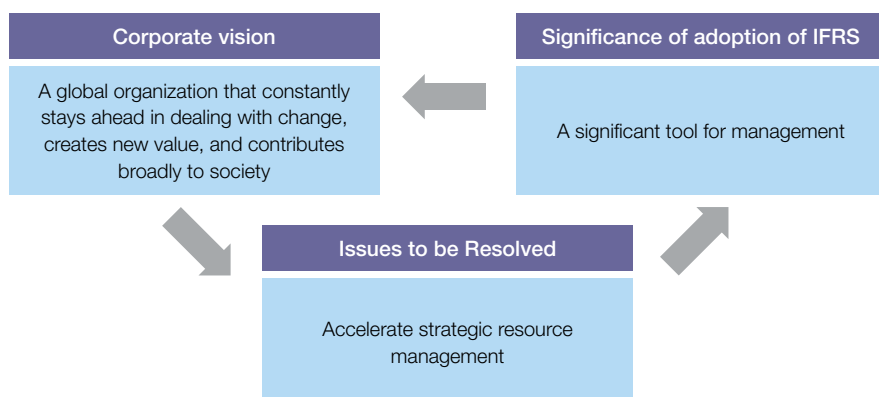
We should advance the collection method and analysis of original financial data in order to perform the expansion and enhancement of disclosures under IFRS. We will raise our corporate value through further advancing risk management in these ways.

For instance, we will restructure our current system for the timely and appropriate collection of risk-related information, such as foreign exchange and interest rates on a consolidated basis. Through such restructuring, we will be able to manage our group's risk exposures more precisely and will advance our risk management further to respond more promptly and appropriately to changes in the operating environment.

Moreover, impairment losses tend to be recognized at an earlier timing under IFRS than U.S. GAAP in general and we intend to utilize this tendency in monitoring and evaluating our business activities properly, and to connect it with asset replacement.

In these ways, we will promote further improvement of operational quality and asset replacement to accelerate strategic resource management, which is one of the key actions in "*f(x)*" (please refer to page 6-7).

### Adoption of IFRS from a Management Perspective



**IFRS places more importance on comprehensive income than on profit for the year. What is your view of comprehensive income?**

Comprehensive income includes all changes in equity except capital transaction. U.S. GAAP incorporates comprehensive income as well as IFRS, so this was not a new concept for our group.

Comprehensive income includes variable factors such as changes in foreign exchanges and stock prices, which are directly influenced in accordance with market conditions. In that sense, we understand comprehensive income is not suitable for annual quantitative commitment and will continuously apply profit for the year as our quantitative commitment.

On the other hand, we recognize comprehensive income as a key indicator for capital management. In order to minimize the influence of changes in foreign exchange rates and stock prices upon equity, we have hedged against the exchange rate risks of major investments denominated in foreign currency and reviewed stock holdings in a timely manner.

**What is your assessment of the impacts on consolidated financial statements for the fiscal year ending March 31, 2011 (from the variance between IFRS and U.S. GAAP)?**

Through pursuing group management on a global basis, we have strictly applied the U.S. GAAP and accurately kept track of our financial condition, controlled our assets, and properly monitored and managed our operating performance.

As a result, the impacts on consolidated financial statements were within expectations.

“Profit for the year attributable to owners of the parent” for the year ended March 31, 2011 was ¥200.2 billion with IFRS, ¥2.5 billion less than under U.S. GAAP.

There were positive impacts of smaller deferred tax liabilities for investments in equity-accounted investees. On the other hand, there were negative effects. For example, gains on the sales of FVTOCI (please refer to \*1 of page 76) securities are not recognized in “profit for the year” and we had to record impairment losses on fixed assets and investment property.

“Equity attributable to owners of the parent” was ¥1,570.5 billion with IFRS, ¥49.4 billion less than under U.S. GAAP.

The positive impact of IFRS was the unrealized gain for unlisted FVTOCI securities revalued at fair value and recognized in “Equity attributable to owners of the parent.” On the other hand, there were negative impacts. For example, we applied deemed cost to restate book values of long lived assets at fair value (for details, please refer to the table “Characteristics of IFRS and Actions of Sumitomo Corporation Group”) and also recorded impairment losses on long lived assets.

More information about the effects of IFRS is presented on the next page.

“Equity attributable to owners of the parent” under IFRS slightly declined from that of U.S. GAAP as of the fiscal year ended March 31, 2011. But again, I would like to emphasize, we will utilize IFRS as one of our management tools to the greatest extent possible, and execute steadily “accelerate strategic resource management” as one of the key actions in “*f(x)*,” and aim for growth together with all our partners across regional, generational and organizational boundaries.

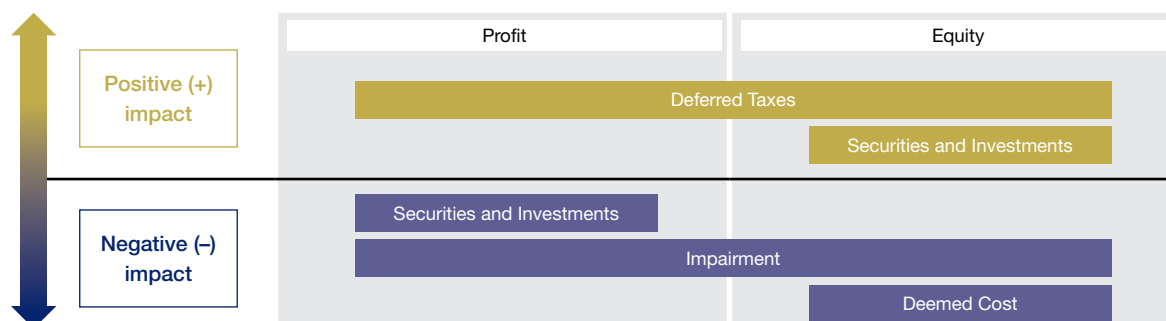
**Characteristics of IFRS and Actions of the Sumitomo Corporation Group**

Item	Characteristics of IFRS	Actions of the Sumitomo Corporation Group
<b>Expansion of Disclosure</b> (More notes to financial statements)	<ul style="list-style-type: none"> <li>■ Due to the principle-based policy of IFRS, management determines accounting policies on its own</li> <li>■ Expansion in disclosure of managerial risk information, etc.</li> </ul>	<ul style="list-style-type: none"> <li>■ Further improvement of operational quality through advancing risk management</li> <li>■ Disclosure with higher transparency</li> </ul>
<b>Comprehensive income</b>	<ul style="list-style-type: none"> <li>■ IFRS places greater emphasis on comprehensive income which show changes in equity rather than “profit for the year”</li> </ul>	<ul style="list-style-type: none"> <li>■ Key indicator for capital management</li> <li>■ “Profit for the year” remains our annual quantitative commitment</li> </ul>
<b>Impairment</b>	<ul style="list-style-type: none"> <li>■ Impairment losses tend to be recognized at an earlier timing under IFRS than U.S. GAAP</li> </ul>	<ul style="list-style-type: none"> <li>■ Utilization for the proper monitoring and evaluation of business activities</li> </ul>
<b>Deemed cost</b>	<ul style="list-style-type: none"> <li>■ One exemption from retrospective applications for the first time adopters of IFRS (*)</li> <li>■ Book values for property, plant and equipment and investment property can be revised to fair values as of the date of transition to IFRS (April 1, 2009).</li> </ul>	

\* In principle, first time adopters of IFRS are required to retrospectively apply these standards as if they had been used since the company's establishment. However, there are a number of exemptions from this requirement to reflect the difficulties of performing those retrospective adjustments.

## KEY DIFFERENCES BETWEEN IFRSs AND U.S. GAAP (FY2010)

### Impacts on Consolidated Financial Statements



### Reconciliation of profit and equity attributable to owners of the parent

Year ended March 31, 2011 (FY2010)

Billions of Yen

U.S. GAAP	Net income attributable to Sumitomo Corporation	202.7	U.S. GAAP	Equity attributable to Sumitomo Corporation	1,619.9
*1	Securities and Investments	(1.9)	*4	Securities and Investments	13.1
*2	Deferred Taxes	6.9	*2	Deferred Taxes	18.9
*3	Impairment	(9.4)	*3	Impairment	(29.8)
	Others	1.9	*5	Deemed Cost	(40.7)
				Others	(10.9)
IFRS	Profit for the year attributable to owners of the parent	200.2	IFRS	Equity attributable to owners of the parent	1,570.5

Notes to the reconciliation of profit and equity:

- \*1 Securities and Investments Under U.S. GAAP, gains and losses on disposal of securities and/or other-than-temporary impairment losses are recognized in "net income." Under IFRSs, the Company early-applied IFRS No. 9 and disposal gains and losses and/or impairment losses on financial assets designated to be measured at fair value through other comprehensive income ("FVTOCI") are recognized in other comprehensive income and are not recognized in "profit for the year."
- \*2 Deferred Taxes Under U.S. GAAP, deferred tax liabilities recognized for taxable temporary differences associated with investments in equity-accounted investees are measured using the tax rates applied to the manner consistent with its current use in the business, such as disposal of the investments. Under IFRSs, deferred tax liabilities recognized for taxable temporary differences associated with investments in equity-accounted investees are measured using the tax rates applied to expected manners by which differences to be reversed, such as distribution of dividends.  
Also, under U.S. GAAP, deferred tax assets for deductible temporary differences arising from investments in equity-accounted investees are recognized to the extent that the realization of the tax benefit is more likely than not. Under IFRSs, deferred tax assets for deductible temporary differences arising from investments in equity-accounted investees are only recognized to the extent that it is probable that they are expected to reverse in the foreseeable future.
- \*3 Impairment Under U.S. GAAP, when assessing for impairment of a long-lived asset, undiscounted future cash flows are compared to its carrying amount, while under IFRSs discounted future cash flows are compared.  
In addition, under U.S. GAAP, the excess of the carrying amount over the fair value of the asset is recognized as an impairment loss, while under IFRSs the excess of the carrying amount of an asset over its recoverable amount, which is the higher of value in use and fair value less costs to sell, is recognized as an impairment loss. The value in use is measured based on the most recent financial budgets and forecasts approved by management which cover a maximum period of five years unless a longer period can be justified. Beyond this period, the value in use is estimated by using a steady or declining growth rate.
- \*4 Securities and Investments Under U.S. GAAP, non-marketable equity securities are carried at cost. Under IFRSs, the Company early-applied IFRS No. 9 and investments in equity instruments, including non-marketable equity securities, are measured at fair value. The changes resulting from fair value remeasurement are recognized in equity.
- \*5 Deemed Cost Under IFRSs, an entity that adopts IFRSs for the first time is permitted to use fair value in its opening IFRS statement of financial position as deemed cost for property, plant and equipment and investment property. The Company elected to use the exemption under IFRS No. 1 to measure certain items of property, plant and equipment and investment property at the date of transition to IFRSs (April 1, 2009) at their fair value and use that fair value as their deemed cost.



## Segment Information

IFRS (FY2010)

Billions of Yen

	Metal Products	Transportation & Construction Systems	Infrastructure	Media, Network & Lifestyle Retail	Mineral Resources, Energy, Chemical & Electronics	General Products & Real Estate
Profit attributable to owners of the parent	18.2	26.3	4.0	24.0	65.6	9.6

	New Industry Development & Cross-function	Domestic Regional Business Units and Offices	Overseas Subsidiaries and Branches	Total	Corporate and Eliminations	Consolidated
Profit attributable to owners of the parent	13.0	3.9	35.1	199.7	0.5	200.2

U.S. GAAP (FY2010)

Billions of Yen

	Metal Products	Transportation & Construction Systems	Infrastructure	Media, Network & Lifestyle Retail	Mineral Resources, Energy, Chemical & Electronics	General Products & Real Estate
Net income attributable to Sumitomo Corporation	16.0	26.9	5.2	19.8	68.2	15.5

	New Industry Development & Cross-function	Domestic Regional Business Units and Offices	Overseas Subsidiaries and Branches	Total	Corporate and Eliminations	Consolidated
Net income attributable to Sumitomo Corporation	8.8	4.5	37.0	201.9	0.8	202.7

Increase/(decrease)

Billions of Yen

	Metal Products	Transportation & Construction Systems	Infrastructure	Media, Network & Lifestyle Retail	Mineral Resources, Energy, Chemical & Electronics	General Products & Real Estate
Net income attributable to Sumitomo Corporation	2.2	(0.6)	(1.2)	4.2	(2.6)	(5.9)

	New Industry Development & Cross-function	Domestic Regional Business Units and Offices	Overseas Subsidiaries and Branches	Total	Corporate and Eliminations	Consolidated
Net income attributable to Sumitomo Corporation	4.2	(0.6)	(1.9)	(2.2)	(0.3)	(2.5)

## FIVE-YEAR FINANCIAL SUMMARY

For the years ended March 31

### <IFRS>

We have prepared consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") from the fiscal year ended March 31, 2011 instead of U.S. GAAP. The date of transition to IFRSs was April 1, 2009.

### 1. Key Financial Indicators

	Billions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Total assets	¥7,230.5	¥7,107.0	¥6,970.5	\$87,114
Equity attributable to owners of the parent* <sup>1</sup>	1,570.5	1,533.3	1,285.5	18,921
Equity attributable to owners of the parent ratio (%) <sup>*1</sup>	21.7	21.6	18.4	21.7
Return on equity (%)	12.9	11.7	—	12.9
Return on assets (%)	2.8	2.3	—	2.8
Interest-bearing liabilities (gross)	3,767.4	3,611.6	3,715.0	45,390
Interest-bearing liabilities (net)	3,056.3	2,792.2	3,198.7	36,822
Debt-equity ratio (gross) (times)	2.4	2.4	2.9	2.4
Debt-equity ratio (net) (times)	1.9	1.8	2.5	1.9
Working capital	1,146.2	1,062.7	820.7	13,811

### 2. Consolidated Statements of Comprehensive Income

	Billions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Revenues:			
Sales of tangible products	¥ 2,525.5	¥ 2,326.1	\$ 30,428
Sales of services and others	574.6	550.7	6,924
Total revenues	3,100.2	2,876.7	37,352
Cost:			
Cost of tangible products sold	(2,032.2)	(1,897.4)	(24,484)
Cost of services and others	(204.0)	(204.2)	(2,458)
Total cost	(2,236.2)	(2,101.7)	(26,942)
Gross profit	864.0	775.1	10,410
Other income (expenses):			
Selling, general and administrative expenses	(660.7)	(650.6)	(7,960)
Impairment losses on long-lived assets	(19.9)	(10.0)	(240)
Gain (loss) on sale of property, plant and equipment, net	2.2	9.4	27
Other, net	(2.2)	1.5	(26)
Total other income (expenses)	(680.5)	(649.7)	(8,199)
Operating profit	183.5	125.4	2,211
Finance income:			
Interest income	13.9	15.8	168
Dividends	10.0	11.3	121
Gain on sale of securities and other investments	11.5	55.2	138
Total finance income	35.4	82.3	427
Finance costs:			
Interest expense	(32.0)	(40.6)	(386)
Other than temporary impairment losses on securities	—	(19.5)	—
Loss on revaluation of securities and other investments	(2.0)	—	(24)
Total finance costs	(34.0)	(60.1)	(410)
Finance income (costs), net	1.4	22.2	17
Share of profit of investments accounted for using the equity method	95.6	74.4	1,151
Profit before tax	280.5	222.0	3,379
Income tax expense	(70.7)	(52.6)	(852)
Profit for the year	209.8	169.4	2,527
Profit for the year attributable to:			
Owners of the parent	200.2	165.4	2,412
Non-controlling interests	9.6	4.0	115
Other comprehensive income:			
Exchange differences on translating foreign operations	(87.7)	38.5	(1,056)
Available-for-sale securities	—	55.3	—
Financial assets measured at fair value through other comprehensive income	(39.5)	—	(475)
Cash-flow hedges	4.9	(1.7)	59
Actuarial gains (losses) on defined benefit pension plans	(13.9)	17.5	(168)
Share of other comprehensive income of investments accounted for using the equity method	(0.4)	7.0	(5)
Other comprehensive income, net of tax	(136.6)	116.6	(1,645)
Comprehensive income for the year	¥ 73.2	¥ 285.9	\$ 882
Comprehensive income for the year attributable to:			
Owners of the parent	66.4	280.3	800
Non-controlling interests	6.8	5.6	82
Total trading transactions <sup>*2</sup>	¥ 8,349.4	¥ 7,757.4	\$100,595

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥83 = U.S.\$1, the approximate exchange rate on March 31, 2011.

\*1 Under accounting principles generally accepted in the United States of America ("U.S. GAAP"), "Equity attributable to owners of the parent" corresponds to "Sumitomo Corporation shareholders' equity" and "Equity attributable to owners of the parent ratio" corresponds to "Sumitomo Corporation shareholders' equity ratio."

\*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 IFRSs.

## <U.S. GAAP>

We established quantitative targets in our medium-term management plan based on U.S. GAAP until the fiscal year ended March 31, 2011.  
For readers' convenience, we disclose the consolidated financial information based on U.S. GAAP for the fiscal year ended March 31, 2011.

### 1. Key Financial Indicators

	Billions of Yen				
	2011	2010	2009	2008	2007
Total assets	<b>¥7,269.3</b>	¥7,137.8	¥ 7,018.2	¥7,571.4	¥8,430.5
Sumitomo Corporation Shareholders' equity	<b>1,619.9</b>	1,583.7	1,353.1	1,492.7	1,473.1
Sumitomo Corporation Shareholders' equity ratio (%)	<b>22.3</b>	22.2	19.3	19.7	17.5
Return on equity (%)	<b>12.7</b>	10.6	15.1	16.1	15.2
Return on assets (%)	<b>2.8</b>	2.2	2.9	3.0	2.8
Interest-bearing liabilities (gross)	<b>3,752.9</b>	3,600.7	3,702.7	3,709.8	3,355.6
Interest-bearing liabilities (net)	<b>3,041.8</b>	2,781.8	3,186.8	3,247.6	2,913.3
Debt-equity ratio (gross) (times)	<b>2.3</b>	2.3	2.7	2.5	2.3
Debt-equity ratio (net) (times)	<b>1.9</b>	1.8	2.4	2.2	2.0
Working capital	<b>1,024.2</b>	992.0	795.1	990.4	1,310.3

### 2. Consolidated Statements of Income

	Billions of Yen				
	2011	2010	2009	2008	2007
Revenues:					
Sales of tangible products	<b>¥2,525.4</b>	¥2,336.6	¥ 2,833.3	¥ 3,040.7	¥ 2,495.0
Sales of services and others	<b>576.6</b>	547.5	678.3	630.2	582.2
Total revenues	<b>3,102.0</b>	2,884.2	3,511.6	3,670.9	3,077.2
Cost:					
Cost of tangible products sold	<b>(2,034.0)</b>	(1,899.4)	(2,342.9)	(2,551.7)	(2,076.6)
Cost of services and others	<b>(204.5)</b>	(205.2)	(233.5)	(184.7)	(142.9)
Total cost	<b>(2,238.5)</b>	(2,104.7)	(2,576.3)	(2,736.4)	(2,219.5)
Gross profit	<b>863.5</b>	779.5	935.2	934.5	857.7
Other income (expenses):					
Selling, general and administrative expenses	<b>(647.5)</b>	(639.2)	(654.4)	(669.4)	(609.9)
Settlements on copper trading litigation	<b>—</b>	—	—	—	9.6
Provision for doubtful receivables	<b>(16.4)</b>	(19.8)	(17.5)	(11.1)	(8.0)
Impairment losses on long-lived assets	<b>(5.2)</b>	(4.7)	(14.7)	(13.5)	(9.8)
Gain (loss) on sale of property and equipment, net	<b>2.2</b>	9.8	(0.4)	3.5	2.4
Interest income	<b>13.6</b>	15.4	21.6	28.3	32.9
Interest expense	<b>(29.2)</b>	(39.5)	(57.7)	(71.1)	(70.0)
Dividends	<b>10.0</b>	11.3	14.6	15.3	14.1
Gain on marketable securities and other investments, net	<b>13.8</b>	32.9	4.5	94.9	44.4
Equity in earnings of associated companies, net	<b>92.2</b>	76.1	90.0	56.9	70.3
Other, net	<b>(3.5)</b>	1.5	(1.6)	(0.7)	(1.8)
Total other income (expenses)	<b>(570.0)</b>	(556.3)	(615.6)	(566.9)	(525.8)
Income before income taxes	<b>293.6</b>	223.3	319.6	367.6	331.9
Income taxes	<b>(81.2)</b>	(61.8)	(96.3)	(119.8)	(114.8)
Net income*1	<b>212.4</b>	161.5	223.3	247.8	217.1
Less: Net income attributable to noncontrolling interests*1	<b>(9.6)</b>	(6.3)	(8.3)	(8.9)	(6.1)
Net income attributable to Sumitomo Corporation*1	<b>¥ 202.7</b>	¥ 155.2	¥ 215.1	¥ 238.9	¥ 211.0
Total trading transactions*2	<b>¥8,350.4</b>	¥7,767.2	¥10,750.0	¥11,484.6	¥10,528.3

\*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				
	2011	2010	2009	2008	2007
Net income	<b>¥212.4</b>	¥161.5	¥ 223.3	¥ 247.8	¥211.0
Net unrealized holding gains (losses) on securities available-for-sale	<b>(43.3)</b>	55.8	(109.3)	(135.3)	11.9
Foreign currency translation adjustments	<b>(76.9)</b>	30.5	(169.5)	(58.8)	25.7
Net unrealized gains (losses) on derivatives	<b>2.9</b>	2.8	(12.2)	2.7	4.7
Pension liability adjustments	<b>(13.8)</b>	20.9	(25.6)	(11.5)	—
Comprehensive income (loss)	<b>81.2</b>	271.4	(93.2)	44.9	—
Less: Comprehensive income (loss) attributable to noncontrolling interests	<b>(6.0)</b>	(8.1)	2.0	(5.4)	—
Comprehensive income (loss) attributable to Sumitomo Corporation	<b>¥ 75.2</b>	¥263.2	¥ (91.2)	¥ 39.5	¥253.3

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 represents the amounts attributable to Sumitomo Corporation and the item for the years ended March 31, and thereafter 2008 represents the amounts including noncontrolling interests.

<IFRS>

3. Consolidated Statements of Financial Position

	Billions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	¥ 704.3	¥ 814.3	¥ 511.8	\$ 8,486
Time deposits	6.8	5.1	4.5	82
Marketable securities	5.2	5.3	19.0	63
Trade and other receivables	1,511.4	1,512.7	1,622.6	18,210
Other financial assets	68.6	67.8	83.1	827
Inventories	698.8	670.2	832.2	8,419
Advance payments to suppliers	333.2	283.6	271.6	4,014
Other current assets	160.8	176.3	216.8	1,939
Total current assets	3,489.3	3,535.2	3,561.5	42,040
Non-current assets:				
Investments accounted for using the equity method	1,101.0	816.8	750.3	13,265
Other investments	446.3	522.0	449.6	5,377
Trade and other receivables	622.4	608.4	650.0	7,499
Other financial assets	53.5	53.7	62.6	645
Property, plant and equipment	813.4	838.3	808.4	9,800
Intangible assets	349.0	361.7	360.6	4,205
Investment property	237.7	244.3	220.0	2,863
Prepaid expenses	49.8	69.7	43.5	600
Deferred tax assets	68.1	56.9	64.0	820
Total non-current assets	3,741.2	3,571.8	3,409.0	45,074
Total assets	¥7,230.5	¥7,107.0	¥6,970.5	\$87,114
<b>LIABILITIES AND EQUITY</b>				
Current liabilities:				
Bonds and borrowings	¥ 850.4	¥ 945.8	¥1,178.6	\$10,246
Trade and other payables	1,026.2	1,045.8	971.5	12,363
Other financial liabilities	92.1	87.8	106.1	1,110
Income tax payables	33.5	30.6	27.9	404
Accrued expenses	88.2	86.4	81.9	1,063
Advances from customers	199.4	218.8	252.3	2,403
Provisions	5.9	3.9	4.2	71
Other current liabilities	47.2	53.4	118.4	569
Total current liabilities	2,343.1	2,472.5	2,740.8	28,229
Non-current liabilities:				
Bonds and borrowings	2,917.0	2,665.8	2,536.4	35,144
Trade and other payables	118.1	126.8	106.6	1,423
Other financial liabilities	34.0	52.4	67.1	410
Accrued pension and retirement benefits	18.8	20.1	21.3	227
Provisions	17.4	14.4	14.3	209
Deferred tax liabilities	100.1	117.8	96.6	1,206
Total non-current liabilities	3,205.3	2,997.3	2,842.2	38,619
Total liabilities	5,548.4	5,469.8	5,583.0	66,848
Equity:				
Common stock	219.3	219.3	219.3	2,642
Additional paid-in capital	288.9	289.1	291.8	3,480
Treasury stock	(1.1)	(1.1)	(1.1)	(13)
Other components of equity	(4.8)	109.9	12.0	(58)
Retained earnings	1,068.2	916.0	763.6	12,870
Equity attributable to owners of the parent	1,570.5	1,533.3	1,285.5	18,921
Non-controlling interests	111.6	104.0	101.9	1,345
Total equity	1,682.1	1,637.2	1,387.5	20,266
Total liabilities and equity	¥7,230.5	¥7,107.0	¥6,970.5	\$87,114

<U.S. GAAP>

4. Consolidated Balance Sheets

	Billions of Yen				
	2011	2010	2009	2008	2007
Current assets:					
Cash and cash equivalents	¥ 704.3	¥ 813.8	¥ 511.4	¥ 456.8	¥ 436.8
Time deposits	6.8	5.1	4.5	5.4	5.5
Marketable securities	5.2	5.3	19.0	19.9	17.3
Receivables—trade:					
Notes and loans	224.9	210.2	188.6	242.3	292.6
Accounts	1,179.7	1,204.9	1,304.0	1,782.1	1,722.1
Associated companies	109.7	107.6	115.9	109.3	100.0
Allowance for doubtful receivables	(24.5)	(26.2)	(16.5)	(14.8)	(13.6)
Inventories	703.3	676.8	840.1	756.2	757.5
Deferred income taxes	49.9	34.2	34.0	39.3	39.3
Advance payments to suppliers	64.0	68.5	94.9	73.9	55.6
Assets held for sale	—	—	—	—	1,516.4
Other current assets	204.8	211.7	279.0	253.4	228.1
Total current assets	3,228.3	3,311.9	3,374.8	3,723.8	5,157.8
Investments and long-term receivables:					
Investments in and advances to associated companies	1,223.9	936.7	893.4	883.6	559.5
Other investments	430.8	522.8	450.3	655.2	833.8
Long-term receivables	801.5	733.0	745.6	832.8	706.1
Allowance for doubtful receivables	(18.6)	(24.5)	(33.1)	(22.1)	(28.4)
Total investments and long-term receivables	2,437.5	2,167.9	2,056.2	2,349.5	2,071.0
Property and equipment, at cost	1,830.4	1,797.4	1,725.9	1,596.4	1,371.7
Accumulated depreciation	(727.3)	(673.0)	(670.7)	(599.3)	(507.0)
	1,103.1	1,124.4	1,055.1	997.1	864.7
Goodwill and other intangible assets	379.7	392.9	400.6	379.4	255.5
Prepaid expenses, non-current	48.5	70.8	43.5	47.8	47.4
Deferred income taxes, non-current	22.2	25.4	36.2	14.2	11.6
Other assets	50.1	44.4	51.7	59.6	22.5
Total	¥7,269.3	¥7,137.8	¥7,018.2	¥7,571.4	¥8,430.5
Current liabilities:					
Short-term debt	¥ 307.8	¥ 453.4	¥ 792.2	¥ 625.1	¥ 461.9
Current maturities of long-term debt	528.6	481.3	382.8	428.9	416.5
Payables—trade:					
Notes and acceptances	50.9	48.5	63.7	84.6	107.9
Accounts	891.7	921.0	830.4	1,159.2	1,103.8
Associated companies	31.4	20.7	34.9	26.7	38.7
Income taxes	33.6	31.0	28.1	37.4	54.9
Accrued expenses	89.8	91.4	85.6	101.5	103.8
Advances from customers	103.9	113.1	122.4	107.3	79.1
Liabilities associated with assets held for sale	—	—	—	—	1,329.3
Other current liabilities	166.5	159.5	239.6	162.7	151.5
Total current liabilities	2,204.0	2,319.9	2,579.7	2,733.4	3,847.4
Long-term debt, less current maturities	3,173.8	2,938.5	2,821.3	3,012.0	2,764.4
Accrued pension and retirement benefits	20.9	19.2	20.0	14.1	9.8
Deferred income taxes, non-current	136.1	165.6	138.3	189.3	239.5
Equity:					
Sumitomo Corporation shareholders' equity:					
Common stock	219.3	219.3	219.3	219.3	219.3
Additional paid-in capital	288.3	288.6	291.3	291.0	279.7
Retained earnings:					
Appropriated for legal reserve	17.7	17.7	17.7	17.7	17.7
Unappropriated	1,398.6	1,234.6	1,109.4	943.1	755.2
	1,416.3	1,252.3	1,127.1	960.8	772.9
Accumulated other comprehensive income (loss)	(302.9)	(175.4)	(283.4)	22.8	222.2
Treasury stock, at cost	(1.1)	(1.1)	(1.1)	(1.2)	(21.0)
Total Sumitomo Corporation shareholders' equity*	1,619.9	1,583.7	1,353.1	1,492.7	1,473.1
Noncontrolling interests*	114.6	110.9	105.8	129.9	96.3
Total equity*	1,734.5	1,694.7	1,458.9	1,622.7	1,569.4
Total	¥7,269.3	¥7,137.8	¥7,018.2	¥7,571.4	¥8,430.5

\* 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.



## 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 photovoltaic power generation 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
- New Industry Development & Cross-function

On April 1, 2010, we closed the Financial & Logistics Business Unit and established the New Industry Development & Cross-function Business Unit.

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 which has a function of risk assessment 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.

## 2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

We adopt International Financial Reporting Standards ("IFRS"), instead of accounting principles generally accepted in the United States of America ("U.S. GAAP"), for the consolidated financial statements of annual report from the fiscal year ending March 31, 2011.

IFRS has already been adopted in European Union since 2005, as well as in over 120 countries around the world. In Japan, while application of U.S. GAAP is accepted until March 31, 2016, early adoption of IFRS is allowed from the fiscal year ending March 31, 2010.

In view of this situation, we have decided on early adoption of IFRS starting in April this year to match the timing of the launch of "*f(x)*," our new medium-term management plan, as we concluded that we would be able to pursue globally consolidated management by adoption of IFRS as a global standard.

We see the adoption of IFRS as a significant tool for management to meet the objective set forth in our Corporate Mission Statement: "We aim to be a global organization that constantly keeps a step ahead in dealing with change, creates new value, and contributes broadly to society."

## 3. 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, 2011. Accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance.

Furthermore, we established quantitative targets of "FOCUS'10," our medium-term management plan for fiscal year 2009 and 2010,

based on U.S. GAAP. Therefore, we describe the results of fiscal 2009 and 2010 based on U.S. GAAP.

Over the two-year period through the end of March 2011, we worked at implementing FOCUS'10. Under this plan, launched in the midst of an unprecedented economic crisis, we strove to “create new value,” as set forth in our Corporate Mission Statement, so as to establish “a growth scenario on a new stage” with a view to the next 10 years, aiming to become a value-creating company that leverages change to power growth. In qualitative terms, we worked at (a) steady execution of selective and focused growth strategies, (b) through reinforcement of soundness and efficiency, and (c) development of human and organization dynamism to enhance value-creation capability; in quantitative terms, we worked to reach ¥115 billion in net income attributable to Sumitomo Corporation for fiscal year 2009 and a risk-adjusted return ratio of around 10% as a two-year average.

As a result, we achieved our targets in terms our indicators of soundness and efficiency, keeping total assets basically unchanged from their level at the start of FOCUS'10 and securing a positive free cash flow. At the same time, we established a setup for tackling new industries and emerging markets, and we actively expanded our business base in such fields as mineral resources, energy, chemical and electronics and media, network and lifestyle retail businesses. In addition, in fiscal 2009 we topped our target for net income attributable to Sumitomo Corporation with a figure of ¥155.2 billion, and in fiscal 2010 we reached a figure of ¥202.7 billion, in excess of our revised forecast of ¥200 billion (up from the original figure of ¥160 billion); our average risk-adjusted return ratio for the two-year period came to 12.7%, also topping our target.

In April 2011 we launched our new medium-term management plan, *f(x)*, pronounced “f-cross.” Under *f(x)* we will carry on with the basic policies and measures adopted with a view to the next 10 years under our previous medium plan, FOCUS'10—whence the *f*—and at the same time undertake the execution—whence the *x*— of business model innovation so as to meet the demands of the times on the basis of our Corporate Mission Statement, which define value creation as our corporate vision, aiming to achieve

growth together with all our partners across regional, generational, and organizational boundaries.

For this purpose we will work at implementing four key actions: (a) make visible and share long-term ideal images on the front lines, (b) accelerate strategic resource management, (c) enhance our integrated corporate strength on a global basis, and (d) strengthen human resources management on a company-wide level. In quantitative terms, we will aim to secure consolidated net income\* of ¥220 billion in fiscal 2011 and ¥260 billion in fiscal 2012 and to achieve a risk-adjusted return of 15% or more in fiscal 2012.

Our quantitative targets, balance sheet plan, and monitoring index under *f(x)* are as listed below. The effects of the Great East Japan Earthquake that struck this March, along with other factors, mean that we will be operating in an uncertain economic environment, but we will strive to achieve a risk-adjusted return of 15% or more in fiscal year 2012 without fail, so as to construct business models befitting the value-creating company that we aimed to become under FOCUS'10.

#### Quantitative targets

Consolidated net income	FY 2011	¥220 billion
	FY 2012	¥260 billion
Risk-adjusted return ratio	15% or more in FY 2012	

#### Balance sheet plan (two-year total)

	Risk-adjusted assets	Amount
Acquisition and Enhancement* (new investment & loan included)	+¥350 billion (+¥320 billion)	+¥1,150 billion (+¥580 billion)
Divestiture and Reduction	–¥130 billion	–¥1,150 billion

\* including net increase of trade assets and others

#### Monitoring index

Debt-equity ratio, net (times)	Around 1.5
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\* “Consolidated net income” presented above is equivalent to “profit for the year attributable to owners of the parent” of the IFRS.

## 4. ECONOMIC ENVIRONMENT

During the period under review (fiscal 2010, i.e., April 1, 2010, through March 31, 2011), the global economy continued to experience a recovery centering on China and other emerging countries. In the advanced economies, however, the pace of the upturn was slow because of factors including the aftereffects of the financial crisis, the harshness of the employment situation, and concerns over the swelling of fiscal deficits. In international commodity markets, risk aversion was seen in response to the sovereign risk problem in Europe and to tensions in the Middle East and North Africa, but prices rose against a backdrop of firm demand in emerging countries and monetary easing in the United States, leading to the emergence of inflationary concerns in some countries.

In Japan, on top of the ongoing bleakness of the employment picture, concerns over the appreciation of the yen and deflation persisted and economic sentiment was slow to recover, but the government's stimulus measures and the rise in exports in line with the global economic recovery led to moves toward a pickup in some areas of domestic demand, such as capital investment. The recovery marked time for a while during the second half of the fiscal year as the effects of the stimulus package waned, and the Great East Japan Earthquake in March had a major impact on production activity.

## 5. CERTAIN LINE ITEMS IN OUR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The following is a description of certain line items in our Consolidated Statement of Comprehensive 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 contracts.

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

- customized software development and other software related services;
- loans, finance leases 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.

The Companies enter into transactions that include multiple-element software and non-software related revenue arrangements, which may include any combination of products, equipment, software, installation services and/or financing. A multiple-element arrangement is separated into more than one unit of accounting if certain criteria are met.

**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, 2011, sales of services and others accounted for 18.5% of our total revenues, but the gross profit from sales of services and others accounted for 42.9% of our gross profit.

**Impairment Losses on Long-Lived Assets.** At the end of each reporting period, the carrying amounts of non-financial assets, excluding inventories and deferred tax assets, are assessed whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial asset is estimated. Regarding goodwill and intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated at the same time every year. If the carrying amount of an asset or a cash-generating unit ("CGU") exceeds the recoverable amount of it, an impairment loss is recognized in profit or loss.

**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 equity-accounted investees.

**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 the year ended March 31, 2010.

**Gain (Loss) on Revaluation of Securities and Other Investments.** Financial assets measured at fair value through profit and loss ("FVTPL") are initially measured at fair value. Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in profit or loss. Financial assets measured at amortized cost are initially measured at fair value for the year ended March 31, 2011. Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss when necessary.

**Gain (Loss) on Sale of Securities and Other Investments.** We maintain a significant level of investments in order to supplement our trading activities. We recognize gains and losses on sales of securities and other investments when we elect to sell investment holdings for the year ended March 31, 2010. On the other hand, we recognize gains and losses on sales of our financial assets measured at FVTPL and investments in our consolidated subsidiaries or equity-accounted investees when we elect to sell investment holdings for the year ended March 31, 2011.

**Share of Profit of Investments Accounted for Using the Equity Method.** 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.

**Exchange Differences on Translating Foreign Operations.** Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average spot exchange rates for the period.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income. The Companies elected to deem all of cumulative exchange differences on translating foreign operations to be zero

at the date of transition to IFRSs (April 1, 2009). These differences are presented as “Exchange differences on translating foreign operations” in other components of equity after the date of transition to IFRSs.

**Available-for-Sale Securities.** Available-for-sale securities are measured at fair value, and gains and losses arising from changes in fair value are recognized in other comprehensive income.

**Financial Assets Measured at Fair Value Through Other Comprehensive Income.** Financial assets measured at fair value through other comprehensive income (“FVTOCI”) are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in other comprehensive income.

**Cash-Flow Hedges.** When derivatives are designated as hedging instrument to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or a highly probable forecast transactions which could affect profit, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income.

**Actuarial Gains (Losses) on Defined Benefit Pension Plans.**

The Companies recognize all of the actuarial gains and losses arising from defined benefit plans in other comprehensive income.

**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 IFRSs. 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.

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## 6. CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in accordance with IFRSs requires management to make judgments, 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 3 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 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.

### 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 profit for the year attributable to owners of the parent 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:

- the Companies have the primary responsibility for providing the goods or services to the customer or for fulfilling the orders;
- the Companies have inventory risk before or after the customer order, during shipping or return
- the Companies have latitude in establishing prices, either directly or indirectly
- the Companies bear the customer's credit risk for the amount receivable from the customer.

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 consideration of services rendered (commission or fee) is fixed;
- the consideration is determined by multiplying the amount of goods and services provided to customers by a stated percentage.

#### **Impairment of Financial Assets Measured at Amortized Cost**

We engage in a variety of businesses and carry financial assets measured at amortized cost. By the fact that we regularly assess financial assets measured at amortized cost whether there is objective evidence of impairment which includes a default or delinquency of the borrower, we review the asset for impairment. The fair value of these assets for which impairment losses are recognized is determined based on estimated future cash flows discounted at the effective interest rate.

#### **Financial Assets Measured at Fair Value**

We carry financial assets measured at fair value such as marketable securities, and other investments. The Companies have decided to classify equity instruments into FVTOCI or FVTPL. FVTOCI are held in order to maintain and reinforce the business relationships with investees for expanding the Companies' earning basis and of which changes of fair values are not assessed for business performance assessment. FVTPL are held to make profits from rise of fair value and counted for business performance assessment. Fair values of these assets are based on market prices or determined by discounted future cash flow method, profitability and net assets of investees, and other valuation approaches.

#### **Recoverability of Non-Financial Assets**

We maintain significant non-financial assets in the operation of our global business. We review non-financial 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, we estimate the recoverable amount at the impairment tests. Recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. We derive cash flow estimates from our historical experience and our internal business plans, and apply an appropriate rate. Changes in strategy or in market conditions could significantly affect these determinations.

#### **Tax Asset Valuation**

We decrease 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 deferred tax assets 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.

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## **7. RESULTS OF OPERATIONS**

### **Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010**

**Total Revenues.** Total revenues increased by ¥223.5 billion, or 7.8%, from ¥2,876.7 billion in the fiscal year ended March 31, 2010 to ¥3,100.2 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the recovery of demand in metal products businesses in addition to the stable performance in tubular products operations in North America and TBC Corporation (tire business in the U.S.).

**Gross Profit.** Gross profit increased by ¥88.9 billion, or 11.5%, from ¥775.1 billion in the fiscal year ended March 31, 2010 to ¥864.0 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the stable performance in tubular business in North America in addition to the strong performance in a coal mining operation in Australia and automobiles/motorcycles finance businesses in Asia.

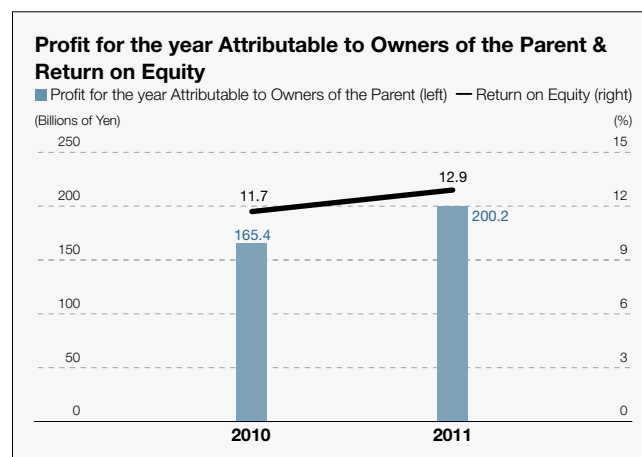
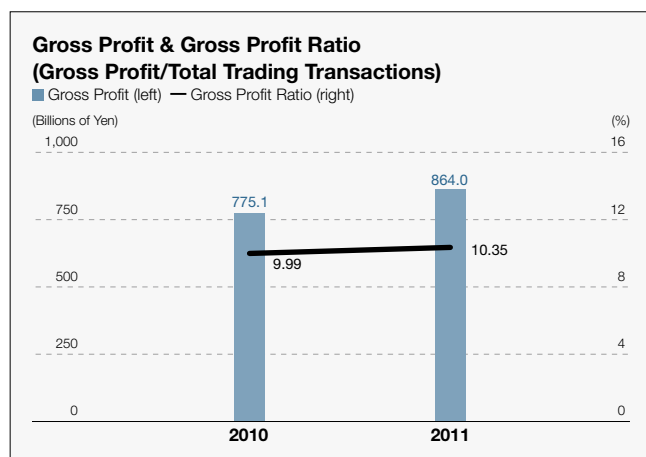


**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased by ¥10.1 billion, or 1.6%, from ¥650.6 billion in the fiscal year ended March 31, 2010 to ¥660.7 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the increase of personnel expenses in subsidiaries.

**Share of profit of investments accounted for using the equity method.** Share of profit of investments accounted for using the equity method increased by ¥21.2 billion, or 28.5%, from ¥74.4 billion in the fiscal year ended March 31, 2010 to ¥95.6 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the stable performances in the iron ore business in South Africa and Jupiter Telecommunications Co., Ltd. (J:COM) of which we acquired additional shares in April, 2010.

**Profit for the year attributable to owners of the parent.** As a result of the factors discussed above, Profit for the year attributable to owners of the parent increased by ¥34.8 billion, or 21.0%, from ¥165.4 billion in the fiscal year ended March 31, 2010 to ¥200.2 billion in the fiscal year ended March 31, 2011.

**Comprehensive income for the year attributable to owners of the parent.** Comprehensive income for the year attributable to owners of the parent decreased by ¥213.9 billion, or 76.3%, from ¥280.3 billion in the fiscal year ended March 31, 2010 to ¥66.4 billion in the fiscal year ended March 31, 2011. This was mainly due to the decrease of exchange differences on translating foreign operations due to yen appreciation in addition to the decrease of financial assets measured at fair value through other comprehensive income because of the decline in stock prices.



## 8. 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 New Industry Development & Cross-function.

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, 2011 and 2010:

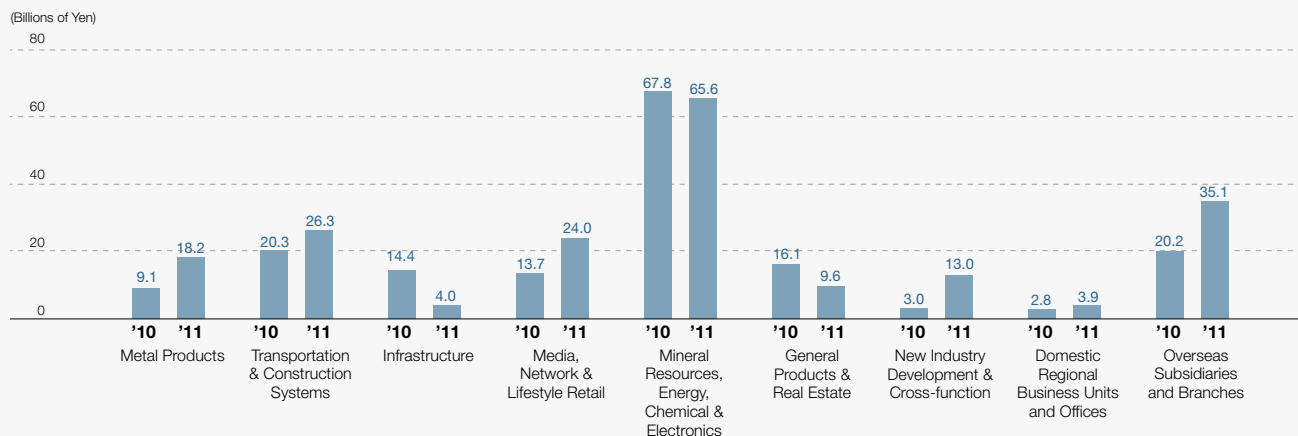
### Breakdown of Gross Profit by Operating Segment

For the years ended March 31, 2011 and 2010	Billions of Yen				Millions of U.S. Dollars
	2011	2010	Increase/ decrease	Increase/ decrease	2011
Metal Products	¥ 66.1	¥ 54.0	¥12.1	22.4%	\$ 797
Transportation & Construction Systems	145.7	130.7	15.0	11.5	1,755
Infrastructure	23.3	31.3	(8.0)	(25.6)	281
Media, Network & Lifestyle Retail	183.2	177.0	6.2	3.5	2,207
Mineral Resources, Energy, Chemical & Electronics	111.3	83.2	28.1	33.8	1,342
General Products & Real Estate	99.1	94.4	4.7	5.0	1,194
New Industry Development & Cross-function	30.4	24.5	5.9	24.1	366
Domestic Regional Business Units and Offices	38.8	35.2	3.6	10.2	467
Overseas Subsidiaries and Branches	176.4	153.7	22.7	14.8	2,125
Segment Total	874.3	784.0	90.3	11.5	10,534
Corporate and Eliminations	(10.3)	(8.9)	(1.4)	(15.7)	(124)
Consolidated	¥864.0	¥775.1	¥88.9	11.5%	\$10,410

### Breakdown of Profit for the year Attributable to Owners of the Parent by Operating Segment

For the years ended March 31, 2011 and 2010	Billions of Yen				Millions of U.S. Dollars
	2011	2010	Increase/ decrease	Increase/ decrease	2011
Metal Products	¥ 18.2	¥ 9.1	¥ 9.1	100.0%	\$ 219
Transportation & Construction Systems	26.3	20.3	6.0	29.6	317
Infrastructure	4.0	14.4	(10.4)	(72.2)	48
Media, Network & Lifestyle Retail	24.0	13.7	10.3	75.2	289
Mineral Resources, Energy, Chemical & Electronics	65.6	67.8	(2.2)	(3.2)	791
General Products & Real Estate	9.6	16.1	(6.5)	(40.4)	116
New Industry Development & Cross-function	13.0	3.0	10.0	333.3	157
Domestic Regional Business Units and Offices	3.9	2.8	1.1	39.3	47
Overseas Subsidiaries and Branches	35.1	20.2	14.9	73.8	422
Segment Total	199.7	167.4	32.3	19.3	2,406
Corporate and Eliminations	0.5	(2.0)	2.5	—	6
Consolidated	¥200.2	¥165.4	¥ 34.8	21.0%	\$2,412

### Profit for the year Attributable to Owners of the Parent by Operating Segment



## **Fiscal Year Ended March 31, 2011 Compared to Fiscal Year Ended March 31, 2010**

### **Metal Products**

Gross profit increased by ¥12.1 billion, or 22.4%, from ¥54.0 billion in the fiscal year ended March 31, 2010 to ¥66.1 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the stable performance in tubular products business in North America in addition to the recovery of demand in steel service center. Profit for the year attributable to owners of the parent increased by ¥9.1 billion, or 100.0%, from ¥9.1 billion in the fiscal year ended March 31, 2010 to ¥18.2 billion in the fiscal year ended March 31, 2011.

### **Transportation & Construction Systems**

Gross profit increased by ¥15.0 billion, or 11.5%, from ¥130.7 billion in the fiscal year ended March 31, 2010 to ¥145.7 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the stable performance of Sumitomo Mitsui Auto Service Company, Ltd., in addition to the strong performance in automobile/motorcycles finance business in Asia. Profit for the year attributable to owners of the parent increased by ¥6.0 billion, or 29.6%, from ¥20.3 billion in the fiscal year ended March 31, 2010 to ¥26.3 billion in the fiscal year ended March 31, 2011.

### **Infrastructure**

Gross profit decreased by ¥8.0 billion, or 25.6%, from ¥31.3 billion in the fiscal year ended March 31, 2010 to ¥23.3 billion in the fiscal year ended March 31, 2011. The decrease was mainly due to the decline in the earnings of IPP/IWPP businesses (Tanjung Jati B). Profit for the year attributable to owners of the parent decreased by ¥10.4 billion, or 72.2%, from ¥14.4 billion in the fiscal year ended March 31, 2010 to ¥4.0 billion in the fiscal year ended March 31, 2011.

### **Media, Network & Lifestyle Retail**

Gross profit increased by ¥6.2 billion, or 3.5%, from ¥177.0 billion in the fiscal year ended March 31, 2010 to ¥183.2 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the consolidation of newly acquired subsidiaries in addition to the stable performance of Sumisho Computer Systems Corporation. Profit for the year attributable to owners of the parent increased by ¥10.3 billion, or 75.2%, from ¥13.7 billion in the fiscal year ended March 31, 2010 to ¥24.0 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the stable performance of Jupiter Telecommunications Co., Ltd. (J:COM) of which we acquired additional shares in April, 2010 in addition to the increase of gross profit as stated above.

### **Mineral Resources, Energy, Chemical & Electronics**

Gross profit increased by ¥28.1 billion, or 33.8%, from ¥83.2 billion in the fiscal year ended March 31, 2010 to ¥111.3 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the strong performance in a coal mining operation in Australia.

Profit for the year attributable to owners of the parent decreased by ¥2.2 billion, or 3.2%, from ¥67.8 billion in the fiscal year ended March 31, 2010 to ¥65.6 billion in the fiscal year ended March 31, 2011. Although gross profit increased in this year, there was value realization through replacement of assets in the previous year.

### **General Products & Real Estate**

Gross profit increased by ¥4.7 billion, or 5.0%, from ¥94.4 billion in the fiscal year ended March 31, 2010 to ¥99.1 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the stable performance of TBC Corporation (tire business in the U.S.) in addition to the improvement of fertilizer businesses. Profit for the year attributable to owners of the parent decreased by ¥6.5 billion, or 40.4%, from ¥16.1 billion in the fiscal year ended March 31, 2010 to ¥9.6 billion in the fiscal year ended March 31, 2011. Although gross profit increased in this year, there was value realization through replacement of assets in the previous year.

### **New Industry Development & Cross-function**

Gross profit increased by ¥5.9 billion, or 24.1%, from ¥24.5 billion in the fiscal year ended March 31, 2010 to ¥30.4 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the stable performance in solar business and environmental business in the newly-established New Business Development & Promotion Division. Profit for the year attributable to owners of the parent increased by ¥10.0 billion, or 333.3%, from ¥3.0 billion in the fiscal year ended March 31, 2010 to ¥13.0 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the increase in gross profit and the improvement of the performance of Sumitomo Mitsui Finance and Leasing Co., Ltd.

### **Domestic Regional Business Units and Offices**

Gross profit increased by ¥3.6 billion, or 10.2%, from ¥35.2 billion in the fiscal year ended March 31, 2010 to ¥38.8 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the recovery of demand in the metal products businesses. Profit for the year attributable to owners of the parent increased by ¥1.1 billion, or 39.3%, from ¥2.8 billion in the fiscal year ended March 31, 2010 to ¥3.9 billion in the fiscal year ended March 31, 2011.

### **Overseas Subsidiaries and Branches**

Gross profit increased by ¥22.7 billion, or 14.8%, from ¥153.7 billion in the fiscal year ended March 31, 2010 to ¥176.4 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the stable performance of TBC Corporation (tire business in the U.S.) in addition to the recovery of demand in the metal products businesses. Profit for the year attributable to owners of the parent increased by ¥14.9 billion, or 73.8%, from ¥20.2 billion in the fiscal year ended March 31, 2010 to ¥35.1 billion in the fiscal year ended March 31, 2011.

## 9. LIQUIDITY AND CAPITAL RESOURCES

In general, we seek to fund our operations through cash flow from operations, bank debt and debt raised in the capital markets and issuance of commercial paper. Our basic policy for fund raising activities is to secure stable, medium- to long-term low-interest rate funds and liquidity for our operations.

As of March 31, 2011, we had ¥3,767.4 billion of bonds and borrowings. Our short-term debt, excluding current maturities of long-term debt was ¥320.0 billion, a decrease of ¥133.9 billion from the previous year. Our short-term debt consisted of ¥178.7 billion of loans, principally from banks, and ¥141.3 billion of commercial paper.

As of March 31, 2011, we had bonds and long-term debt of ¥3,447.4 billion, an increase of ¥289.7 billion from the previous year, including current maturities of ¥530.5 billion. As of March 31, 2011, the balance of our borrowings from banks and insurance companies was ¥3,002.3 billion, an increase of ¥310.1 billion from the previous year, and the balance of notes and bonds was ¥445.1 billion, a decrease of ¥20.4 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, 2011, 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, the United States and Singapore;

- 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, 2011, 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:

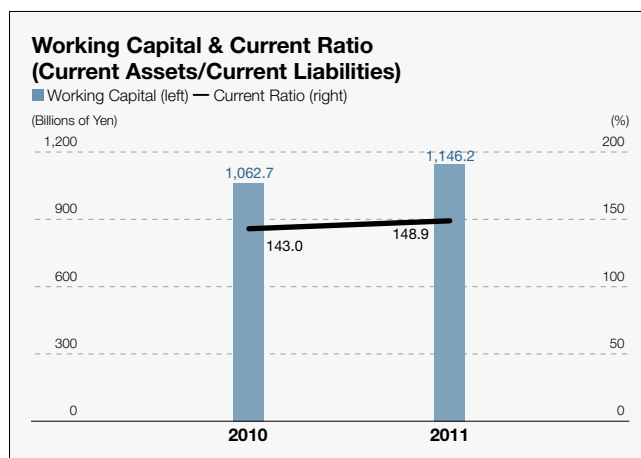
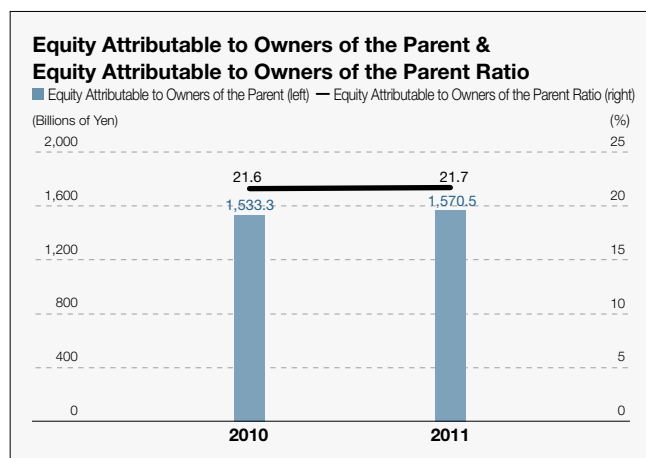
- a ¥200 billion Japanese shelf registration for primary debt offerings;
- a ¥1.0 trillion commercial paper program in Japan;
- a \$1,500 million commercial paper program, established by our U.S. subsidiary, Sumitomo Corporation of America;
- a U.S.\$3,000 million Euro Medium Term Note program jointly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

As of March 31, 2011, our total assets was ¥7,230.5 billion yen, increased by ¥123.5 billion from March 31, 2010. Although foreign-currency assets decreased due to yen appreciation, strategic investments such as investing in Brazilian iron ore mining business were the factors of the increase.

As of March 31, 2011, our equity attributable to owners of the parent increased by ¥37.2 billion to ¥1,570.5 billion, mainly due to the increase of retained earnings. On the other hand, exchange differences on translating foreign operations decreased due to yen appreciation. Our ratio of equity attributable to owners of the parent to total assets was 21.7%. Our interest-bearing liabilities (net) were ¥3,056.3 billion, an increase of ¥264.1 billion. As a result, our net debt-to-equity ratio was 1.9 as of March 31, 2011.

## Liquidity and Capital Resources

As of March 31, 2011 and 2010	Billions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Short-term	¥ 320.0	¥ 453.9	\$ 3,855
Loans, principally from banks	178.7	285.2	2,153
Commercial paper	141.3	168.7	1,702
Long-term, including current maturities of long-term debt	3,447.4	3,157.7	41,535
Secured long-term debt			
Loans	368.0	229.5	4,434
Bonds	38.6	26.2	465
Unsecured long-term debt			
Loans	2,634.3	2,462.7	31,739
Bonds and notes	406.5	439.3	4,897
Interest-bearing liabilities (gross)	3,767.4	3,611.6	45,390
Cash and cash equivalents & time deposits	711.1	819.4	8,568
Interest-bearing liabilities (net)	3,056.3	2,792.2	36,822
Total assets	7,230.5	7,107.0	87,114
Equity attributable to owners of the parent	1,570.5	1,533.3	18,921
Equity attributable to owners of the parent ratio (%)	21.7	21.6	
Debt-Equity Ratio (gross) (times)	2.4	2.4	
Debt-Equity Ratio (net) (times)	1.9	1.8	



The following table sets forth our cash flow information for the fiscal years ended March 31, 2011, and 2010:

### Summary Statements of Consolidated Cash Flows

For the years ended March 31, 2011 and 2010	Billions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Net cash from operating activities	¥ 219.5	¥ 503.8	\$ 2,645
Net cash used in investing activities	(469.4)	(51.5)	(5,655)
Free cash flow	(249.9)	452.3	(3,010)
Net cash from (used in) financing activities	155.9	(151.3)	1,878
Net (decrease) increase in cash and cash equivalents	(94.0)	301.0	(1,132)
Cash and cash equivalents at the beginning of year	814.3	511.7	9,811
Effect of exchange rate changes on cash and cash equivalents	(16.0)	1.6	(193)
Cash and cash equivalents at the end of year	¥ 704.3	¥ 814.3	\$ 8,486

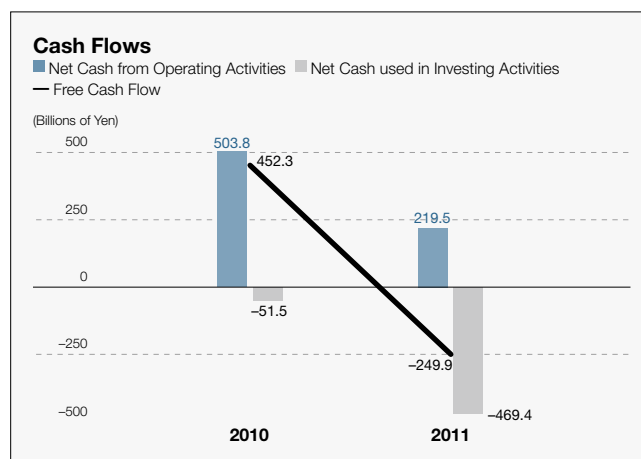
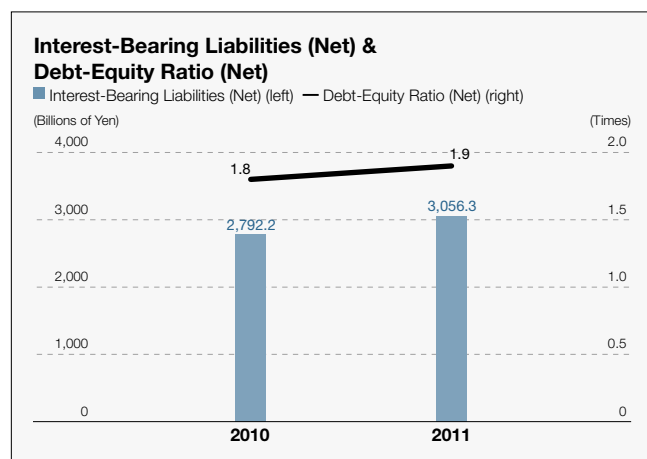
Net cash from operating activities was ¥219.5 billion for the fiscal year ended March 31, 2011. Although working capital increased along with the business transaction increase, our core business steadily generated cash.

Net cash used in investing activities was ¥469.4 billion for the fiscal year ended March 31, 2011, mainly due to strategic investments as stated.

As of March 31, 2011, our contractual cash obligations for the periods indicated were as follows:

### Payments due by period

	(Billions of Yen)	
	Bonds and borrowings	Operating leases
Less than 1 year	¥ 850.4	¥ 39.7
1 to 5 years	1,780.2	129.4
More than 5 years	1,136.8	233.3
Total	¥3,767.4	¥402.4





As of March 31, 2011, we had long-term financing commitments in the aggregate amount of ¥45.4 billion in connection with loans and investments in equity capital.

We enter into long-term purchase commitments in the normal course of our trading operations that provide for either fixed prices or basic purchase prices adjustable to market. Those commitments are in most instances matched with counterparty sales contracts. Long-term purchase contracts at fixed prices or at basic purchase prices adjustable to market amounted to ¥729.3 billion as of March 31, 2011. Scheduled deliveries are at various dates through 2025.

As of March 31, 2011, we have no material commitments for capital expenditures.

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

under guarantees are substantial or there is a major adverse outcome in our litigation, such contingent liabilities may create significant new cash needs for us.

Our primary future recurring cash needs will be for working capital, capital investments in new and existing business ventures and debt service. Our growth strategy contemplates the making of investments, in the form of acquisitions, equity investments and loans. We invested ¥74.4 billion in property, equipment and other assets and made ¥315.9 billion of other investments in the fiscal year ended March 31, 2011. 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.

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## 10. CONTINGENCIES

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

As of March 31, 2011, we were contingently liable for guarantees (continuing through 2036) in the aggregate amount of ¥162.7 billion, including ¥96.8 billion relating to our associated companies and ¥1.9 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 guarantees 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 ¥8.8 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, 2011.

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## 11. LITIGATION

The Companies are involved in certain legal actions and claims incidental to its business. In the opinion of management, none of these actions or claims will have a material adverse effect on the financial position or results of operations of the Companies.

## 12. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The new standards, interpretations, and amendments that have been issued as of the date of the approval for the consolidated financial statements which the Companies have not yet applied as

of March 31, 2011, are as follows. The Companies are currently evaluating potential impacts that application of these will have on the consolidated financial statements.

IFRSs	Title	Reporting periods on or after which the applications are required	Reporting periods of the application by the Companies (The reporting period ended)	Summaries of new IFRSs and amendments
IFRS1	First-time Adoption of International Financial Reporting Standards	Jul. 1, 2011	Mar. 31, 2013	Guidance for entities subject to severe hyperinflation
		Jan. 1, 2011	Mar. 31, 2012	Disclosure exemption of adoption of accounting policy changes in the year of adoption
				Revaluation basis as deemed cost for specific events
IFRS3	Business Combinations	Jul. 1, 2010	Mar. 31, 2012	Use of deemed cost for operations subject to rate regulation
				Transition requirements for contingent consideration from a business combination that occurred before the effective date of IFRS3 revised in 2008
				Measurement of non-controlling interests
IFRS7	Financial Instruments: Disclosures	Jan. 1, 2011	Mar. 31, 2012	Accounting on un-replaced and voluntarily replaced share-based payment awards
		Jul. 1, 2011	Mar. 31, 2013	Disclosures of risks of financial instruments
				Disclosures of transfer transactions of financial assets
IFRS10	Consolidated Financial Statements	Jan. 1, 2013	Mar. 31, 2014	Identification of the concept of control and use of control as the single basis for consolidation, irrespective of the nature of the investee (Replacement for IAS27 and SIC12*)
IFRS11	Joint Arrangements	Jan. 1, 2013	Mar. 31, 2014	Establishment of accounting on joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (Replacement of IAS31* and SIC13*)
IFRS12	Disclosure of Interests in Other Entities	Jan. 1, 2013	Mar. 31, 2014	Disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. (Replacement of appropriate parts of IAS27 and IAS28*)
IFRS13	Fair Value Measurements	Jan. 1, 2013	Mar. 31, 2014	Establishment of a single framework when other IFRSs requires the measurement of fair values
IAS1	Presentation of Financial Statements	Jul. 1, 2012	Mar. 31, 2014	Presentation of items of other comprehensive income
IAS12	Income Taxes	Jan. 1, 2012	Mar. 31, 2013	Exemption for the measurement principle relating to the deferred tax on investment properties measured at fair value
IAS19	Employee Benefits	Jan. 1, 2013	Mar. 31, 2014	Recognition of actuarial gains and losses and past service cost, and presentation and disclosure of post-employment benefits
IAS24	Related Party Disclosures	Jan. 1, 2011	Mar. 31, 2012	Exemption for government-related entities
IAS34	Interim Financial Reporting	Jan. 1, 2011	Mar. 31, 2012	Disclosure of significant events and transactions
IFRIC13	Customer Loyalty Programmes	Jan. 1, 2011	Mar. 31, 2012	Fair value measurement of award credit
IFRIC14	IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Jan. 1, 2011	Mar. 31, 2012	Amendment on accounting for prepayments of future contributions in some circumstances
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments	Jul. 1, 2010	Mar. 31, 2012	Guidance on the accounting for debt for equity swap transactions

\*When IFRS10, IFRS11 and IFRS12 are applied, IAS31, SIC12 and SIC13 are superseded, while amended and retitled IAS27 "Separate Financial Statements" and IAS28 "Investments in Associates and Joint Ventures" are effective.

### 13. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

#### Interest Rate Risk

Our business activities expose us to market risks arising from changes in interest rates, which we monitor and 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

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 engage in investments in metal mining, and oil and gas development. As a result of these activities, we are exposed to commodity price risks. We intend to reduce commodity price risks by hedge sales,

matching the volume and timing of selling and purchasing commodities, or using derivatives. We use derivatives for trading purposes within well-defined position limits and loss limits.

#### 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. As of March 31, 2011, we had the fair value on our marketable equity securities in the aggregate amount of ¥285.8 billion.

#### 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. See “Notes to Consolidated Financial statements—25. Financial Instruments and Related Disclosures—(2) Financial Risk Management Policy—4. Commodity price risk management.”

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Sumitomo Corporation and Subsidiaries

As of March 31, 2011, 2010 and the date of transition to IFRSs (April 1, 2009)

ASSETS	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
<b>Current assets:</b>				
Cash and cash equivalents	¥ 704,313	¥ 814,288	¥ 511,758	\$ 8,486
Time deposits	6,829	5,084	4,514	82
Marketable securities (Note 6)	5,239	5,259	18,963	63
Trade and other receivables (Note 7)	1,511,442	1,512,678	1,622,616	18,210
Other financial assets	68,641	67,800	83,078	827
Inventories (Note 10)	698,810	670,220	832,205	8,419
Advance payments to suppliers	333,200	283,562	271,580	4,014
Other current assets (Note 15)	160,832	176,334	216,802	1,939
Total current assets	3,489,306	3,535,225	3,561,516	42,040
<b>Non-current assets:</b>				
Investments accounted for using the equity method (Note 11)	1,100,966	816,790	750,335	13,265
Other investments (Note 6)	446,319	522,031	449,569	5,377
Trade and other receivables (Note 7)	622,414	608,420	650,024	7,499
Other financial assets	53,507	53,723	62,600	645
Property, plant and equipment (Note 12)	813,435	838,272	808,395	9,800
Intangible assets (Note 13)	348,993	361,679	360,588	4,205
Investment property (Note 14)	237,668	244,296	219,995	2,863
Prepaid expenses	49,807	69,687	43,518	600
Deferred tax assets (Note 15)	68,087	56,921	63,951	820
Total non-current assets	3,741,196	3,571,819	3,408,975	45,074
Total assets (Note 4)	¥7,230,502	¥7,107,044	¥6,970,491	\$87,114

LIABILITIES AND EQUITY	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
<b>Current liabilities:</b>				
Bonds and borrowings (Note 16)	¥ 850,435	¥ 945,821	¥1,178,559	\$10,246
Trade and other payables (Note 17)	1,026,160	1,045,833	971,470	12,363
Other financial liabilities	92,136	87,776	106,093	1,110
Income tax payables (Note 29)	33,528	30,568	27,889	404
Accrued expenses	88,222	86,445	81,898	1,063
Advances from customers	199,437	218,814	252,297	2,403
Provisions (Note 18)	5,925	3,864	4,208	71
Other current liabilities	47,233	53,406	118,378	569
Total current liabilities	2,343,076	2,472,527	2,740,792	28,229
<b>Non-current liabilities:</b>				
Bonds and borrowings (Note 16)	2,916,963	2,665,786	2,536,395	35,144
Trade and other payables (Note 17)	118,073	126,804	106,598	1,423
Other financial liabilities	33,998	52,434	67,107	410
Accrued pension and retirement benefits (Note 19)	18,811	20,062	21,280	227
Provisions (Note 18)	17,374	14,437	14,288	209
Deferred tax liabilities (Note 15)	100,117	117,772	96,577	1,206
Total non-current liabilities	3,205,336	2,997,295	2,842,245	38,619
Total liabilities	5,548,412	5,469,822	5,583,037	66,848
<b>Equity:</b>				
Common stock (Note 20)	219,279	219,279	219,279	2,642
Additional paid-in capital (Note 21)	288,868	289,117	291,786	3,480
Treasury stock	(1,053)	(1,083)	(1,142)	(13)
Other components of equity (Note 22)	(4,819)	109,929	12,014	(58)
Retained earnings (Note 21)	1,068,193	916,013	763,608	12,870
Equity attributable to owners of the parent	1,570,468	1,533,255	1,285,545	18,921
Non-controlling interests	111,622	103,967	101,909	1,345
Total equity	1,682,090	1,637,222	1,387,454	20,266
Total liabilities and equity	¥7,230,502	¥7,107,044	¥6,970,491	\$87,114

See the accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Sumitomo Corporation and Subsidiaries  
For the years ended March 31, 2011 and 2010

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
<b>Revenues:</b>			
Sales of tangible products	¥ 2,525,543	¥ 2,326,092	\$ 30,428
Sales of services and others	574,642	550,654	6,924
Total revenues (Notes 4, 14 and 28)	3,100,185	2,876,746	37,352
<b>Cost:</b>			
Cost of tangible products sold	(2,032,208)	(1,897,420)	(24,484)
Cost of services and others	(203,983)	(204,236)	(2,458)
Total cost (Notes 8, 14, 19 and 28)	(2,236,191)	(2,101,656)	(26,942)
Gross profit (Note 4)	863,994	775,090	10,410
<b>Other income (expenses):</b>			
Selling, general and administrative expenses (Note 27)	(660,690)	(650,618)	(7,960)
Impairment losses on long-lived assets (Notes 12, 13 and 14)	(19,889)	(9,966)	(240)
Gain (loss) on sale of property, plant and equipment, net	2,248	9,395	27
Other, net	(2,178)	1,468	(26)
Total other income (expenses)	(680,509)	(649,721)	(8,199)
Operating profit	183,485	125,369	2,211
<b>Finance income:</b>			
Interest income	13,919	15,767	168
Dividends	10,011	11,297	121
Gain on sale of securities and other investments	11,487	55,236	138
Total finance income (Note 28)	35,417	82,300	427
<b>Finance costs:</b>			
Interest expense	(32,009)	(40,599)	(386)
Other than temporary impairment losses on securities	—	(19,505)	—
Loss on revaluation of securities and other investments	(2,010)	—	(24)
Total finance costs (Note 28)	(34,019)	(60,104)	(410)
Finance income (costs), net	1,398	22,196	17
<b>Share of profit of investments accounted for using the equity method (Note 11)</b>	<b>95,580</b>	<b>74,403</b>	<b>1,151</b>
Profit before tax	280,463	221,968	3,379
<b>Income tax expense (Note 29)</b>	<b>(70,671)</b>	<b>(52,602)</b>	<b>(852)</b>
Profit for the year	209,792	169,366	2,527
<b>Profit for the year attributable to:</b>			
Owners of the parent (Note 4)	¥ 200,222	¥ 165,365	\$ 2,412
Non-controlling interests	9,570	4,001	115
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations	(87,677)	38,549	(1,056)
Available-for-sale securities	—	55,310	—
Financial assets measured at fair value through other comprehensive income	(39,465)	—	(475)
Cash-flow hedges	4,901	(1,737)	59
Actuarial gains (losses) on defined benefit pension plans	(13,926)	17,451	(168)
Share of other comprehensive income of investments accounted for using the equity method	(412)	6,980	(5)
Other comprehensive income, net of tax (Note 22)	(136,579)	116,553	(1,645)
Comprehensive income for the year	73,213	285,919	882
<b>Comprehensive income for the year attributable to:</b>			
Owners of the parent	¥ 66,388	¥ 280,321	\$ 800
Non-controlling interests	6,825	5,598	82
			U.S. Dollars
<b>Earnings per share (attributable to owners of the parent) (Note 30):</b>			
Basic	¥ 160.17	¥ 132.29	\$ 1.93
Diluted	160.09	132.25	1.93
			Millions of U.S. Dollars
<b>Total trading transactions*</b>	<b>¥ 8,349,371</b>	<b>¥ 7,757,382</b>	<b>\$100,595</b>

\* 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 International Financial Reporting Standards ("IFRSs").

See the accompanying notes to consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Sumitomo Corporation and Subsidiaries  
For the years ended March 31, 2011 and 2010

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
<b>Equity (Note 20):</b>			
<b>Common stock:</b>			
Balance, beginning of year	¥ 219,279	¥ 219,279	\$ 2,642
Balance, end of year	219,279	219,279	2,642
<b>Additional paid-in capital (Note 21):</b>			
Balance, beginning of year	289,117	291,786	3,483
Acquisition (disposal) of non-controlling interests	(519)	(2,889)	(6)
Grant of stock options and others (Note 24)	270	220	3
Balance, end of year	288,868	289,117	3,480
<b>Treasury stock:</b>			
Balance, beginning of year	(1,083)	(1,142)	(13)
Exercise of stock options and others (Note 24)	30	59	0
Balance, end of year	(1,053)	(1,083)	(13)
<b>Other components of equity (Note 22):</b>			
Balance, beginning of year	109,929	12,014	1,324
Cumulative effect of applying a new accounting policy (Note 2)	8,254	—	99
Other comprehensive income for the year	(133,834)	114,956	(1,612)
Transfer to retained earnings	10,832	(17,041)	131
Balance, end of year	(4,819)	109,929	(58)
<b>Retained earnings (Note 21):</b>			
Balance, beginning of year	916,013	763,608	11,037
Cumulative effect of applying a new accounting policy (Note 2)	1,542	—	19
Transfer from other components of equity	(10,832)	17,041	(131)
Profit for the year attributable to owners of the parent	200,222	165,365	2,412
Cash dividends (Note 23)	(38,752)	(30,001)	(467)
Balance, end of year	1,068,193	916,013	12,870
Equity attributable to owners of the parent	¥1,570,468	¥1,533,255	\$18,921
<b>Non-controlling interests:</b>			
Balance, beginning of year	103,967	101,909	1,253
Cash dividends to non-controlling interests	(3,505)	(8,282)	(42)
Acquisition (disposal) of non-controlling interests	4,335	4,742	52
Profit for the year attributable to non-controlling interests	9,570	4,001	115
Other comprehensive income for the year (Note 22)	(2,745)	1,597	(33)
Balance, end of year	111,622	103,967	1,345
Total equity	¥1,682,090	¥1,637,222	\$20,266
<b>Comprehensive income for the year attributable to:</b>			
Owners of the parent	66,388	280,321	800
Non-controlling interests	6,825	5,598	82
Total comprehensive income for the year	¥ 73,213	¥ 285,919	\$ 882

See the accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Sumitomo Corporation and Subsidiaries  
For the years ended March 31, 2011 and 2010

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
<b>Operating activities</b> (Note 31):			
Profit for the year	¥ 209,792	¥ 169,366	\$ 2,527
Adjustments to reconcile profit for the year to net cash from operating activities:			
Depreciation and amortization	160,553	165,133	1,934
Impairment losses on long-lived assets	19,889	9,966	240
Finance (income) costs, net	(1,398)	(22,196)	(17)
Share of profit of investments accounted for using the equity method	(95,580)	(74,403)	(1,151)
(Gain) loss on sale of property, plant and equipment, net	(2,248)	(9,395)	(27)
Income tax expense	70,671	52,602	852
(Increase) decrease in inventories	(72,141)	156,526	(869)
(Increase) decrease in trade and other receivables	(46,618)	129,808	(562)
(Increase) decrease in prepaid expenses	(10,747)	2,233	(130)
(Decrease) increase in trade and other payables	(2,670)	65,222	(32)
Other, net	23,736	(44,067)	286
Interest received	13,668	15,881	165
Dividends received	70,349	45,371	848
Interest paid	(31,448)	(39,658)	(379)
Income tax paid	(86,306)	(118,560)	(1,040)
Net cash from operating activities	219,502	503,829	2,645
<b>Investing activities</b> (Note 31):			
Proceeds from sale of property, plant and equipment	6,386	16,650	77
Proceeds from sale of investment property	2,975	12,700	36
Proceeds from sale of other investments	52,820	160,626	636
Collection of loan receivables	331,576	378,874	3,995
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(14,762)	(32,516)	(178)
Purchase of property, plant and equipment	(74,413)	(70,733)	(897)
Purchase of investment property	(8,556)	(25,278)	(103)
Acquisition of other investments	(315,854)	(86,733)	(3,805)
Increase in loan receivables	(449,550)	(405,156)	(5,416)
Net cash used in investing activities	(469,378)	(51,566)	(5,655)
<b>Financing activities</b> (Note 31):			
Net decrease in short-term debt	(110,961)	(338,208)	(1,337)
Proceeds from issuance of long-term debt	849,512	672,475	10,235
Repayment of long-term debt	(539,716)	(443,189)	(6,502)
Cash dividends paid	(38,752)	(30,001)	(467)
Capital contribution from non-controlling interests	250	754	3
Payment for acquisition of subsidiary's interests from non-controlling interests	(979)	(4,905)	(12)
Payment of dividends to non-controlling interests	(3,505)	(8,282)	(42)
Sales of treasury stock, net	30	54	0
Net cash from (used in) financing activities	155,879	(151,302)	1,878
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(93,997)</b>	<b>300,961</b>	<b>(1,132)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>814,288</b>	<b>511,758</b>	<b>9,811</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(15,978)</b>	<b>1,569</b>	<b>(193)</b>
<b>Cash and cash equivalents at the end of year</b>	<b>¥ 704,313</b>	<b>¥ 814,288</b>	<b>\$ 8,486</b>

See the accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2011, 2010 and as of the date of transition to IFRSs (April 1, 2009)

### 1 REPORTING ENTITY

Sumitomo Corporation (the “Company”) is a company incorporated in Japan. The consolidated financial statements of the Company which the reporting date is March 31, 2011 comprise the financial statements of the Company and its subsidiaries (together, the “Companies”), and the interests in associates and jointly controlled entities. The Company is an integrated trading company (*sogo shosha*). The Companies are engaged in a wide range of business activities on 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.

### 2 BASIS OF PREPARATION

#### (1) Statements of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The Companies have adopted IFRSs for the first time in preparing its consolidated financial statements since the beginning of fiscal year ended March 31, 2010 (April 1, 2009). The Companies have applied International Financial Reporting Standard No. 1 *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”). An explanation of how the transition has affected the consolidated statements of financial position, comprehensive income and cash flows of the Companies is provided in Note 36.

#### (2) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following significant items.

- Derivatives are measured at fair value.
- Financial instruments at fair value through profit or loss are measured at fair value.
- Financial instruments at fair value through other comprehensive income are measured at fair value.
- Defined benefit liabilities (assets) are the present value of the defined benefit obligation less the fair value of plan assets, with adjustments for unrecognized past service cost.
- Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell.

#### (3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is also the Company’s functional currency. All financial information presented in Japanese yen has been rounded to the

nearest million. The translation of Japanese yen amounts into United States dollars for the year ended March 31, 2011 is included solely for the convenience of readers and has been made at the rate of ¥83 = U.S. \$1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2011. 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 rate.

#### (4) Use of Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods in which the revision affects.

Judgments and estimates made by management in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements are as follows.

- Note 7 and 9—Revenue Recognition
- Note 8—Accounting for Arrangement contains a Lease
- Note 25 and 28—Financial Instruments

The following notes include information in respect of uncertainties of judgments and estimates which have a significant risk to cause material adjustments in the next fiscal year.

- Note 12, 13 and 14—Impairment of Non-financial Assets
- Note 15—Use of Tax Losses
- Note 19—Measurement of Defined Benefit Obligations
- Note 18 and 34—Provisions and Contingencies

## **(5) Changes in Accounting Policies**

The Companies have early-applied International Financial Reporting Standard No. 9 *Financial Instruments* (published in November 2009, revised in October 2010) ("IFRS 9") since the beginning of fiscal year ended March 31, 2011 (April 1, 2010).

In accordance with short-term exemptions to the early application of IFRS 9, the financial statements as of and for the year ended March 31, 2010 and as of the date of transition to IFRSs are not restated and are prepared in accordance with generally accepted accounting principles of the United States of America ("U.S. GAAP"). Any differences between the carrying amounts under U.S. GAAP and the carrying amounts under IFRS 9 at the beginning of fiscal year ended March 31, 2011 are accounted as adjustments to other components of equity and retained earnings as of the beginning of fiscal year ended March 31, 2011.

IFRS 9 replaces International Accounting Standard No. 39 *Financial Instruments: Recognition and measurement* ("IAS 39") that states that all financial instruments should be classified into either what are measured at amortized cost or what at fair value.

The classification of financial assets is determined based on the Companies' business model and the characteristics of the contractual cash flows. The financial assets are measured either at amortized cost or at fair value.

Financial assets that meet the following conditions are subsequently measured at amortized cost.

- The asset is held within the Companies' business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost is measured by the effective interest method and financial assets measured at amortized cost are assessed for impairment.

The Companies understand it is impracticable to retrospectively apply the effective interest method to the financial assets that are measured at amortized cost. Therefore, the Companies treat the fair value of the financial asset at the end of fiscal year ended March 31, 2010 as the its amortized costs in accordance with short-term exemptions to the early application of IFRS 9, and prospectively apply the effective interest method from the beginning of fiscal year ended March 31, 2011.

Financial assets that do not meet the conditions above are measured at fair value. Under IFRS 9, only equity instruments other than held for trading, if an irrevocable election to designate the assets is made at the initial application of IFRS 9 or the acquisition date, are permitted to be measured at fair value through other comprehensive income ("FVTOCI"). The Companies have decided to classify equity instruments into financial assets measured at FVTOCI that are held in order to maintain and reinforce the business relationships with investees for expanding the Companies' earning basis and of which changes of fair values are not assessed for business performance. On disposal of financial assets measured at FVTOCI, or on significant and other than temporary declining in fair value below the acquisition cost of them, the accumulated amount of other components of equity recognized in equity during the holding period are reclassified directly to retained earnings, and are not recycled to profit or loss. Financial assets measured at FVTOCI are not tested for impairment.

Financial liabilities other than held for trading are measured at amortized cost.

The financial instruments which are held in order to make profits from rise of fair value and counted for performance assessment are classified into financial assets or liabilities measured at fair value through profit or loss ("FVTPL").

The changes in the accounting policy have been applied for financial instruments that were held as of the beginning of fiscal year ended March 31, 2011 and acquired during the same year. Financial instruments disposed on or before the end of fiscal year ended March 31, 2010 are accounted in accordance with U.S. GAAP. The Companies have classified the financial instruments that were held as of the beginning of fiscal year ended March 31, 2011 into appropriate categories according to the status on the date in compliance with short-term exemptions to the early application of IFRS 9.

The table below shows each classification of financial instruments under U.S. GAAP and IFRS 9 as of the beginning of fiscal year ended March 31, 2011.

The measurement policy under U.S. GAAP shall be referred to "3. Significant Accounting Policies (3) Financial Instruments."

Millions of Yen				
	Original classification under U.S. GAAP		New classification under IFRS 9	
Cash and cash equivalents	Cash and cash equivalents	¥ 814,288	Amortized cost	¥ 814,288
Time deposits	Time deposits	5,084	Amortized cost	5,084
Trade and other receivables	Receivables-trade and other assets	2,121,098	Amortized cost	2,093,237
			FVTPL	42,804
	Total	2,121,098	Total	2,136,041
Marketable securities and other investments	Trading securities	5,008	FVTPL	5,008
	Available-for-sale securities	409,833	FVTPL	895
			FVTOCI	405,935
			Amortized cost	3,003
	Held-to-maturity securities	550	Amortized cost	550
	Non-marketable securities and other investments	111,899	FVTPL	28,604
			FVTOCI	81,468
			Amortized cost	8,077
	Total	527,290	Total	533,540
Other financial assets	Derivatives designated as hedges	38,837	Derivatives designated as hedges	38,837
	Derivatives not designated as hedges	86,726	Derivatives not designated as hedges	86,726
	Total*	125,563	Total	125,563
Bonds and borrowings	Bonds and borrowings	3,611,607	Amortized cost	3,631,447
Trade and other payables	Payable-trade and other liabilities	1,172,637	Amortized cost	1,095,364
			FVTPL	77,273
	Total	1,172,637	Total	1,172,637
Other financial liabilities	Derivatives designated as hedges	24,562	Derivatives designated as hedges	24,562
	Derivatives not designated as hedges	115,324	Derivatives not designated as hedges	115,324
	Total*	139,886	Total	139,886

Millions of U.S. Dollars			
	Original classification under U.S. GAAP		New classification under IFRS 9
Cash and cash equivalents	Cash and cash equivalents	\$ 9,811	Amortized cost \$ 9,811
Time deposits	Time deposits	61	Amortized cost 61
Trade and other receivables	Receivables-trade and other assets	25,555	Amortized cost 25,219
			FVTPL 516
	Total	25,555	Total 25,735
Marketable securities and other investments	Trading securities	60	FVTPL 60
	Available-for-sale securities	4,938	FVTPL 11
			FVTOCI 4,891
			Amortized cost 36
	Held-to-maturity securities	7	Amortized cost 7
	Non-marketable securities and other investments	1,348	FVTPL 345
			FVTOCI 981
			Amortized cost 97
	Total	6,353	Total 6,428
Other financial assets	Derivatives designated as hedges	468	Derivatives designated as hedges 468
	Derivatives not designated as hedges	1,045	Derivatives not designated as hedges 1,045
	Total*	1,513	Total 1,513
Bonds and borrowings	Bonds and borrowings	43,513	Amortized cost 43,752
Trade and other payables	Payable-trade and other liabilities	14,128	Amortized cost 13,197
			FVTPL 931
	Total	14,128	Total 14,128
Other financial liabilities	Derivatives designated as hedges	296	Derivatives designated as hedges 296
	Derivatives not designated as hedges	1,389	Derivatives not designated as hedges 1,389
	Total*	1,685	Total 1,685

\* The differences between each totals stated above and the amounts of accounts stated in the consolidated statement of financial position resulted from offsetting derivative assets and derivative liabilities with deposits.

The cumulative effects due to application of IFRS 9 on other components of equity and retained earnings as of the beginning of fiscal year ended March 31, 2011 were increase for ¥8,254 million (\$99 million) and increase for ¥1,542 million (\$19 million),

respectively. These effects on profit for the year (attributable to owners of the parent), and basic and diluted earnings per share (attributable to owners of the parent) are immaterial.



### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below, except for described in “2. Basis of preparation (5) Changes in accounting policies,” have been applied consistently to all periods for which the consolidated financial statements (including the consolidated statement of financial position at the date of transition to IFRSs) are prepared.

#### (1) Basis of Consolidation

##### 1. Business combinations

###### Acquisitions on or before March 31, 2009

The Companies have elected not to apply International Financial Reporting Standard No. 3 *Business Combinations* (as revised in 2008) (“IFRS 3”) retrospectively to business combinations which occurred on or before the date of transition to IFRSs (April 1, 2009). Goodwill relating to acquisitions on or before the transition date is reported in accordance with U.S. GAAP.

###### Acquisition on or after April 1, 2009

The Companies have applied IFRS 3 and International Accounting Standard IAS 27 *Consolidated and Separate Financial Statements* (as revised in 2008) to all business combinations which occurred on or after April 1, 2009.

The Companies have applied the acquisition method to business combinations disclosed in Note 5.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing the existence of control, potential voting rights that are currently exercisable are considered. The acquisition date is the date when the control is transferred to the acquirer. Judgments may be required in deciding the acquisition date and as to whether the control is transferred from one party to another.

Goodwill is measured at the fair value of the considerations transferred, including the recognized amount of any non-controlling interests in the acquiree at the date of acquisition, less the net recognized amount of the identifiable assets acquired and the liabilities assumed at the acquisition date (ordinarily measured at fair value).

The considerations transferred include the fair value of the assets transferred from the Companies to the former owners of the acquiree, assumed liabilities, and equity interest issued by the Companies. The considerations transferred also include the fair value of contingent considerations.

The contingent liabilities of the acquiree are recognized in the business combinations if, and only if, they are present obligations that arose from past events and their fair value can be measured with sufficient reliability.

The Companies elect to measure non-controlling interests in the acquiree at either fair value or the non-controlling interests’ proportionate share of the acquiree’s identifiable net assets for each business combination.

Acquisition-related costs incurred by the Companies in connection with business combinations such as finder’s fees and legal, due diligence and other professional or consulting fees are recog-

nized as expenses when incurred.

Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized.

The identifiable assets acquired, the liabilities and contingent liabilities assumed in accordance with the recognition principles of IFRS 3 are measured at their fair values at the acquisition date, except:

- Deferred tax assets or liabilities and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standard No. 12 *Income Taxes* and International Accounting Standard No. 19 *Employee Benefits* (“IAS 19”), respectively; and
- Non-current assets and operations classified as held for sale are measured in accordance with International Financial Reporting Standard No. 5 *Non-current Assets Held for Sale and Discontinued Operations*.

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the business combinations occur, the Companies report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the amounts recognized at that date. Additional assets or liabilities are recognized if new information, if known, would have resulted in the additional recognition of assets or liabilities. The measurement period does not exceed one year.

##### 2. Subsidiaries

Subsidiaries are entities which are controlled by the Companies. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost. The accounting policies of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company, when necessary.

The consolidated financial statements include the financial statements of certain subsidiaries, of which the end of the reporting period is different from that of the Company because it is impracticable to unify the end of the reporting period of the subsidiaries with that of the Company. The difference between the end of the reporting period of subsidiaries and that of the Company does not exceed three months.

One of major subsidiaries of which fiscal year end is different is Minera San Cristobal S.A. (“MSC”), which runs silver, zinc, and lead mining project in Bolivia. It is not allowed for MSC to change the fiscal year end by local laws and regulations. Furthermore, it is impracticable to prepare additional financial statements at the end of the Company’s reporting period because the mining site that manages cost accounting and inventory control is located far from

MSC's head office and appropriate cost accounting based on the information from the mining site cannot be completed in a timely manner. The end of the reporting period of MSC included in the consolidated financial statements is the end of December.

For some other subsidiaries, due to the requirement of local laws and regulations, it is impracticable to unify the closing dates with that of the Company, and it is also impracticable to prepare additional financial statements as of the same date as the financial statements of the Company due to the characteristics of the local business and the environment surrounding the accounting system. The end of the reporting period of these subsidiaries is mainly the end of December or February.

When the financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared as of the dates different from the end of the reporting period of the Company, adjustments are made for the effects of significant transactions or events that occur between the end of the reporting period and that of the Company.

On the disposal of interests in subsidiaries, if the Companies retain control over the subsidiaries, they are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration received is recognized directly in equity as "Equity attributable to owners of the parent."

### **3. Special purpose entity ("SPE")**

The Company holds special purpose entities for investment purposes. A SPE is consolidated if the Companies conclude that the substance of the relationship between the Companies and the SPE and the assessment of the risks and benefits indicate that the SPE is controlled by the Companies. A SPE controlled by the Companies is established under the terms that impose strict limitations on the decision-making powers of the SPE's management. As a result of that, the Companies receive the majority of the benefits related to the SPE's operations and net assets, assume the majority of risks related to the SPE's activities, and retain the majority of the residual or ownership risks related to the SPE or its assets.

### **4. Business combinations of entities under common control**

Business combinations of entities under common control are business combinations in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combinations, and that control is not transitory. The Companies have consistently accounted for all such transactions based on carrying amounts.

### **5. Associates and jointly controlled entities**

Associates are entities over which the Companies have significant influence but do not have control to govern the financial and operating policies. Significant influence is presumed to exist when the Companies hold 20% to 50% of the voting power of another entity.

A joint venture is a contractual arrangement whereby the Companies and other parties undertake an economic activity that is

subject to joint control and its strategic financial and operating policy decisions require the unanimous consent of the venturers.

A jointly controlled entity is an entity established under the joint venture arrangement in which each venturer has an interest.

Investments in associates and jointly controlled entities ("equity-accounted investees") are accounted for using the equity method, and recognized at cost on acquisition. The investments include goodwill identified on acquisition (net of accumulated impairment losses).

The Companies' share of the income and expenses of the equity-accounted investees and changes in the Companies' share in equity are included in the consolidated financial statements from the date when significant influence or joint control is obtained until the date when it is lost. The accounting policies of equity-accounted investees have been adjusted when necessary to ensure consistency with those applied by the Company.

The consolidated financial statements include some equity-accounted investees, of which the end of the reporting period is different from that of the Company because it is impracticable to unify the end of the reporting date of those equity-accounted investees with that of the Company in connection with other share holders and for other reasons. The end of the reporting period of those equity-accounted investees is mainly the end of December. Adjustments are made for the effects of significant transactions or events that occur due to the difference of the end of the reporting period.

### **6. Transactions eliminated in consolidation**

All inter-company transactions, balances, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains on transactions with equity-accounted investees are eliminated to the extent of the Companies' interest in the investees. Unrealized losses are eliminated in the same way as unrealized gains unless there is an evidence of impairment.

## **(2) Foreign Currencies**

### **1. Foreign currency transactions**

Foreign currency transactions are translated into functional currencies of individual companies using the spot exchange rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into functional currencies using the spot exchange rate at the reporting date. Exchange differences on monetary items are the differences between the amortized costs denominated in functional currencies at beginning of the reporting period adjusted by effective interests and interest payments during the year, and the amortized costs denominated in foreign currencies translated using the spot exchange rate at the reporting date. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are retranslated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising from retranslation are recognized in profit or loss. However, exchange differences arising from FVTOCI

financial assets, hedges of a net investment in foreign operations (See 3. below) and cash-flow hedges are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the spot exchange rate at the date of the transaction.

## **2. Foreign operations**

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rates for the period.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income. The Companies elected to deem all of cumulative exchange differences on translating foreign operations to be zero at the date of transition to IFRSs.

These differences are presented as "Exchange differences on translating foreign operations" in other components of equity after the date of transition to IFRSs. On disposal of the entire interest in foreign operations, and on the partial disposal of the interest involving loss of control, significant influence or joint control, the cumulative amount of the exchange differences is reclassified to profit or loss as a part of gains or losses on disposal.

## **3. Hedges of a net investment in foreign operations**

The Companies apply hedge accounting to a part of the exchange differences arising between the functional currencies of foreign operations and the Company's functional currency (Japanese Yen), regardless of whether investments in foreign operations are held directly by the Company or indirectly by its subsidiaries.

Exchange differences arising from the retranslation of financial instruments designated as hedging instruments for a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented as "Exchange differences on translating foreign operations" in other components of equity. The ineffective portion of the gains or losses on the hedging instruments is recognized in profit or loss. On disposal of hedged portion of net investments, cumulative amount of exchange differences is reclassified to profit or loss as a part of gains or losses on disposal.

## **(3) Financial Instruments**

The Companies applied U.S. GAAP to the accounting for financial instruments for the year ended March 31, 2010, the date of transition to IFRSs, and IFRS 9 for the year ended March 31, 2011.

### **1. Non-derivative financial assets for the year ended March 31, 2010**

The Companies account for non-derivative financial assets for the year ended March 31, 2010 in accordance with U.S. GAAP in accordance with short-term exemptions to the early application of IFRS 9.

### **Marketable equity securities and all debt securities**

Marketable equity securities and all debt securities are recognized at contract dates, and are classified as either trading securities, available-for-sale securities or held-to-maturity securities. Trading securities are accounted for at fair value with unrealized gains and losses included in profit or loss. Available-for-sale securities are accounted for at fair value with unrealized gains and losses (net of related taxes) excluded from profit or loss and recognized in other comprehensive income, which are presented as "Available-for-sale securities" in other components of equity, and on derecognition, other components of equity are reclassified into profit or loss. Held-to-maturity securities are accounted for at amortized cost.

### **Other investments**

Non-marketable equity securities are carried at cost.

### **Trade and other receivables**

Financial assets measured at amortized cost are initially measured at cost.

The carrying amounts of financial assets that are subsequently measured at amortized cost are determined based on the effective interest method and reduced by the impairment loss when necessary.

### **Derecognition of financial assets**

The Companies derecognize the component of transferred assets when all of the following conditions are met under financial-components approach.

- The transferred asset has been legally isolated from the transferor;
- The transferee has the right to pledge or exchange the transferred asset;
- The transferor does not maintain effective control over the transferred asset.

### **2. Non-derivative financial assets for the year ended March 31, 2011**

The Companies recognize trade and other receivables when they arise.

All other financial assets are recognized at contract dates when the Companies become a party to the contractual provisions of the instrument.

The following is a summary of the classification and measurement model of the non-derivative financial assets which the Companies held on or acquired after the date of initial application of IFRS 9.

### **Financial assets measured at amortized cost**

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The asset is held within a business model whose objective is to

hold assets in order to collect contractual cash flows; and

- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (plus directly attributable transaction costs). Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss when necessary.

#### **Financial assets measured at FVTPL**

Financial assets other than equity instruments that do not meet the above conditions about amortized cost are measured at FVTPL. Those financial assets include financial assets held for trading.

Equity investments are measured at fair value with gains or losses on re-measurement recognized in profit or loss unless the Companies make an irrevocable election to measure equity investments as at FVTOCI on initial recognition.

Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized in profit or loss when they occur.

#### **Financial assets measured at FVTOCI**

On initial recognition, the Companies may make an irrevocable election to measure investments in equity instruments as at FVTOCI. The election is made only for the equity investment other than held for trading.

Financial assets measured at FVTOCI are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in other comprehensive income and presented as "Financial assets measured at fair value through other comprehensive income" in other components of equity. The amount of other components of equity is transferred directly to retained earnings, not to profit or loss, when the equity investment is derecognized or the decline in its fair value compared to its acquisition cost is significant and other-than-temporary.

However, dividends on financial assets measured at FVTOCI are recognized in profit or loss as finance income.

#### **Derecognition of financial assets**

The Companies derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or when the Companies transfer the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Any interests in transferred financial assets that qualify for derecognition that is created or retained by the Companies is recognized as a separate asset or liability.

### **3. Cash and cash equivalents**

Cash and cash equivalents are cash and highly liquid investments that are readily convertible to known amounts of cash, including short-term time deposits with original maturities of three months or less.

#### **4. Non-derivative financial liabilities for the year ended March 31, 2010**

The Companies account for non-derivative financial liabilities for the year ended March 31, 2010 in accordance with U.S. GAAP in accordance with short-term exemptions to the early application of IFRS 9.

Debt securities issued are initially recognized on the issue date. All other financial liabilities are recognized when the Companies become a party to the contractual provisions of the instruments.

The Companies derecognize financial liabilities when they are distinguished due to discharge from obligation by payment or for other reasons.

The Companies have borrowings, corporate bonds, trade payables and other payables as non-derivative financial liabilities and initially measure them at cost. After initial recognition, the Companies measure the financial liabilities at amortized cost using the effective interest method.

#### **5. Non-derivative financial liabilities for the year ended March 31, 2011**

Debt securities issued are initially recognized on the issue date. All other financial liabilities are recognized when the Companies become a party to the contractual provisions of the instruments.

The Companies derecognize financial liabilities when they are distinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

The Companies have borrowings, corporate bonds, trade payables and other payables as non-derivative financial liabilities, and initially measure them at fair value (minus directly attributable transaction costs).

Non-derivative financial liabilities held for trading are measured at fair value after initial recognition and the change in fair value is recognized in profit or loss. Non-derivative financial liabilities held for other than trading are measured at amortized cost using the effective interest method after initial recognition.

### **6. Equity**

#### **Common stock**

Proceeds of issues of equity instruments by the Company are included in "Common stock" and "Additional paid-in capital." The direct issue costs (net of tax) are deducted from "Additional paid-in capital."

#### **Treasury stock**

When the Companies reacquire treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as deduction from equity. When the Companies sell treasury stocks, the consideration received is recognized as addition to equity.

## **7. Derivatives including hedge accounting for the year ended March 31, 2010**

The Companies account for derivatives, including hedge accounting, in accordance with U.S. GAAP.

The Companies record all derivative instruments in the accompanying consolidated statement of financial position 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 commitment. The primary derivative instruments used by the Companies include foreign exchange forward contracts, currency swaps, interest rate swaps, commodity swap and commodity future contracts.

On the date when 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 variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedges), or a hedge of a net investment in foreign operations. 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 statement of financial position. 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 gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recognized in profit or loss. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedges are recorded in other components of equity on the accompanying consolidated statement of financial position to the extent that the derivative is effective as a hedge, until profit or loss is affected by the variability in cash flows of the designated hedged item.

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 statement of financial position 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 statement of financial position and recognize any subsequent changes in its fair value in profit or loss.

## **8. Derivatives including hedge accounting for the year ended March 31, 2011**

The Companies utilize derivatives to manage interest rate risk, foreign currency risk and the risk of the price fluctuation of commodity inventories and trading commitment. The primary derivatives used by the Companies include foreign exchange forward contracts, currency swaps, interest rate swaps and commodity future contracts.

At the initial designation of the hedging relationship, the Companies document the relationship between the hedging instrument and the hedged item, along with their risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed.

At the inception of the hedge and on an ongoing basis, the Companies assess whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated.

To qualify as a cash flow hedge of a forecast transaction, the transaction must be highly probable.

Derivatives are initially recognized at fair value with transaction costs recognized in profit or loss when they occur. Subsequently derivatives are measured at fair value, and gains and losses arising from changes in the fair values are accounted for as follows:

### **Fair value hedges**

The changes in the fair value of the hedging instrument are recognized in profit or loss. The carrying amounts of the hedged items are measured at fair value and the gains or losses on the hedged items attributable to the hedged risks are recognized in profit or loss.

### **Cash flow hedges**

When derivatives are designated as hedging instrument to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or a highly probable forecast transactions which could affect profit or loss, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income and included in cash flow hedges in the other components of equity. The balances of cash flow hedges are reclassified to profit or loss from other comprehensive income in the periods when the cash flows of hedged items affect profit or loss, in the same line items of the consolidated statement of comprehensive income as those of hedged items. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting, or when the hedging instrument expires or is sold, terminated or exercised, or when the designation is revoked.

When hedge accounting is discontinued, the balances of cash flow hedges remain in equity until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

## 9. Derivatives held for trading and others

The Companies hold some derivatives for hedging purposes which do not qualify for hedge accounting. The Companies also hold derivatives for trading purposes as opposed to hedging purposes. Any changes in fair value of these derivatives are recognized immediately in profit or loss.

## 10. Presentation for financial instruments

Financial assets and liabilities are offset and the net amounts are presented in the consolidated statement of financial position when, and only when, the Companies currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## (4) Inventories

Inventories mainly consist of commodities, materials/work in progress, and real estate held for development and resale.

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated costs of completion and the estimated costs necessary to make the sale.

Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, and changes in fair value are recognized in profit or loss.

The cost of inventories other than acquired with the purpose of generating profits from short-term fluctuations in price is determined based on either specific identification basis when inventories are not ordinarily interchangeable, or mainly moving average basis when inventories are ordinarily interchangeable.

## (5) Property, Plant and Equipment

### 1. Recognition and measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses. The Companies elected to measure certain items of property, plant and equipment at fair value at the date of transition to IFRSs as their deemed cost.

The cost of items of property, plant and equipment comprises costs directly attributable to the acquiring of the items, costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs required to be capitalized.

When the useful life of each part of an item of property, plant

and equipment varies, it is treated as a separate item of property, plant and equipment.

## 2. Depreciation

Depreciation is calculated based on the depreciable amount. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation of property, plant and equipment is mainly computed under the straight-line method based on the estimated useful life of each item. The straight-line method is used because it is considered to the most closely approximate pattern in which the asset's future economic benefits are expected to be consumed by the Companies. Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Companies will obtain ownership by the end of the lease term.

Depreciation of mining rights is computed under the units-of-production method over the estimated proven and probable reserve tons, and recognized as an expense. Land and land improvements are not depreciated.

The estimated useful lives for the years ended March 31, 2011 and 2010 are as follows:

- Buildings and leasehold improvements 3–50 years
- Machinery and equipment 2–20 years

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and changed when necessary.

## (6) Intangible Assets

### 1. Goodwill

#### Initial recognition

Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Measurement of goodwill on initial recognition is described in Note 3-(1)-1.

#### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. The carrying amount of investments in equity-accounted investees includes the carrying amount of goodwill. The impairment loss of those investments is not allocated to any asset (including goodwill) which constitutes part of the carrying amount of investments in equity-accounted investees.

### 2. Capitalized software costs

The Companies incur certain costs to purchase or develop software for sale or internal-use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses when they are incurred. Expenditures arising from development activities are capitalized as internally generated intangible assets, if, and only if, they are reliably measurable, products or processes



are technically and commercially feasible, it is highly probable to generate future economic benefits, and the Companies have an intention and adequate resources to complete those assets and use or sell them. Capitalized software costs are measured at cost less any accumulated amortization and accumulated impairment losses.

### **3. Intangible assets acquired in business combinations**

Intangible assets that are acquired in business combinations, such as sales licenses, trademarks and customer relationships, are recognized separately from goodwill, and are initially recognized at fair value at acquisition date.

Subsequently the intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

### **4. Other intangible assets**

Other intangible assets with finite useful lives are measured at cost less any accumulated amortization and accumulated impairment losses.

Certain trademarks are not amortized because they are determined to have indefinite useful lives and are expected to exist fundamentally as long as the business continues.

### **5. Amortization**

Amortization is calculated based on the cost of an asset less its residual value. Amortization of intangible assets other than goodwill is computed under the straight-line method over their estimated useful lives from the date the assets are available for use. The straight-line method is used because it is considered to the most closely approximate pattern in which the intangible assets' future economic benefits are expected to be consumed by the Companies. Estimated useful lives for the years ended March 31, 2011 and 2010 are mainly as follows:

- Software 3–5 years
- Sales licenses, trademarks and customer relationships 3–30 years
- Others 3–20 years

The amortization methods, useful lives and residual values are reviewed at the end of each reporting period, and changed when necessary.

### **(7) Investment Property**

Investment property is a property held to earn rental income or for capital appreciation or for both. Property held for sale in the ordinary course of business, or use in the production or supply of goods or service or for other administrative purpose is not included as investment property. Investment property is measured at cost less any accumulated depreciation (see (5) 2) and accumulated impairment losses (see (5) 2).

### **(8) Leased Assets**

Leases are classified as finance leases when lessor transfer substantially all the risks and rewards to the Companies. Leased assets are initially recognized at fair value or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the leased assets are accounted for in accordance with applicable accounting policies to the assets.

All other leases are classified as operating leases, and are not reported in the Companies' consolidated statement of financial position.

### **(9) Impairment**

#### **1. Non-derivative financial assets for the year ended March 31, 2010**

Non-derivative financial assets for the year ended March 31, 2010 are accounted for in accordance with U.S. GAAP.

#### **Marketable equity securities and debt securities**

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 recognized in profit or loss as "Loss on revaluation of securities and investments." Impairment loss 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 at least on a quarterly basis, 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 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 and the amount of the write-down is recognized in profit or loss as "Loss on revaluation of securities and investments." Fair value is determined based on analysis of discounted future cash flows, valuation models based on revenues, profitability and net worth, market value of comparable companies, and other valuation approaches.

#### **Trade and other receivables**

Trade and other receivables are measured at cost less any 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. In accordance with U.S. GAAP, a loan is considered 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 carrying amount 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.

#### **2. Non-derivative financial assets for the year ended March 31, 2011**

Financial assets measured at amortized cost are assessed on a quarterly basis whether there is objective evidence that the asset may be impaired. Financial assets are considered to be impaired when there is objective evidence which indicates that loss events have occurred after the initial recognition of the assets, and when it is reasonably anticipated that the loss events have a negative impact on the estimated future cash flows of the assets.

Objective evidence of impairment for financial assets measured at amortized cost includes: a default or delinquency of the borrower, granting the borrower a concession that the Companies would not

otherwise consider, indications for bankruptcy of the issuer or obligor, the disappearance of active markets.

The Companies assess whether evidence of impairment exists individually and collectively for financial assets measured at amortized cost. An individually significant financial asset is individually assessed for impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet reported. Financial assets that are not individually significant are collectively assessed for impairment in a group of financial assets with similar risk characteristics.

In assessing collective impairment, the Companies evaluate historical trends of the probability of default, timing of recoveries and the amount of loss incurred. In addition, the adjustment is made to reflect management judgment on whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

The impairment loss for financial assets measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognized in profit or loss. Interest on the impaired assets continues to be recognized through unwinding of the discount. If there are events which decrease the amount of impairment after the recognition of the impairment, the reversal of the impairment loss is recognized in profit or loss.

#### **3. Non-financial assets**

At the end of each reporting period, the carrying amounts of non-financial assets, excluding inventories and deferred tax assets, are assessed whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial asset is estimated. Regarding goodwill and intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated at the same time every year.

Recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. A CGU is the smallest group of assets which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

A CGU of goodwill is determined based on the unit by which the goodwill is monitored for internal management purposes, and does not exceed an operating segment before aggregation.

Because the corporate assets do not generate independent cash inflows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds the recoverable amount of it, an impairment loss is recognized in profit or loss. The impairment loss recognized related to a CGU is allocated

first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in subsequent periods. Assets other than goodwill are reviewed at the end of each reporting period to determine whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized in prior years for an asset is reversed to profit or loss if the event occurs to change in the estimates used to determine the asset's recoverable amount. A reversal of impairment loss does not exceed the carrying amount, net of depreciation and amortization, that would have been determined if no impairment loss had been recognized for the asset for prior years.

Goodwill that forms part of the carrying amount of investments in equity-accounted investees is not separately recognized, and it is not tested for impairment separately. The entire carrying amount of the investments is tested for impairment as a single asset, whenever there is any objective evidence that the investments are impaired.

## **(10) Employee Benefits**

### **1. Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans (see 2). The Companies' net defined benefit obligations are calculated separately for each plan by estimating the future amount of benefit that employees have earned in exchange for their service for the previous years. The benefits are discounted to determine the present value, and any past service cost not yet recognized and fair value of plan assets are deducted.

The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturity terms approximating those of the Companies' obligations. These calculations are performed by qualified actuaries using the projected unit credit method annually.

When plan amendments are made, the change in defined benefit obligations related to employee service in prior years are recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. When the benefits vest immediately, such cost is recognized in profit or loss immediately.

The Companies recognize all of the actuarial gains and losses arising from defined benefit plans in other comprehensive income and reclassify them from other components of equity to retained earnings when they arise.

### **2. Defined contribution plans**

The employees of the certain subsidiaries are provided with defined contribution plans. Defined contribution plans are post-employment benefit plans in which the Companies pay fixed contributions into separate entities and will have no legal or constructive obligation to pay further contributions. The contribution payable to defined contribution plans is recognized as an expense during the period when the service is rendered. Certain subsidiaries participate in multi-employer plans in addition to lump-sum

benefit plans or pension benefit plans, and recognize the contribution during a period as an expense in profit or loss and contribution payable as a liability.

### **3. Short-term employee benefits**

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the service is rendered.

Bonus accrual is recognized as a liability, when the Companies have present legal or constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligation can be made.

### **4. Share-based payments**

The Companies have stock option plans as incentive plans for directors, executive officers, and corporate officers under the Companies' grade system. The fair value of stock options at the grant date is recognized as an employee expense over the vesting period from the grant date as a corresponding increase in equity. The fair value of the stock options is measured using the Black-Scholes or other model, taking into account the terms of the options granted. The Companies review the assumptions made regularly and revise its estimates of the number of options that are expected to vest, when necessary.

## **(11) Provisions**

Provisions are recognized when the Companies have present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. Provisions are discounted to their present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

### **Asset retirement obligations**

The Companies account for asset retirement obligations mainly related to the dismantlement of crude oil and coal mining and drilling facilities in accordance with the Companies' published environmental policies and the requirements of laws and regulations applicable to the Companies.

## **(12) Revenue**

Revenue is measured at the fair value of the consideration for goods sold and services provided in the ordinary course of business, less sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Companies have transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Companies retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Companies; and
- the costs incurred in respect of the transaction can be measured reliably.

The outcome of a transaction involving rendering services can be estimated reliably, and revenue is recognized by reference to the stage of completion of the transaction at the end of the reporting period, when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The policies about revenue recognition, multiple-element transaction, and gross versus net in presentation of revenue are as follows.

## 1. Revenue from sales of tangible products

The Companies generate revenue from sales of tangible products (a) in connection with the Companies' wholesale, retail, manufacturing and processing operations, (b) in connection with the Companies' real estate operations, and (c) under long-term construction contracts.

### (a) Wholesale, retail, manufacturing and processing operations

The Companies recognize revenue from sales of tangible products in connection with the Companies' wholesale, retail, manufacturing and processing operations when there is persuasive evidence which is the execution of transaction based on sales contract, that is, when the Companies have transferred to the buyer the significant risks and rewards of ownership of the goods, and it is probable that the economic benefits associated with the transaction will flow to the Companies, and the costs incurred in respect of the transaction and the possibility of product returns can be estimated reasonably, and the Companies do not retain continuing managerial involvement over the goods sold, and the amount of revenue can be measured reliably. 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. Such losses are recognized when probable and estimable. The amounts of rebate and discount are deducted from revenue, and they 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 business unit segment), dealership operations in which the Companies sell automobiles to general consumers and distribute construction equipment and machinery to construction companies (Transportation & Construction Systems business unit segment), retail business operations such as supermarkets and drugstores (Media, Network & Lifestyle Retail business unit segment), and plastic products (Mineral Resources, Energy, Chemical & Electronics business unit segment).

### (b) Real estate operations

Revenue from sale of land, office buildings, and condominiums is recognized when all the following conditions are satisfied:

- Transfer to the buyer the significant risks and rewards of ownership of the asset sold;
- Retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the asset sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Companies;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- There are no significant clauses in sales agreements that oblige the Companies to complete the asset sold.

For sale transactions with some degree of continuing managerial involvement (for example, guarantee to the buyer), revenue recognized at the date of sale is reduced by the estimated exposure to loss measured at the fair value related to the continuing involvement.

In circumstances where the terms of the transaction provide for the Companies to receive additional consideration which is contingent upon fulfillment of certain conditions without risk of loss, and the transaction otherwise qualifies for profit recognition, the contingent future profits are recognized when the contingency is resolved.

In those cases where the Companies transfer to the buyer control and significant risks and rewards of ownership of the work in progress in its current state as construction progresses, and if all the criteria described above are met, revenue is recognized using the percentage of completion ("POC") method in accordance with IFRIC Interpretation 15 *Agreements for the Construction of Real Estate*.

### (c) Long-term construction contracts

The Companies generate revenue from sales of tangible products

under long-term construction contracts, principally in connection with the construction of power plants in which the Companies provide engineering, procurement and construction service (Infrastructure business unit segment).

Revenue from fixed price long-term construction contracts is recognized when the outcome of a contract can be estimated reliably. Revenue and costs are recognized generally by the POC method. Under the POC method, revenue is recognized by reference to the stage of completion measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. If circumstances arise that may change the original estimates of revenues, costs, or extent of progress toward completion, then, revisions to the estimates are made.

These revisions may result in increases or decreases in estimated revenues or estimated costs, and such revisions are reflected in profit or loss in which the circumstances that give rise to the revision become known by management. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent that it is probable that contract costs incurred will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

The Companies review the cost performance and estimate to complete projections on its contracts at least on a quarterly basis. The impact of revisions of profit estimates on fixed price contracts are recognized in the period in which the revisions are made. The expected losses on fixed price contracts are recognized as an expense when such losses can be estimated. Provisions are recognized for contingent liabilities in the period in which they become known pursuant to specific contract terms and conditions are estimable.

When costs incurred until the end of reporting period plus recognized profits (less recognized losses) exceed progress billings, the surplus is presented as receivables due from customers. For contracts where progress billings exceed contract costs incurred until the end of reporting period plus recognized profits (less recognized losses), the surplus is presented as payables due to customers. Amounts received before the related work is performed are recognized as liabilities and are included in "Advances from customers" in the consolidated statement of financial position. Amounts billed for work performed but not yet paid by the customer are reported in the consolidated statement of financial position and recognized as "Trade and other receivables."

## **2. Revenue from sales of services and others**

The Companies also generate revenue from sales of services and others in connection with (a) customized software development and other software related services, (b) loans, finance leases and operating leases of commercial real estate, automobiles, vessels, and aircrafts, and (c) other services arrangements to suppliers and customers such as arranging finance and coordinating logistics in connection with trading activities.

### **(a) Customized software development and other software related services**

Revenue from the customized software services contracts that require the Companies to develop, manufacture or modify information technology systems to a customer's specification, and to provide related services, is recognized by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is estimated by the proportion that contracts cost incurred for work performed to date bear to the contract cost. Revenue from maintenance is recognized over the contractual period or as the services are rendered (Media, Network & Lifestyle Retail business unit segment).

### **(b) Loans, finance leases and operating leases of commercial real estate, automobiles, vessels, and aircrafts**

Revenue from loans is recognized using the effective interest method over the terms of loans, which is the rate that accurately discounts the estimated future cash receipts through the expected residual period of the financial asset to that asset's net carrying amount.

Revenue from finance leases is calculated using the interest rate implicit in the lease, which is the discount rate that results in the present value of the minimum lease payments and any unguaranteed residual value equaling the fair value of the leased asset plus initial direct costs of the lessor.

Revenue from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

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 Business Unit segment and New Industry Development & Cross-function Business Unit segment), and rental of commercial real estate (General Products & Real Estate Business Unit segment).

### **(c) Other service arrangements to suppliers and customers such as arranging finance and coordinating logistics in connection with trading activities**

Revenue from other service arrangements includes transactions in which the Companies act between customer and supplier as an agent or broker to provide such services as arranging finance or coordinating logistics in connection with trading activities. Such revenue is recognized when the contracted services are rendered.

## **3. Multiple-element arrangements**

The Companies enter into multiple-element transactions related revenue arrangements, which may include any combination of products, equipment, software, installation services and/or financing.

A multiple-element arrangement is separated into more than one unit of accounting if all of the following criteria are met.

- The delivered element(s) has (have) standalone value to the customer.
- There is objective and reliable evidence of the fair value of the

undelivered element(s).

- If the arrangement includes a general right of return relative to the delivered element(s), the delivery or performance of the undelivered element(s) is considered probable and substantially in the control of the Companies.

If these criteria are not met, revenue is deferred until the earlier of when such criteria are met or when all of the undelivered elements are delivered. If there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative fair value. There may be cases, however, in which there is objective and reliable evidence of fair value of the undelivered element(s) but no such evidence for the delivered element(s). In those cases, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered element(s) equals the total arrangement consideration less the aggregate fair value of the undelivered element(s).

#### 4. Gross versus net

In the ordinary 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 tangible products 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 "Profit for the year attributable to owners of the parent" 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 with respect to exposure to the significant risks and rewards associated with the sale of tangible products or the rendering of services.

Factors that indicate that the Companies act as a principal, and thus recognize revenue on a gross basis include:

- the Companies have the primary responsibility for providing the goods or services to the customer or for fulfilling the orders;
- the Companies have inventory risk before or after the customer order, during shipping or return;
- the Companies have latitude in establishing prices, either directly or indirectly;
- the Companies bear the customer's credit risk for the amount receivable from the customer.

Factors that indicate that the Companies act as an agent, and thus recognize revenue on a net basis include:

- the consideration of services rendered (commission or fee) is fixed;
- the consideration is determined by multiplying the amount of goods and services provided to customers by a stated percentage.

#### (13) 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 IFRSs. 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.

#### (14) Lease Payments

Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives are deemed as inseparable part of the total lease payments and are recognized over the lease term.

Minimum lease payments made under finance leases are allocated to the finance costs and the reduction of the outstanding liabilities. Finance costs are allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of liabilities.

Contingent fee is accounted for as adjustments of minimum lease payments over the remaining lease term, when an adjustment to the lease payments becomes certain.

The Companies assess whether an arrangement is, or contains, a lease at the inception of the arrangement. If fulfillment of the arrangement is dependent on the use of a specific asset, it contains a lease. Arrangements convey the right to use the assets when the arrangements convey to the Companies the right to control the use of the underlying assets. Payments and other consideration required by the arrangements are allocated at the inception of the arrangements or upon a reassessment of the arrangements into lease payments and payments of other elements on the basis of their relative fair values. If the Companies conclude that it is impracticable to separate the payments for finance leases reliably, assets and liabilities are recognized at the amount equal to the fair value of the



underlying assets. Subsequently the liabilities are reduced as payments are made and finance costs incurred on liabilities are recognized using the Companies' incremental borrowing rate.

### **(15) Finance Income and Costs**

Finance income mainly comprises interest income, dividend income, gain on sale of securities, changes in fair value of financial assets measured at FVTPL, gains on hedging instrument recognized in profit or loss. Interest income is recognized when incurred using the effective interest method. Dividend income is recognized on the date when the right to receive payment is established. Interest income from a financial asset (excluding financial assets measured at FVTPL) is accrued using the effective interest method.

Finance costs mainly comprise interest expense, loss on sale of securities, changes in fair value of financial assets measured at FVTPL, impairment loss on financial assets, losses on hedging instrument recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

### **(16) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of certain qualifying assets, which take a considerable period of time to get ready for their intended use or sale, are added to the costs of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss when incurred.

### **(17) Income Taxes**

Income taxes comprise current taxes and deferred taxes. These are recognized in profit or loss, except for taxes which arise from business combinations or are recognized either in other comprehensive income or directly in equity.

Current taxes are the expected taxes payables or receivables on the taxable profit, using the tax rates enacted or substantially enacted by the end of the reporting period, adjusted by taxes payables or receivables in prior years.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the tax bases of them. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. Deferred tax liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, equity-accounted investees. However if the Companies are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the

foreseeable future, deferred tax liabilities are not recognized. Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, equity-accounted investees are recognized only to the extent that it is probable that there will be sufficient taxable profit against which the benefit of temporary differences can be utilized and the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of reporting period. Deferred tax assets and deferred tax liabilities are offset when: there is a legally enforceable right to offset current tax assets against current tax liabilities; and income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.

### **(18) Earnings per Share (Attributable to Owners of the Parent)**

The Companies disclose basic and diluted earnings per share (attributable to owners of the parent) related to common stock. Basic earnings per share is calculated by dividing profit for the year (attributable to owners of the parent) by the weighted average number of common stocks outstanding during the reporting period, adjusted by the number of treasury stocks acquired. For the purpose of calculating diluted earnings per share, profit for the year (attributable to owners of the parent) and the weighted average number of common stocks outstanding, adjusted by the number of treasury stocks, are adjusted for the effects of all dilutive potential common stocks. Potential common stocks of the Company are related to stock option plan.

### **(19) Operating Segments**

Operating segments are components of business activities from which the Companies may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by Chief Executive Officer of the Companies in order to determine the allocation of resources to the segment and assess its performance.

### **(20) New Standards and Interpretations not yet Applied**

The new standards, interpretations, and amendments that have

been issued as of the date of the approval for the consolidated financial statements which the Companies have not yet applied as of March 31, 2011, are as follows. The Companies are currently evaluating potential impacts that application of these will have on the consolidated financial statements.

IFRSs	Title	Reporting periods on or after which the applications are required	Reporting periods of the application by the Companies (The reporting period ended)	Summaries of new IFRSs and amendments
IFRS1	First-time Adoption of International Financial Reporting Standards	July 1, 2011	March 31, 2013	Guidance for entities subject to severe hyperinflation
		January 1, 2011	March 31, 2012	Disclosure exemption of adoption of accounting policy changes in the year of adoption
				Revaluation basis as deemed cost for specific events Use of deemed cost for operations subject to rate regulation
IFRS3	Business Combinations	July 1, 2010	March 31, 2012	Transition requirements for contingent consideration from a business combination that occurred before the effective date of IFRS3 revised in 2008
				Measurement of non-controlling interests
				Accounting on un-replaced and voluntarily replaced share-based payment awards
IFRS7	Financial Instruments: Disclosures	January 1, 2011	March 31, 2012	Disclosures of risks of financial instruments
		July 1, 2011	March 31, 2013	Disclosures of transfer transactions of financial assets
IFRS10	Consolidated Financial Statements	January 1, 2013	March 31, 2014	Identification of the concept of control and use of control as the single basis for consolidation, irrespective of the nature of the investee (Replacement for IAS27 and SIC12*)
IFRS11	Joint Arrangements	January 1, 2013	March 31, 2014	Establishment of accounting on joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (Replacement of IAS31 and SIC13*)
IFRS12	Disclosure of Interests in Other Entities	January 1, 2013	March 31, 2014	Disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities (Replacement of appropriate parts of IAS27 and IAS28*)
IFRS13	Fair Value Measurements	January 1, 2013	March 31, 2014	Establishment of a single framework when other IFRSs requires the measurement of fair values
IAS1	Presentation of Financial Statements	July 1, 2012	March 31, 2014	Presentation of items of other comprehensive income
IAS12	Income Taxes	January 1, 2012	March 31, 2013	Exemption for the measurement principle relating to the deferred tax on investment properties measured at fair value
IAS19	Employee Benefits	January 1, 2013	March 31, 2014	Recognition of actuarial gains and losses and past service cost, and presentation and disclosure of post-employment benefits
IAS24	Related Party Disclosures	January 1, 2011	March 31, 2012	Exemption for government-related entities
IAS34	Interim Financial Reporting	January 1, 2011	March 31, 2012	Disclosure of significant events and transactions
IFRIC13	Customer Loyalty Programmes	January 1, 2011	March 31, 2012	Fair value measurement of award credit
IFRIC14	IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011	March 31, 2012	Amendment on accounting for prepayments of future contributions in some circumstances
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	March 31, 2012	Guidance on the accounting for debt for equity swap transactions

\* When IFRS10, IFRS11 and IFRS12 are applied, IAS31, SIC12 and SIC13 are superseded, while amended and retitled IAS27 "Separate Financial Statements" and IAS28 "Investments in Associates and Joint Ventures" are effective.

## 4 SEGMENT INFORMATION

### (1) Operating Segment

The Companies conduct business through seven industry-based business operating segments (business units) and two sets of regional operations (domestic and overseas). 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  
New Industry Development & Cross-function

"Trading" used in the following descriptions of the Companies' business units represents sales transactions where the business units act as a principal or an agent. See Note 3. (12) for the Companies' accounting policy on revenue recognition.

**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 businesses, the Companies offer supply chain management (SCM) services in response to the customer's needs precisely. 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, aircrafts, 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. 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 of telecommunications facilities, renewable energy such as wind power generation. 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 program, movie business, IT solution service business, cell-phone related business and internet various related businesses. This segment also engages in retail businesses such as supermarket, drugstore, various mail order business and fashion business. With these businesses, this segment focuses on enhancing the value of each business, as well as to expand synergy amongst 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 engages in the development and trading of 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 also trades petroleum products, liquefied petroleum gas (LPG), storage batteries, carbon products, plastics, organic and inorganic chemicals, silicon wafers, LEDs, pharmaceuticals, agricultural chemicals, household insecticide and pet supplies and is also involved and invests in those businesses. This segment also operates electronics manufacturing services (EMS) mainly in Asia. This segment consists of the San Cristobal Project Department, two Mineral Resources Divisions, the Energy Division, the Basic Chemicals & Electronics Division and the Life Science Division.

**General Products & Real Estate**—The General Products & Real Estate Business Unit segment engages in trading, marketing, manufacturing, selling, processing and distribution of food, foodstuffs, fertilizers, cement, timber, building materials, paper pulp, used paper and tires. This segment also engages in a variety of real estate activities relating to office buildings and commercial and residential properties. This segment consists of the Food Business Division, the Materials & Supplies Division and the Construction & Real Estate Division.

**New Industry Development & Cross-function**—The New Industry Development & Cross-function Business Unit segment engages in new industrial businesses such as photovoltaic power generation, environment-friendly recycling, low-carbonization and emission trading, and batteries of electric vehicles, and is also involved in businesses such as trading materials of solar and lithium batteries and venture investments. This segment also engages in finance-related businesses such as leasing business, commodity futures trading, derivative transactions and private equity investments, as well as providing logistics services such as delivery, customs clearance and transportation services, arrangements for insurance and development and operation of industrial parks. This segment consists of the New Business Development & Promotion Division, the Financial Service Division and the Logistics & Insurance Business Division.

**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. These regional operations conduct business activities in all industry sectors based on their specialized knowledge of the region. In addition, they work together on certain projects with the industry-based business units 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 operations in the Americas, Europe, China, and Asia. These regional operations conduct business

activities in all industry sectors based on their specialized knowledge of the region. In addition, they work together on certain projects with the industry-based business units in order to develop products and services that are more focused on that particular region.

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 products and services in those regions. Each business segment operates with a degree of autonomy in pursuing its strategic goals, managing operations and ensuring accountability. 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, 2011 and 2010 is summarized as follows:

Segment	Millions of Yen			
	Revenue	Gross profit	Profit for year (attributable to owners of the parent)	Total assets
<b>2011</b>				
Metal Products	¥ 494,984	¥ 66,128	¥ 18,200	¥ 635,120
Transportation & Construction Systems	581,970	145,663	26,315	1,310,925
Infrastructure	127,228	23,321	4,015	544,853
Media, Network & Lifestyle Retail	529,347	183,158	23,968	777,720
Mineral Resources, Energy, Chemical & Electronics	290,663	111,336	65,610	1,150,384
General Products & Real Estate	331,581	99,131	9,620	696,464
New Industry Development & Cross-function*	59,806	30,407	13,013	597,304
Domestic Regional Business Units and Offices	66,337	38,751	3,912	354,519
Overseas Subsidiaries and Branches	636,441	176,399	35,027	1,155,500
Total	3,118,357	874,294	199,680	7,222,789
Corporate and Eliminations	(18,172)	(10,300)	542	7,713
Consolidated	¥3,100,185	¥863,994	¥200,222	¥7,230,502
<b>2010</b>				
Segment	Revenue	Gross profit	Profit for year (attributable to owners of the parent)	Total assets
Metal Products	¥ 415,271	¥ 54,054	¥ 9,044	¥ 607,393
Transportation & Construction Systems	589,296	130,735	20,338	1,391,491
Infrastructure	167,464	31,256	14,419	511,054
Media, Network & Lifestyle Retail	509,479	176,967	13,740	696,665
Mineral Resources, Energy, Chemical & Electronics	258,470	83,161	67,752	1,073,422
General Products & Real Estate	328,316	94,429	16,082	708,546
New Industry Development & Cross-function*	48,572	24,521	3,013	564,266
Domestic Regional Business Units and Offices	65,630	35,184	2,746	351,960
Overseas Subsidiaries and Branches	511,048	153,674	20,191	1,103,304
Total	2,893,546	783,981	167,325	7,008,101
Corporate and Eliminations	(16,800)	(8,891)	(1,960)	98,943
Consolidated	¥2,876,746	¥775,090	¥165,365	¥7,107,044

2011

Millions of U.S. Dollars

Segment	Revenue	Gross profit	Profit for year	Total assets
			(attributable to owners of the parent)	
Metal Products	\$ 5,964	\$ 797	\$ 219	\$ 7,652
Transportation & Construction Systems	7,012	1,755	317	15,794
Infrastructure	1,533	281	48	6,565
Media, Network & Lifestyle Retail	6,378	2,207	289	9,370
Mineral Resources, Energy, Chemical & Electronics	3,502	1,342	791	13,860
General Products & Real Estate	3,995	1,194	116	8,391
New Industry Development & Cross-function*	720	366	157	7,197
Domestic Regional Business Units and Offices	799	467	47	4,271
Overseas Subsidiaries and Branches	7,668	2,125	422	13,922
Total	37,571	10,534	2,406	87,022
Corporate and Eliminations	(219)	(124)	6	92
Consolidated	\$37,352	\$10,410	\$2,412	\$87,114

Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained by corporate headquarters that is not relate to operating segment.

Transactions between segments are made on an arm's-length basis.

\* On April 1, 2010, the Financial & Logistics Business Unit was reorganized to the New Industry Development & Cross-function Business Unit. Accordingly, from the fiscal year ended March 31, 2011, the operating segments have been changed. The figures of the New Industry Development & Cross-function Business Unit for the year ended March 31, 2010 represent the results of the Financial & Logistics Business Unit.

## (2) Geographic Information

The Companies' revenue by geographical areas for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Japan	¥1,736,904	¥1,562,638	\$20,927
Asia	248,871	316,181	2,998
North America:			
U.S.	606,767	554,316	7,311
Others	116,634	113,795	1,405
Europe	257,117	182,857	3,098
Others	133,892	146,959	1,613
Total	¥3,100,185	¥2,876,746	\$37,352

The carrying amount of non-current assets by geographical areas as of March 31, 2011, 2010 and the date of transition to IFRSs is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Japan	¥ 910,137	¥ 928,760	¥ 898,111	\$10,965
Asia	48,126	46,761	36,896	580
North America:				
U.S.	205,893	213,488	212,199	2,481
Others	15,466	16,367	15,435	186
Europe	139,430	161,116	129,655	1,680
Others	130,851	147,442	140,200	1,577
Total	¥1,449,903	¥1,513,934	¥1,432,496	\$17,469

Breakdown by products and services are not available.

## 5 ACQUISITION OF SUBSIDIARIES

### **For the year ended March 31, 2011**

During the year ended March 31, 2011, the Companies made material business acquisitions with an aggregate purchase price of ¥15,235 million (\$184 million), which was paid fully in cash, including Oil Country Tubular Goods ("OCTG") premium threading/trading business in South East Asia, grain storage and handling business in Australia, tire business in the Americas, and other businesses.

In connection with these business combinations, ¥38,572 million (\$465 million), ¥15,370 million (\$185 million) and ¥3,369 million (\$41 million) were recognized as assets acquired, liabilities assumed, and non controlling interests on the fair value basis, respectively. Included above, ¥6,964 million (\$84 million) and ¥6,280 million (\$76 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, 2011 consists primarily of future economic benefits and synergies with the existing operations.

On April 18, 2011, the Company and Sumisho Computer Systems Corporation, one of the Company's subsidiaries, jointly undertook the tender offer for the purpose of acquiring common shares and stock acquisition rights of CSK Corporation ("CSK") who operates BPO (business process outsourcing), IT management business and other businesses. As a result, the Company acquired 54.17%

of the voting rights with the purchase price of ¥15,983 million (\$193 million), and the company acquired the potential voting rights which will be convertible to the common stock of CSK after March 1, 2013, with the purchase price of ¥10,150 million (\$122 million). The company decided to jointly acquire the shares to improve its corporate value by increasing its competitiveness in the IT services industry, which is a strategic industry sector, and to further advance the informational infrastructure of the company.

The detail information of the accounting for the business combination is not disclosed because the initial accounting is not completed at the date of consolidated financial statements issuance.

### **For the year ended March 31, 2010**

On May 15, 2009, the Companies acquired 100% of the shares of Oranje-Nassau (U.K.) Limited from Oranje-Nassau Energie B.V., with the consideration of €251 million. Oranje-Nassau (U.K.) Limited owned 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
Consideration	¥33,322
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	12,234
Property, plant and equipment	33,237
Current liabilities	(2,178)
Non-current liabilities	(19,046)
Net assets	24,247
Goodwill	¥ 9,075

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

The acquisition-related costs incurred in this business combination, ¥560 million, were included in selling, general and administrative expense in the consolidated statement of comprehensive 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, 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, ¥20,790 million and ¥42 million were recognized as assets acquired, liabilities assumed, and non controlling interests on the fair value basis, respectively. Included above, ¥3,148 million and ¥5,004 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.



## 6 MARKETABLE SECURITIES AND OTHER INVESTMENTS

### (1) As of March 31, 2011

The amounts of “Marketable securities” and “Other investments” on the consolidated statement of financial position are as follows:

	Millions of Yen 2011	Millions of U.S. Dollars 2011
Marketable securities:		
FVTPL	¥ 5,239	\$ 63
Total	5,239	63
Other investments:		
FVTPL	26,542	320
FVTOCI	411,450	4,957
Amortised cost	8,327	100
Total	¥446,319	\$5,377

The fair value of “Other investments” measured at amortized cost is ¥8,452 million (\$102 million).

The Companies classify the investments that are held for the objective of expanding the earnings base through maintenance and reinforcement of relationship with investees as financial assets measured at FVTOCI.

The fair value and dividends received of “Other investments” measured at FVTOCI held as of March 31, 2011 are as follows:

	Millions of Yen 2011		Millions of U.S. Dollars 2011	
	Fair value	Dividends	Fair value	Dividends
Listed	¥285,839	¥5,722	\$3,444	\$ 69
Unlisted	125,611	3,215	1,513	39
Total	¥411,450	¥8,937	\$4,957	\$108

The fair values of “Other investments” measured at FVTOCI mainly consists of followings:

	Millions of Yen 2011	Millions of U.S. Dollars 2011
Sumitomo Metal Industries, Ltd.	¥85,249	\$1,027
SMFG PREFERRED CAPITAL JPY 2 LIMITED—preferred equity investment	21,936	264
The Sumitomo Trust and Banking Co., Ltd.—preferred stock	16,581	200
TOYOTA MOTOR CORPORATION	11,228	135
Sumitomo Metal Mining Co., Ltd.	10,017	121
Mazda Motor Corporation	9,774	118
MS&AD Insurance Group Holdings, Inc.	9,688	117
YAMAZAKI BAKING CO., LTD.	9,065	109
Sumitomo Rubber Industries, Ltd.	8,168	98
NIPPON STEEL CORPORATION	6,849	83
YAMATO KOGYO CO., LTD.	6,817	82
ASAHI BREWERIES, LTD.	6,793	82
SKY Perfect JSAT Holdings Inc.	6,544	79
Honda Motor Co., Ltd.	6,250	75
Sumitomo Electric Industries, Ltd.	5,764	69
ISUZU MOTORS LIMITED	5,618	68
OSAKA Titanium technologies Co., Ltd.	4,959	60
SUMITOMO CHEMICAL COMPANY, LIMITED	4,942	60
NISSHIN SEIFUN GROUP INC.	4,828	58
KATO SANGYO CO., LTD.	4,693	57
The Dai-ichi Life Insurance Company, Limited	4,611	56

“Other investments” measured at FVTOCI which were disposed during the year ended March 31, 2011 are as follows:

Millions of Yen		
2011		
Fair value at the date of sale	Cumulative gains or (losses)	Dividends
¥34,287	¥14,074	¥342

Millions of U.S. Dollars		
2011		
Fair value at the date of sale	Cumulative gains or (losses)	Dividends
\$413	\$170	\$4

The Companies sold the investments mainly in order to review the business relationships. The Companies reclassified the cumulative gains (net of tax) by sales of ¥8,542 million (\$103million) from other components of equity to retained earnings for the year ended on March 31, 2011.

For the financial assets measured at FVTOCI of which the

declines in fair values compared to its acquisition costs are significant and other than temporary, the Companies reclassified the cumulative losses (net of tax) by declines of ¥5,549 million (\$67million) from other components of equity to retained earnings for the year ended on March 31, 2011.

## (2) As of March 31, 2010 and the date of Transition to IFRSs

Information as of March 31, 2010 and the date of transition to IFRSs is based on U.S. GAAP in accordance with short-term exemptions to the early application of IFRS 9.

Marketable securities and other investments as of March 31, 2010 and the date of transition to IFRSs are as follows:

The securities and investments are included in “Marketable securities” or “Other investments” in the consolidated statement of financial position.

### Marketable securities (Current assets)

	Millions of Yen	
	2010	2009
Trading	¥5,008	¥ 8,927
Available-for-sale	151	3,024
Held-to-maturity	100	7,012
Total	¥5,259	¥18,963

### Other investments (Non-current assets)

	Millions of Yen	
	2010	2009
Available-for-sale	¥409,682	¥283,040
Held-to-maturity	450	550
Non-marketable securities and other investments	111,899	165,979
Total	¥522,031	¥449,569

### 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 the date of transition to IFRSs is as follows (excluding non-marketable securities and other investments discussed below):

	Millions of Yen			
	2010			
	Cost	Unrealized gains	Unrealized losses	Fair value
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
Total	¥271,835	¥148,985	¥(5,429)	¥415,391

	Millions of Yen			
	2009			
	Cost	Unrealized gains	Unrealized losses	Fair value
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
Total	¥252,174	¥60,918	¥(10,539)	¥302,553

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 and ¥4,084 million, respectively.

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

	Millions of Yen				
	2010				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Available-for-sale	¥151	¥48,384	¥ 1	¥—	¥48,536
Held-to-maturity	100	450	—	—	550

	Millions of Yen				
	2009				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
Available-for-sale	¥2,978	¥416	¥ 3	¥—	¥3,397
Held-to-maturity	7,012	550	—	—	7,562

### Non-marketable securities and other investments

Other investments as of March 31, 2010 and the date of transition to IFRSs included investments in unlisted investees other than equity-accounted investees and others, amounting to ¥111,899 million and ¥165,979 million, respectively, and the balances carried at cost out of the above amounts were ¥96,463 million and ¥153,199 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 at the date of transition to IFRSs, investments with aggregate cost of ¥66,803 million and ¥82,658 million, respectively, were not evaluated for impairment because no events or changes in circumstances that might have a significant adverse effects on the fair value were identified in the impairment evaluation, and estimation of fair value is not practicable.

## 7 TRADE AND OTHER RECEIVABLES

The components of trade and other receivables as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Notes receivable	¥ 109,892	¥ 105,410	¥ 120,378	\$ 1,324
Accounts receivable	1,131,897	1,140,203	1,235,348	13,637
Receivables due from equity-accounted investees	143,144	144,786	162,510	1,725
Loans receivable	346,062	264,716	221,199	4,169
Finance lease receivable	344,514	378,888	441,425	4,151
Other receivables	101,475	136,634	140,642	1,223
Less: Allowance for doubtful receivables	(43,128)	(49,539)	(48,862)	(520)
Trade and other receivables	¥2,133,856	¥2,121,098	¥2,272,640	\$25,709

Financial assets measured at FVTPL of ¥44,462 million (\$536 million) were included in accounts receivable and ¥3,000 million (\$36 million) in loans receivable as of March 31, 2011, respectively.

The components of trade and other receivables in the consolidated statement of financial position as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Current assets	¥1,511,442	¥1,512,678	¥1,622,616	\$18,210
Non-current assets	622,414	608,420	650,024	7,499
Total	¥2,133,856	¥2,121,098	¥2,272,640	\$25,709

Trade and other receivables by operating segments as of March 31, 2011, 2010 and the date of transition to IFRSs are summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Metal Products	¥ 290,702	¥ 261,263	¥ 271,668	\$ 3,502
Transportation & Construction Systems	586,729	619,127	626,848	7,069
Infrastructure	240,322	242,411	273,741	2,896
Media, Network & Lifestyle Retail	89,833	91,606	167,756	1,082
Mineral Resources, Energy, Chemical & Electronics	417,905	386,142	387,261	5,035
General Products & Real Estate	119,035	120,880	136,298	1,434
New Industry Development & Cross-function	113,851	106,403	121,419	1,372
Others	275,479	293,266	287,649	3,319
Trade and other receivables	¥2,133,856	¥2,121,098	¥2,272,640	\$25,709

Certain notes receivable derived from mainly export transactions are transferred to banks on a discounted basis. The Companies are liable to the banks for defaults by the note issuer. As such, the Companies continue to recognize the discounted notes receivable of ¥10,481 million (\$126 million) as of March 31, 2011 and presented in "Trade and other receivables" in the consolidated statement of financial position and the associated liabilities of ¥10,481 million (\$126 million) in "Bonds and borrowings."

Such financial assets are accounted for under U.S. GAAP as of March 31, 2010 and as of the date of transition to IFRSs.

Allowances for doubtful receivables are recognized against the receivables based on estimated irrecoverable amounts determined considering individual customers' risk factors such as historical performance, recent developments, changes in original terms, internal risk-ratings, industry trends, and other specific factors as well as general risk factors, including sovereign risk of the country where the customer resides. Credit insurance and collateral obtained are also considered in the estimation of irrecoverable amounts.

Movements in the allowance for doubtful receivables for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Balance, beginning of year	<b>¥ 49,539</b>	¥ 48,862	<b>\$ 597</b>
Impairment losses	<b>16,446</b>	19,279	<b>198</b>
Charge-off	<b>(20,731)</b>	(19,506)	<b>(250)</b>
Exchange differences on translating foreign operations	<b>(2,126)</b>	904	<b>(25)</b>
Balance, end of year	<b>¥ 43,128</b>	¥ 49,539	<b>\$ 520</b>

As of March 31, 2011, 2010 and the date of transition to IFRSs, the total gross amount of trade and other receivables impaired was ¥21,555 million (\$260 million), ¥23,725 million and ¥37,945 million, respectively and the cumulative impairment losses recognized as of March 31, 2011, 2010 and the date of transition to IFRSs were ¥17,115 million (\$206 million), ¥22,153 million and ¥32,439 million, respectively.

The age of trade and other receivables that are past due but not impaired as of March 31, 2011, 2010 and the date of transition to IFRSs is as follows:

Receivables disclosed below include amounts considered recoverable by credit insurance and collateral and are not considered to be impaired as of March 31, 2011, 2010 and the date of transition to IFRSs.

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Due in 90 days or less	<b>¥ 73,456</b>	¥48,351	¥ 77,220	<b>\$ 885</b>
Due after 90 days through one year	<b>15,600</b>	13,397	18,078	<b>188</b>
Due after one year	<b>17,730</b>	10,399	13,411	<b>214</b>
Total	<b>¥106,786</b>	¥72,147	¥108,709	<b>\$1,287</b>

## 8 LEASES

### (1) As lessor

The Companies lease aircrafts, vehicles, office buildings and other industrial machineries and equipments to third parties under arrangements which are classified as cancelable and non-cancelable operating leases. Costs of the leased properties as of March 31, 2011 and 2010 and the date of transition to IFRSs were ¥848,879 million (\$10,227 million), ¥841,374 million, and ¥876,189 million,

respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2011 and 2010 and the date of transition to IFRSs were ¥341,640 million (\$4,116 million), ¥315,694 million, and ¥355,165 million, respectively. These assets were included in "Property, plant and equipment", "Intangible assets", and "Investment property" in consolidated statement of financial position.

Future minimum lease payments receivable under non-cancelable operating lease as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Due in one year or less	<b>¥124,294</b>	¥126,258	¥126,757	<b>\$1,498</b>
Due after one year through five years	<b>194,906</b>	207,326	228,416	<b>2,348</b>
Due after five years	<b>36,458</b>	51,075	49,424	<b>439</b>

The Companies lease vehicles, vessels, power station, service equipments and other assets under arrangements which are classified as finance leases under International Accounting Standard No. 17 *Leases* ("IAS 17"). The most significant leased item is the power station which is the coal-fired thermal power plant owned by the Companies in Indonesia and currently leased to the Indonesian state-owned electricity corporation.

Future receivable under finance leases as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Minimum lease payments receivable			Millions of U.S. Dollars
	Millions of Yen			
	2011	2010	2009	2011
Due in one year or less	¥101,812	¥112,307	¥ 126,966	\$1,227
Due after one year through five years	203,449	221,491	262,382	2,451
Due after five years	93,434	114,827	142,009	1,126
Unguaranteed residual value	11,437	9,584	11,649	138
Less: Future finance income	(65,618)	(79,321)	(101,581)	(791)
Present value of minimum lease payments receivable	¥344,514	¥378,888	¥ 441,425	\$4,151

	Present value of minimum lease payments receivable			Millions of U.S. Dollars
	Millions of Yen			
	2011	2010	2009	2011
Due in one year or less	¥ 86,742	¥ 94,555	¥103,775	\$1,045
Due after one year through five years	173,110	183,123	213,569	2,086
Due after five years	84,662	101,210	124,081	1,020

Contingent rental income recognized in profit or loss for the years ended March 31, 2011 and 2010 were ¥126 million (\$2 million) and ¥5,415 million, respectively.

## (2) As lessee

The Companies lease office space and certain other assets under cancelable and non-cancelable operating leases. Total rental expenses under such leases for the years ended March 31, 2011 and 2010 were ¥67,734 million (\$816 million) and ¥65,147 million, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	
	2011	2010	2009	
Due in one year or less	<b>¥ 39,744</b>	¥ 40,181	¥ 39,766	<b>\$ 479</b>
Due after one year through five years	<b>129,407</b>	134,838	129,980	<b>1,559</b>
Due after five years	<b>233,271</b>	232,314	236,366	<b>2,810</b>

The Companies also lease equipments and other assets under arrangements which are classified as finance leases under IAS 17. Costs of the leased properties as of March 31, 2011 and 2010 and the date of transition to IFRSs were ¥69,180 million (\$833 million), ¥57,581 million and ¥56,381 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31,

2011 and 2010 and the date of transition to IFRSs were ¥22,730 million (\$274 million), ¥15,818 million and ¥20,609 million, respectively. These assets are included in "Property, plant and equipment" and "Intangible assets" in consolidated statement of financial position.

Future payments under finance leases as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Future minimum lease payments			Millions of U.S. Dollars
	Millions of Yen			
	2011	2010	2009	2011
Due in one year or less	¥ 13,600	¥ 9,704	¥ 15,676	\$ 164
Due after one year through five years	36,677	29,679	33,917	442
Due after five years	62,198	58,141	62,351	749
Less: Future finance cost	(46,517)	(48,585)	(47,555)	(560)
Present value of lease obligations	¥ 65,958	¥ 48,939	¥ 64,389	\$ 795



	Present value of future minimum lease payments			Millions of U.S. Dollars
	Millions of Yen			2011
	2011	2010	2009	
Due in one year or less	<b>¥ 8,923</b>	¥ 4,635	¥10,019	<b>\$108</b>
Due after one year through five years	<b>20,906</b>	13,883	15,259	<b>252</b>
Due after five years	<b>36,129</b>	30,421	39,111	<b>435</b>

Total amount of lease payments included in "Cost" for the years ended March 31, 2011 and 2010 are ¥12,290 million (\$148 million) and ¥13,103 million, respectively.

## 9 CONSTRUCTION CONTRACTS

### (1) Long-term Construction Contracts

Due from and due to customers under long-term construction contracts as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Contracts in progress				
Due from customers under construction contracts, included in trade and other receivables as amounts	<b>¥154,559</b>	¥ 86,634	¥ 2,643	<b>\$1,862</b>
Due to customers under construction contracts, included in trade and other payables as amounts	<b>(2,394)</b>	(7,183)	(8,876)	<b>(29)</b>
Construction costs incurred and recognized profits less recognized losses to date	<b>¥197,921</b>	¥152,582	¥ 250,039	<b>\$2,384</b>
Less: progress billings	<b>(45,756)</b>	(73,131)	(256,272)	<b>(551)</b>
Due from (to) customers	<b>¥152,165</b>	¥ 79,451	¥ (6,233)	<b>\$1,833</b>

Advances received from customers for contract work as of March 31, 2011 and 2010 were ¥1,422 million (\$17 million) and ¥293 million, respectively. There were no retentions held by customers for contract work as of March 31, 2011 and 2010.

The amounts of contract revenue for the years ended March 31, 2011 and 2010 were ¥85,751 million (\$1,033 million) and ¥124,277 million, respectively.

### (2) Real Estate Construction Contracts

The total amounts of construction costs incurred and recognized profits under real estate construction contracts in progress for the year ended March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Contracts in progress				
Construction costs incurred and recognized profits to date	<b>¥12,393</b>	—	—	<b>\$149</b>

There were no advances received from customers as of March 31, 2011 and 2010.

The amount of revenue arising from agreements for the year ended March 31, 2011 was ¥12,393 million (\$149 million).

## 10 INVENTORIES

The components of inventories as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Real estate held for development and resale	<b>¥ 77,662</b>	¥ 75,327	¥ 81,636	<b>\$ 936</b>
Commodities	<b>543,326</b>	524,637	635,741	<b>6,546</b>
Materials /work in progress	<b>77,822</b>	70,256	114,828	<b>937</b>
Inventories	<b>¥698,810</b>	¥670,220	¥832,205	<b>\$8,419</b>

The carrying amounts of inventories measured at fair value less costs to sell as of March 31, 2011, 2010 and the date of transition to IFRSs were ¥65,269 million (\$786 million), ¥62,182 million and ¥53,021 million, respectively.

Write-down of inventories recognized as an expense for the years ended March 31, 2011 and 2010 was ¥13,038 million (\$157 million) and ¥13,536 million.

## 11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Summarized financial information of equity-accounted investees as of March 31, 2011, 2010 and the date of transition to IFRSs and for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Total assets	<b>¥7,439,705</b>	¥7,140,299	¥7,078,895	<b>\$89,635</b>
Total liabilities	<b>4,798,173</b>	4,765,727	4,991,043	<b>57,809</b>
Total equity	<b>2,641,532</b>	2,374,572	2,087,852	<b>31,826</b>

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Gross profit	<b>¥953,975</b>	¥832,464	<b>\$11,494</b>
Profit for the year	<b>369,537</b>	275,996	<b>4,452</b>

The fair values of equity-accounted investees for which there are published price quotations as of March 31, 2011, 2010 and the date of transition to IFRSs were ¥265,983 million (\$3,205 million), ¥239,417 million and ¥50,893 million, respectively. The carrying amount of the investments as of March 31, 2011, 2010 and the date of transition to IFRSs were ¥290,180 million (\$3,496 million), ¥150,204 million and ¥54,041 million, respectively.

The Companies engage in various agency transactions with equity-accounted investees involving sales by third parties to equity-accounted investees and sales by equity-accounted investees to third parties. Net fees earned on these transactions are not material.

Transactions with equity-accounted investees for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Management and secondment fees, received	<b>¥3,008</b>	¥3,237	<b>\$36</b>
Interest income	<b>625</b>	1,399	<b>8</b>
Interest expense	<b>520</b>	660	<b>6</b>

Transactions with equity-accounted investees stated above are entered into at arm's length terms.

Significant interests in jointly controlled entities are ordinary shares (50% interest) of LNG Japan Corporation in Mineral Resources, Energy, Chemical & Electronics segment.

## 12 PROPERTY, PLANT AND EQUIPMENT

Cost and accumulated depreciation and impairment losses of property, plant and equipment as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

### [Cost]

	Millions of Yen					
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
Balance as of April 1, 2009	¥84,860	¥248,601	¥ 997,511	¥ 16,158	¥ 50,234	¥1,397,364
Acquisitions	2,938	5,671	121,558	24,541	5,084	159,792
Reclassification	53	7,817	22,175	(30,045)	—	—
Acquisitions through business combinations	108	203	14,814	—	33,237	48,362
Disposals	(2,661)	(4,057)	(144,077)	(211)	(36,173)	(187,179)
Exchange differences on translating foreign operations	459	1,059	10,829	(241)	5,547	17,653
Others	(114)	2,823	(12,905)	(58)	425	(9,829)
Balance as of March 31, 2010	85,643	262,117	1,009,905	10,144	58,354	1,426,163
Acquisitions	<b>3,274</b>	<b>9,057</b>	<b>104,093</b>	<b>24,689</b>	<b>20,576</b>	<b>161,689</b>
Reclassification	—	<b>6,047</b>	<b>15,312</b>	<b>(21,359)</b>	—	—
Acquisitions through business combinations	<b>1,592</b>	<b>1,136</b>	<b>7,892</b>	<b>527</b>	—	<b>11,147</b>
Disposals	<b>(2,017)</b>	<b>(4,366)</b>	<b>(70,065)</b>	<b>(1,611)</b>	—	<b>(78,059)</b>
Exchange differences on translating foreign operations	<b>(1,392)</b>	<b>(8,002)</b>	<b>(33,540)</b>	<b>(744)</b>	<b>(4,912)</b>	<b>(48,590)</b>
Others	<b>1,024</b>	<b>2,962</b>	<b>(6,278)</b>	<b>740</b>	<b>166</b>	<b>(1,386)</b>
Balance as of March 31, 2011	<b>¥88,124</b>	<b>¥268,951</b>	<b>¥1,027,319</b>	<b>¥ 12,386</b>	<b>¥ 74,184</b>	<b>¥1,470,964</b>

	Millions of U.S. Dollars					
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
Balance as of March 31, 2010	\$1,032	\$3,158	\$12,168	\$ 122	\$703	\$17,183
Acquisitions	<b>40</b>	<b>109</b>	<b>1,254</b>	<b>297</b>	<b>248</b>	<b>1,948</b>
Reclassification	—	<b>73</b>	<b>184</b>	<b>(257)</b>	—	—
Acquisitions through business combinations	<b>19</b>	<b>14</b>	<b>95</b>	<b>6</b>	—	<b>134</b>
Disposals	<b>(24)</b>	<b>(53)</b>	<b>(844)</b>	<b>(19)</b>	—	<b>(940)</b>
Exchange differences on translating foreign operations	<b>(17)</b>	<b>(96)</b>	<b>(404)</b>	<b>(9)</b>	<b>(59)</b>	<b>(585)</b>
Others	<b>12</b>	<b>35</b>	<b>(76)</b>	<b>9</b>	<b>2</b>	<b>(18)</b>
Balance as of March 31, 2011	<b>\$1,062</b>	<b>\$3,240</b>	<b>\$12,377</b>	<b>\$ 149</b>	<b>\$894</b>	<b>\$17,722</b>

**[Accumulated depreciation and impairment losses]**

Millions of Yen						
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
Balance as of April 1, 2009	¥(347)	¥ (91,803)	¥(479,344)	¥ —	¥(17,475)	¥(588,969)
Disposals	—	1,814	109,990	—	18,560	130,364
Depreciation expenses	—	(16,971)	(111,684)	—	(4,605)	(133,260)
Impairment losses	(468)	(1,565)	(1,009)	(61)	—	(3,103)
Exchange differences on translating foreign operations	—	(262)	(4,310)	—	(1,856)	(6,428)
Others	477	2,097	12,340	—	(1,409)	13,505
Balance as of March 31, 2010	(338)	(106,690)	(474,017)	(61)	(6,785)	(587,891)
Disposals	—	<b>2,928</b>	<b>47,681</b>	—	—	<b>50,609</b>
Depreciation expenses	—	<b>(17,329)</b>	<b>(108,548)</b>	—	<b>(5,331)</b>	<b>(131,208)</b>
Impairment losses	<b>(785)</b>	<b>(746)</b>	<b>(4,724)</b>	—	<b>(1,080)</b>	<b>(7,335)</b>
Exchange differences on translating foreign operations	<b>3</b>	<b>2,737</b>	<b>10,246</b>	—	<b>300</b>	<b>13,286</b>
Others	<b>185</b>	<b>1,715</b>	<b>3,395</b>	<b>61</b>	<b>(346)</b>	<b>5,010</b>
Balance as of March 31, 2011	<b>¥(935)</b>	<b>¥(117,385)</b>	<b>¥(525,967)</b>	<b>¥ —</b>	<b>¥(13,242)</b>	<b>¥(657,529)</b>

Millions of U.S. Dollars						
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
Balance as of March 31, 2010	\$ (4)	\$(1,285)	\$(5,711)	\$(1)	\$ (82)	\$(7,083)
Disposals	—	<b>35</b>	<b>575</b>	—	—	<b>610</b>
Depreciation expenses	—	<b>(209)</b>	<b>(1,308)</b>	—	<b>(64)</b>	<b>(1,581)</b>
Impairment losses	<b>(9)</b>	<b>(9)</b>	<b>(57)</b>	—	<b>(13)</b>	<b>(88)</b>
Exchange differences on translating foreign operations	<b>0</b>	<b>33</b>	<b>123</b>	—	<b>4</b>	<b>160</b>
Others	<b>2</b>	<b>21</b>	<b>41</b>	<b>1</b>	<b>(5)</b>	<b>60</b>
Balance as of March 31, 2011	<b>\$(11)</b>	<b>\$(1,414)</b>	<b>\$(6,337)</b>	<b>\$—</b>	<b>\$(160)</b>	<b>\$(7,922)</b>

**[Carrying amount]**

	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2011 (Millions of Yen)	<b>¥87,189</b>	<b>¥151,566</b>	<b>¥501,352</b>	<b>¥12,386</b>	<b>¥60,942</b>	<b>¥813,435</b>
2010 (Millions of Yen)	¥85,305	¥155,427	¥535,888	¥10,083	¥51,569	¥838,272
2009 (Millions of Yen)	¥84,513	¥156,798	¥518,167	¥16,158	¥32,759	¥808,395
2011 (Millions of U.S. Dollars)	<b>\$1,051</b>	<b>\$1,826</b>	<b>\$6,040</b>	<b>\$149</b>	<b>\$734</b>	<b>\$9,800</b>

The losses recognized from the impairment are included in "Impairment losses on long-lived assets" in the consolidated statement of comprehensive income.

These impairment losses by operating segments for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Metal Products	¥ (191)	¥ (163)	\$ (2)
Transportation & Construction Systems	(1,073)	(193)	(13)
Infrastructure	(1,734)	—	(21)
Media, Network & Lifestyle Retail	(797)	(1,110)	(10)
Mineral Resources, Energy, Chemical & Electronics	(1,331)	(1,212)	(16)
General Products & Real Estate	(22)	(44)	(0)
New Industry Development & Cross-function	(162)	(191)	(2)
Domestic Regional Business Units and Offices	(124)	(9)	(1)
Overseas Subsidiaries and Branches	(1,894)	(46)	(23)
Corporate and Eliminations	(7)	(135)	(0)
Total	¥(7,335)	¥(3,103)	\$(88)

The carrying amounts of the assets held under finance leases, (net of accumulated depreciation expenses and impairment losses), included in “Property, plant and equipment” as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Buildings including leasehold improvements	¥14,453	¥14,935	¥16,517	\$174
Machinery and equipment	¥27,447	¥21,017	¥15,891	\$331

Depreciation expenses of property, plant and equipment are included in “Cost” and “Selling, general and administrative expenses” in the consolidated statement of comprehensive income.

## 13 INTANGIBLE ASSETS

### (1) Goodwill

Cost and accumulated impairment losses of goodwill for the years ended March 31, 2011 and 2010 are as follows:

#### [Cost]

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Balance, beginning of year	¥186,610	¥174,741	\$2,248
Acquisitions through business combinations	6,582	14,879	79
Exchange differences on translating foreign operations and others	(7,463)	(3,010)	(89)
Balance, end of year	¥185,729	¥186,610	\$2,238

#### [Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Balance, beginning of year	¥(16,743)	¥(14,927)	\$(202)
Impairment losses	(1,904)	(1,816)	(23)
Exchange differences on translating foreign operations and others	1,287	—	16
Balance, end of year	¥(17,360)	¥(16,743)	\$(209)

Impairment losses recognized on goodwill for the years ended March 31, 2011 and 2010 were ¥1,904 million (\$23 million) and ¥1,816 million, respectively, and were included in “Impairment losses on long-lived assets” in the consolidated statement of comprehensive income. The impairment losses on goodwill recognized for the year ended March 31, 2011 consists of mainly operation in the British North Sea oil field, and were included in Mineral Resources, Energy, Chemical & Electronics business unit.

### [Carrying amount]

	Carrying amount
2011 (Millions of Yen)	<b>¥168,369</b>
2010 (Millions of Yen)	¥169,867
2009 (Millions of Yen)	¥159,814
2011 (Millions of U.S. Dollars)	<b>\$2,029</b>

Goodwill is tested for impairment annually or more frequently when there are indicators of impairment.

Recoverable amount of goodwill for impairment test is calculated based on value in use.

Goodwill arising on business combination is allocated to each of the Companies' CGU that is expected to benefit from the synergies of the business combination at the date of acquisition of the business.

The carrying amounts of goodwill by operating segments as of March 31, 2011 and 2010 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Metal Products	<b>¥ 5,704</b>	¥ 4,687	<b>\$ 69</b>
Transportation & Construction Systems	<b>13,128</b>	13,354	<b>158</b>
Media, Network & Lifestyle Retail	<b>83,796</b>	83,688	<b>1,010</b>
Mineral Resources, Energy, Chemical & Electronics	<b>9,636</b>	11,577	<b>116</b>
General Products & Real Estate	<b>16,716</b>	16,623	<b>202</b>
New Industry Development & Cross-function	<b>83</b>	200	<b>1</b>
Domestic Regional Business Units and Offices	<b>519</b>	574	<b>6</b>
Overseas Subsidiaries and Branches	<b>38,787</b>	39,164	<b>467</b>
Total	<b>¥168,369</b>	¥169,867	<b>\$2,029</b>

The significant portion of goodwill included above as of March 31, 2011 and 2010 was related to that of Jupiter Shop Channel Co., Ltd. (Media, Network & Lifestyle Retail business unit) of ¥68,100 million (\$820 million) and ¥68,100 million, of TBC Corporation (General Products & Real Estate business unit and Overseas Subsidiaries and Branches) of ¥38,053 million (\$458 million) and ¥39,541 million, respectively.

The value in use is the present value calculated by discounting the estimated cash flows based on the projection approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rate used is

determined by considering the long term average growth rate of the market or the country which the CGU belongs to. The growth rate used does not exceed the long term average growth rate of the market or country (domestic: approximately 1% or less, overseas: approximately 5% or less). The discount rate used is calculated based on the weighted average capital costs or capital costs of each CGU (domestic: approximately 3 to 11%, overseas: approximately 3 to 19%).

Management considers it is not likely that a significant impairment loss would be recognized even if key assumptions, in relation to Jupiter Shop Channel Co., Ltd. and TBC Corporation, vary in the range which is reasonably probable.

## (2) Other Intangible Assets

Cost and accumulated depreciation and impairment losses of other intangible assets as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

### [Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2009	¥ 94,284	¥204,376	¥11,637	¥310,297
Acquisitions through business combinations	5	3,021	526	3,552
Separate acquisitions	11,429	—	874	12,303
Exchange differences on translating foreign operations and others	(2,707)	(4,563)	(329)	(7,599)
Balance as of March 31, 2010	103,011	202,834	12,708	318,553
Acquisitions through business combinations	—	<b>6,876</b>	<b>944</b>	<b>7,820</b>
Separate acquisitions	<b>9,275</b>	—	<b>86</b>	<b>9,361</b>
Exchange differences on translating foreign operations and others	<b>(5,143)</b>	<b>(7,503)</b>	<b>(5,338)</b>	<b>(17,984)</b>
Balance as of March 31, 2011	<b>¥107,143</b>	<b>¥202,207</b>	<b>¥ 8,400</b>	<b>¥317,750</b>



	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2010	\$1,241	\$2,444	\$153	\$3,838
Acquisitions through business combinations	—	83	11	94
Separate acquisitions	112	—	1	113
Exchange differences on translating foreign operations and others	(62)	(91)	(64)	(217)
Balance as of March 31, 2011	\$1,291	\$2,436	\$101	\$3,828

#### [Accumulated amortization and impairment]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2009	¥(66,421)	¥(38,041)	¥(5,061)	¥(109,523)
Amortization expenses	(12,062)	(11,203)	(2,510)	(25,775)
Impairment losses	(140)	(36)	(264)	(440)
Exchange differences on translating foreign operations and others	5,140	1,986	1,871	8,997
Balance as of March 31, 2010	(73,483)	(47,294)	(5,964)	(126,741)
Amortization expenses	(11,860)	(11,358)	(379)	(23,597)
Impairment losses	—	(373)	(102)	(475)
Exchange differences on translating foreign operations and others	7,248	2,860	3,579	13,687
Balance as of March 31, 2011	¥(78,095)	¥(56,165)	¥(2,866)	¥(137,126)

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2010	\$(885)	\$(570)	\$(72)	\$(1,527)
Amortization expenses	(143)	(137)	(4)	(284)
Impairment losses	—	(5)	(1)	(6)
Exchange differences on translating foreign operations and others	87	35	43	165
Balance as of March 31, 2011	\$(941)	\$(677)	\$(34)	\$(1,652)

#### [Carrying amount]

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
2011 (Millions of Yen)	¥29,048	¥146,042	¥5,534	¥180,624
2010 (Millions of Yen)	¥29,528	¥155,540	¥6,744	¥191,812
2009 (Millions of Yen)	¥27,863	¥166,335	¥6,576	¥200,774
2011 (Millions of U.S. Dollars)	\$350	\$1,759	\$67	\$2,176

Among sales licenses, trademarks and customer relationships, the significant portion as of March 31, 2011 and 2010 were related to those of Jupiter Shop Channel Co., Ltd. of ¥72,863 million (\$878 million; average remaining amortization period of 13 years) and ¥77,722 million and those of TBC Corporation of ¥28,251 million (\$340 million; average remaining amortization period of 20 years) and ¥31,288 million, respectively.

The intangible assets with finite useful lives are amortized over

their useful lives.

Amortization expenses on intangible assets were recognized in "Cost" and "Selling, general and administrative expenses" in the consolidated statement of comprehensive income.

The intangible assets with indefinite useful lives as of March 31, 2011, 2010 and the date of transition to IFRSs included above were ¥13,778 million (\$166 million), ¥14,409 million and ¥13,169 million respectively, and consist mainly of trademarks. Those

trademarks were acquired through business combinations which are expected to exist as long as business continues, therefore the management consider the useful lives for these as indefinite.

The carrying amount of assets leased under finance leases, net of accumulated amortization and impairment losses, as of March 31, 2011, 2010 and the date of transition to IFRSs were ¥4,550 million (\$55 million), ¥5,811 million and ¥3,364 million, respectively,

and were included in intangible assets, mainly software.

The internally generated intangible assets, net of accumulated amortization and impairment losses, as of March 31, 2011, 2010 and the date of transition to IFRSs were ¥8,167 million (\$98 million), ¥6,430 million and ¥4,315 million, respectively, and mainly were included in software.

## 14 INVESTMENT PROPERTY

Cost and accumulated depreciation and impairment losses of investment property as of March 31, 2011 and 2010 are as follows:

### [Cost]

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Balance, beginning of year	<b>¥305,169</b>	¥271,675	<b>\$3,677</b>
Acquisitions	<b>8,556</b>	22,437	<b>103</b>
Additions through subsequent expenditure	<b>—</b>	2,841	<b>—</b>
Acquisitions through business combinations	<b>3,925</b>	—	<b>47</b>
Disposals	<b>(5,222)</b>	(8,249)	<b>(63)</b>
Exchange differences on translating foreign operations	<b>(4,308)</b>	(2,220)	<b>(52)</b>
Reclassification	<b>3,149</b>	18,137	<b>38</b>
Others	<b>468</b>	548	<b>5</b>
Balance, end of year	<b>¥311,737</b>	¥305,169	<b>\$3,755</b>

### [Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Balance, beginning of year	<b>¥(60,873)</b>	¥(51,680)	<b>\$(733)</b>
Depreciation expenses	<b>(5,748)</b>	(6,098)	<b>(69)</b>
Impairment losses	<b>(10,175)</b>	(4,607)	<b>(123)</b>
Disposals	<b>3,051</b>	1,512	<b>37</b>
Exchange differences on translating foreign operations	<b>674</b>	(11)	<b>8</b>
Others	<b>(998)</b>	11	<b>(12)</b>
Balance, end of year	<b>¥(74,069)</b>	¥(60,873)	<b>\$(892)</b>

Impairment losses recognized for the years ended March 31, 2011 and 2010 were ¥10,175 million (\$123million) and ¥4,607 million, respectively, and were included in "Impairment losses on long-lived assets" in the consolidated statement of comprehensive income. Impairment losses for the year ended March 31, 2011 were recognized mainly in respect of office buildings leased in

Japan, and those impairment losses were recognized in General Products & Real Estate business unit.

Impairment losses for the year ended March 31, 2010 were recognized mainly in respect of office building leasing business in the U.S., and were included in Overseas Subsidiaries and Branches.

### [Carrying amount and fair value]

	Carrying amount	Fair value
2011 (Millions of Yen)	<b>¥237,668</b>	<b>¥287,271</b>
2010 (Millions of Yen)	¥244,296	¥298,817
2009 (Millions of Yen)	¥219,995	¥294,701
2011 (Millions of U.S. Dollars)	<b>\$2,863</b>	<b>\$3,461</b>

The fair value as of the end of each reporting period is based on a valuation conducted by independent valuation appraisers having recent experience in the locations and categories of the investment property being valued and the appropriate and

recognized professional qualifications, such as a registered appraiser. The valuation, which conforms to the standards of the country where the investment property is located, is based on market evidence of transaction prices for similar properties.

Rental income from investment property for the years ended March 31, 2011 and 2010 were ¥28,326 million (\$341million) and ¥31,811million, respectively, and were reported in "Revenue" in the consolidated statement of comprehensive income. Expenses

directly attributable to generating rental income (including repairs and maintenances) for the years ended March 31, 2011 and 2010 were ¥18,811 million (\$227million) and ¥21,220 million, respectively, and were included mainly in "Cost."

## 15 DEFERRED TAXES

The tax effects of temporary differences that give rise to significant components of deferred tax assets and liabilities as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Deferred tax assets:				
Net operating loss carry forwards	¥ 34,123	¥ 45,699	¥ 13,966	\$ 411
Securities and other investments	26,565	24,909	16,780	320
Inventories and long-lived assets	68,341	59,577	55,869	824
Allowance for doubtful receivables	4,572	5,880	1,083	55
Accrued pension and retirement benefits	43,398	38,792	50,970	523
Others	21,681	14,300	16,178	261
Deferred tax assets total	¥ 198,680	¥ 189,157	¥ 154,846	\$ 2,394
Deferred tax liabilities:				
Investments accounted for using the equity method	¥ (53,827)	¥ (40,253)	¥ (31,300)	\$ (649)
Securities and other investments	(33,563)	(57,414)	(19,932)	(405)
Deferred gain on sales of property for tax purposes	(17,114)	(24,272)	(22,418)	(206)
Securities contributed to the Trust	(29,224)	(29,833)	(22,941)	(352)
Long-lived assets	(94,234)	(88,945)	(75,323)	(1,135)
Others	(2,748)	(9,291)	(15,558)	(33)
Deferred tax liabilities total	¥(230,710)	¥(250,008)	¥(187,472)	\$ (2,780)

Deferred tax assets and liabilities reported in the consolidated statement of financial position as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Deferred tax assets	¥ 68,087	¥ 56,921	¥ 63,951	\$ 820
Deferred tax liabilities	(100,117)	(117,772)	(96,577)	(1,206)

Changes in deferred tax assets and liabilities for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Net deferred tax assets (liabilities):			
Balance, beginning of year	¥(60,851)	¥(32,626)	\$ (733)
Cumulative effect of applying a new accounting policy			
Retained earnings	1,325	—	16
Other components of equity	(6,310)	—	(76)
Amount recognized in other comprehensive income:			
Exchange differences on translating foreign operations	(7,964)	(2,278)	(96)
Available-for-sale securities	—	(36,703)	—
Financial assets measured at FVTOCI	27,914	—	336
Cash-flow hedges	(3,278)	1,160	(39)
Actuarial (gains) losses on defined benefit pension plans	9,566	(12,438)	115
Share of other comprehensive income of investments accounted for using the equity method	53	(177)	1
Amount recognized in profit or loss	6,812	36,761	82
Effects on acquisitions and divestitures	703	(14,550)	8
Balance, end of year	¥(32,030)	¥(60,851)	\$ (386)

The amounts recognized in profit or loss for the years ended March 31, 2011 and 2010 principally arose from operating loss carry forwards.

The Companies consider the probability that some or all of the portion of the future deductible temporary differences or operating loss carry forwards can be utilized against future taxable profits on recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, the Companies consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. Based on the level of historical taxable profits and projected future taxable income during the periods in which deferred tax assets can be recognized, the Companies determined that it is probable that tax benefits can be utilized. The amount of the deferred tax assets considered realizable could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. As a result of assessment of recoverability of deferred tax assets, the net change in deferred tax assets for the years ended March 31, 2011 and 2010 was a decrease of ¥5,807 million (\$70 million) and an increase of ¥6,424

million, respectively. Deferred tax assets were not recognized for certain tax losses and deductible temporary differences which relate principally to the net operating loss carryforwards of certain domestic subsidiaries. The Companies performed an analysis of each of these subsidiaries to assess their ability to realize such deferred tax assets and reduced the amount of those assets to the extent that the Companies believe it is not probable that tax benefits will be utilized. No deferred tax assets were recognized at certain domestic subsidiaries attributable to tax losses carryforwards and deductible temporary differences when it is not probable that future taxable profit will be available against which they can be utilized. The amounts of unused tax loss carryforwards and deductible temporary differences for which no deferred tax asset is recognized amounted to ¥24,993 million (\$301 million) and ¥16,131 million (\$194 million) as of March 31, 2011, ¥27,014 million and ¥14,739 million as of March 31, 2010 and ¥29,491 million and ¥25,169 million as of the date of transition to IFRSs, respectively.

The deductible temporary differences do not expire under current tax legislation.

The tax losses for which deferred tax assets were not recognized as of March 31, 2011, 2010 and the date of transition to IFRSs expire as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
1st year	<b>¥ 2,497</b>	¥ 2,333	¥ 3,601	<b>\$ 30</b>
2nd year	<b>542</b>	2,334	981	<b>7</b>
3rd year	<b>1,843</b>	1,028	1,398	<b>22</b>
4th year	<b>2,686</b>	2,456	1,188	<b>32</b>
5th year and thereafter	<b>17,425</b>	18,863	22,323	<b>210</b>
Total	<b>¥24,993</b>	¥27,014	¥29,491	<b>\$301</b>

As of March 31, 2011 and 2010, in principle, the Companies did not recognize a deferred tax liability on the taxable temporary differences associated with investments in subsidiaries because the Companies were in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future. The amount of taxable temporary differences associated with investments in

subsidiaries on which a deferred tax liability was not recognized in the accompanying consolidated financial statements as of March 31, 2011 and 2010 totaled to ¥599,804 million (\$7,227 million) and ¥623,974 million, respectively.

Other current assets as of March 31, 2011, 2010 and the date of transition to IFRSs included tax receivables of ¥14,202 million (\$171 million), ¥31,755 million, and ¥14,440 million, respectively.

## 16 BONDS AND BORROWINGS

### (1) Bonds and Borrowings

Details of the bonds and borrowings (non-current), and interest rates as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Secured:				
Loans from banks and insurance companies, maturing serially through 2024, average interest rate 4.27%	¥ 368,004	¥ 229,502	¥ 230,539	\$ 4,434
Bonds payable in Indonesian rupiah, maturing serially through 2014, average interest rate 10.27%	38,640	26,235	17,015	465
Unsecured:				
Loans from banks and insurance companies, maturing serially through 2026, average interest rate 1.11%	2,634,309	2,462,716	2,255,372	31,739
Bonds payable in Japanese yen due;				
2010, fixed rates	—	10,017	30,035	—
2011, fixed rates 1.28%	20,079	32,155	32,125	242
2012, fixed and floating rates 1.07% to 1.90%	30,084	30,125	30,003	362
2013, fixed and floating rates 1.08% to 1.79%	45,372	45,466	45,272	547
2014, fixed and floating rates 1.51% to 2.10%	40,867	40,931	40,806	492
2015, floating rates 0.98%	15,000	15,000	15,000	181
2016, fixed rates 1.70% to 2.12%	53,062	53,046	52,556	639
2017, fixed and floating rates 1.89% to 1.98%	20,745	20,653	20,635	250
2018, fixed and floating rates 1.89% to 2.07%	25,728	25,602	25,606	310
2019, fixed rates 1.61% to 2.21%	21,136	20,740	10,897	255
2020, fixed rates 1.01% to 1.46%	19,921	9,925	—	240
2022, fixed rates 1.71%	20,394	19,810	—	246
2030, fixed rates 2.26%	10,159	—	—	122
2031, fixed rates 2.19%	9,856	—	—	119
Medium-term notes, maturing serially through 2021, average interest rate 0.53%	66,820	104,443	116,319	805
Various notes and bonds, maturing serially through 2012, average interest rate 1.01%	7,242	11,339	750	87
Subtotal	3,447,418	3,157,705	2,922,930	41,535
Less: Current maturities	(530,455)	(491,919)	(386,535)	(6,391)
Bonds and borrowings (non-current)	¥2,916,963	¥2,665,786	¥2,536,395	\$35,144

Details of the bonds and borrowings (current) as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Short-term loans, principally from banks	¥178,736	¥285,212	¥470,912	\$2,153
Commercial paper	141,244	168,690	321,112	1,702
Total	¥319,980	¥453,902	¥792,024	\$3,855

The differences between the balances stated above and the balances presented as "Bonds and borrowings" in current liabilities of the consolidated statement of financial position are the amounts of bonds and borrowings with current maturities.

The weighted average interest rates for short-term loans for the years ended March 31, 2011 and 2010 were 1.76% and 2.37%, respectively.

The weighted average interest rates for commercial paper for

the years ended March 31, 2011 and 2010 were 0.35% and 0.30%, respectively.

The Companies have lines 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 (\$ 5,361 million) with domestic banks. All of these lines of credit were unused as of March 31, 2011.

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 for the years ended March 31, 2011 and 2010, and currently do not anticipate any prepayment requests.

The Companies have been in compliance with all of the bonds and borrowing obligations covenants for the years ended March 31, 2011 and 2010.

## (2) Assets Pledged as Security

Assets pledged to secure bonds and debt including borrowings as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Cash and deposits	¥ 17,627	¥ 27,670	¥ 17,699	\$ 212
Marketable securities and investments	31,301	28,983	67,560	377
Trade and other receivables	474,638	349,064	317,940	5,719
Inventories	14,255	14,662	13,756	172
Property, plant and equipment (Carrying amount)	79,713	84,359	93,910	960
Investment property (Carrying amount)	23,592	30,990	37,645	284
Total	¥641,126	¥535,728	¥548,510	\$7,724

The corresponding liabilities as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Bonds, borrowings and other	¥495,084	¥305,050	¥376,046	\$5,965

In addition to the above, marketable securities and investments of ¥10,021million (\$121million) were pledged in lieu of a monetary deposit as of March 31, 2011.

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 volume of transactions makes it impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.



## 17 TRADE AND OTHER PAYABLES

The components of trade and other payables as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Notes payable	¥ 50,852	¥ 48,476	¥ 63,719	\$ 613
Accounts payable	905,700	930,624	842,280	10,912
Payable to equity-accounted investees	34,060	29,916	39,865	410
Finance lease obligations	59,238	40,203	48,417	714
Other payables	94,383	123,418	83,787	1,137
Trade and other payables	¥1,144,233	¥1,172,637	¥1,078,068	\$13,786

The amount of trade and other payables as of March 31, 2011 includes financial liabilities measured at FVTPL of ¥64,452 million (\$777 million).

Payable to equity-accounted investees above included finance lease obligations of ¥6,720 million (\$81 million), ¥8,736 million and ¥15,972 million as of March 31, 2011, 2010 and the date of transition to IFRSs, respectively.

The trade and other payables in the consolidated statement of financial position as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Current liabilities	¥1,026,160	¥1,045,833	¥ 971,470	\$12,363
Non-current liabilities	118,073	126,804	106,598	1,423
Total	¥1,144,233	¥1,172,637	¥1,078,068	\$13,786

## 18 PROVISIONS

The change in provisions for the year ended March 31, 2011 is as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥12,587	¥2,309	¥ 3,405	¥18,301
Provisions made	2,234	540	4,486	7,260
Provisions used	(446)	(573)	(1,741)	(2,760)
Accretion expense	316	—	—	316
Others	(566)	—	748	182
Balance, end of year	¥14,125	¥2,276	¥ 6,898	¥23,299

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	\$151	\$28	\$41	\$220
Provisions made	27	6	54	87
Provisions used	(5)	(7)	(21)	(33)
Accretion expense	4	—	—	4
Others	(7)	—	9	2
Balance, end of year	\$170	\$27	\$83	\$280

Provisions in the consolidated statement of financial position as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Current	<b>¥ 5,925</b>	¥ 3,864	¥ 4,208	<b>\$ 71</b>
Non-current	<b>17,374</b>	14,437	14,288	<b>209</b>
Total	<b>¥23,299</b>	¥18,301	¥18,496	<b>\$280</b>

Asset retirement obligations are principally related to the dismantlement costs of oil or coal exploration installations.

The provision for employee benefits mainly represents long service leave entitlements accrued and other provisions primarily consist of the provision for warranties.

## 19 EMPLOYEE BENEFITS

### (1) Retirement Benefit Plans

The Company has non-contributory defined benefit pension plans and lump-sum retirement benefit plans covering substantially all employees other than directors and executive officers. The plans provide benefits based upon years of service, compensation at the time of severance, and other factors.

Most of the subsidiaries have unfunded retirement benefit plans

and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, lump-sum retirement benefit based on the compensation at the time of retirement, years of service and other factors. Certain subsidiaries have defined contribution retirement benefit plans.

The Companies' pension and retirement benefits expense for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Defined contribution plans	<b>¥ (2,537)</b>	¥ (2,143)	<b>\$ (31)</b>
Defined benefit plans	<b>(11,726)</b>	(8,640)	<b>(141)</b>
Total	<b>¥(14,263)</b>	¥(10,783)	<b>\$ (172)</b>

The Companies' pension and retirement benefits expense is included in "Cost" or "Selling, general and administrative expenses" in the consolidated statement of comprehensive income.

Amounts recognized in (loss) profit in respect of these defined benefit plans for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Current service cost	<b>¥ (8,011)</b>	¥(7,481)	<b>\$ (97)</b>
Interest on obligation	<b>(5,090)</b>	(4,830)	<b>(61)</b>
Expected return on plan assets	<b>4,737</b>	4,093	<b>57</b>
Past service cost	<b>(3,362)</b>	(1,145)	<b>(40)</b>
Gain on settlements and curtailments	<b>—</b>	723	<b>—</b>
Total	<b>¥(11,726)</b>	¥(8,640)	<b>\$ (141)</b>

Of the total expense for the year ended March 31, 2011 and 2010, ¥(1,195) million (\$ (14) million) and ¥(1,009) million were included in "Cost" and ¥(10,531) million (\$ (127) million) and ¥(7,631) million in "Selling, general and administrative expenses," respectively.

The total amount of actuarial gains (losses) recognized in other comprehensive income for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen Actuarial gains (losses)	Millions of U.S. Dollars Actuarial gains (losses)
Cumulative amount of actuarial gains (losses) as of April 1, 2009	¥ —	\$ —
Amounts recognized for the year ended March 31, 2010	29,889	360
Cumulative amount of actuarial gains (losses) as of March 31, 2010	29,889	360
Amounts recognized for the year ended March 31, 2011	<b>(23,492)</b>	<b>(283)</b>
Cumulative amount of actuarial gains (losses) as of March 31, 2011	<b>¥ 6,397</b>	<b>\$ 77</b>

Changes in the present value of the defined benefit obligation and changes in the fair value of the plan assets for the years ended March 31, 2011 and 2010 are as follows:

**[Changes in the defined benefit obligation]**

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Balance, beginning of year	<b>¥(193,373)</b>	¥(194,221)	<b>\$ (2,330)</b>
Current service cost	<b>(8,011)</b>	(7,481)	<b>(97)</b>
Interest on obligation	<b>(5,090)</b>	(4,830)	<b>(61)</b>
Plan amendments	<b>(3,362)</b>	(1,145)	<b>(40)</b>
Acquisitions and divestitures	<b>(82)</b>	(175)	<b>(1)</b>
Actuarial (losses) gains	<b>(16,591)</b>	3,894	<b>(200)</b>
Benefits paid	<b>9,287</b>	9,683	<b>112</b>
Exchange differences on translating foreign operations	<b>1,087</b>	(318)	<b>13</b>
Curtailments and settlements	<b>—</b>	1,220	<b>—</b>
Balance, end of year	<b>¥(216,135)</b>	¥(193,373)	<b>\$ (2,604)</b>

**[Changes in the plan assets]**

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Balance, beginning of year	<b>¥217,969</b>	¥192,280	<b>\$2,626</b>
Expected return on plan assets	<b>4,737</b>	4,093	<b>57</b>
Actuarial (losses) gains	<b>(6,901)</b>	25,995	<b>(83)</b>
Acquisitions and divestitures	<b>—</b>	162	<b>—</b>
Contributions from the employer	<b>13,666</b>	3,910	<b>164</b>
Benefits paid	<b>(8,287)</b>	(8,569)	<b>(100)</b>
Exchange differences on translating foreign operations	<b>(864)</b>	218	<b>(10)</b>
Settlements	<b>—</b>	(120)	<b>—</b>
Balance, end of year	<b>¥220,320</b>	¥217,969	<b>\$2,654</b>

The amount included in the consolidated statement of financial position arising from the Companies' obligations in respect of its defined benefit plans as of March 31, 2011, 2010 and the date of transition to IFRSs is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Present value of defined benefit obligation	<b>¥(216,135)</b>	¥(193,373)	¥(194,221)	<b>\$ (2,604)</b>
Fair value of plan assets	<b>220,320</b>	217,969	192,280	<b>2,654</b>
Funded status	<b>4,185</b>	24,596	(1,941)	<b>50</b>
Net asset (liability) arising from defined benefit obligation	<b>¥ 4,185</b>	¥ 24,596	¥ (1,941)	<b>\$ 50</b>
Experience adjustments on defined benefit obligation	<b>¥ (16,591)</b>	¥ 3,894	¥ (9,749)	<b>\$ (200)</b>
Experience adjustments on plan assets	<b>¥ (6,901)</b>	¥ 25,995	¥ (37,477)	<b>\$ (83)</b>

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

The Companies' funding policy is based on a number of factors including the tax deductibility of contributions, funded status, actuarial calculations and other considerations. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future. 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 risk 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 expected 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 50% equity securities, 36% debt securities, and 14% other.

The major categories of plan assets as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

Categories of plan assets	%		
	2011	2010	2009
Equity securities	42	52	35
Debt securities	40	34	35
Others*	18	14	30
Total	100	100	100

\* Others include mainly cash, alternative investments and life insurance company general accounts.

Principal assumptions used for the purpose of the actuarial valuations for the years ended March 31, 2011 and 2010 are as follows:

	%	
	2011	2010
Discount rates as of March 31	2.1	2.4
Expected long-term rates of return on plan assets as of April 1	2.2	2.1
Rate of expected salary increase	2.8	3.0

The Companies' expected long-term rate of return on plan assets assumption is derived from a detailed study that includes a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, risks and correlations for each of the asset classes that comprise the funds' asset mix. The actual return on plan assets for the years ended March 31, 2011 and 2010 were ¥(2,164) million (\$26) million and ¥30,088 million, respectively.

The employer's contributions expected to be paid for the year ending March 31, 2012 are ¥14,917 million (\$180 million).

In addition to lump-sum retirement benefit plans or retirement

benefit pension plans, certain domestic subsidiaries participate in multi-employer defined benefit plan, and recognize the payments made during the fiscal year as an expense and contribution payable as a liability. The amount subsidiaries recognized as an expense for these plans for the years ended March 31, 2011 and 2010, was ¥2,154 million (\$26 million) and ¥1,894 million, respectively.

## (2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the year ended March 31, 2011 and 2010, was ¥47,647 million (\$574 million) and ¥45,703 million, respectively.

## 20 COMMON STOCK

The numbers of shares authorized and issued as of March 31, 2011 and 2010 are as follows:

	2011 (Number of shares)	2010 (Number of shares)
Authorized:		
Ordinary shares	2,000,000,000	2,000,000,000
Issued:		
Balance, beginning of year	1,250,602,867	1,250,602,867
Adjustment for the year	—	—
Balance, end of year	1,250,602,867	1,250,602,867

The number of treasury stock as of March 31, 2011, 2010 and the date of transition to IFRSs included in the number of shares issued shown above were 537,680 shares, 549,786 shares and 576,321 shares, respectively.

## 21 RESERVES

### (1) 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. 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.

### (2) Appropriated for Retained Earnings

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 be transferred to retained earnings upon approval of the general meeting of shareholders.

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 ¥325,723 million (\$ 3,924million), ¥320,515 million and ¥270,972 million, shown by the Company's accounting records for the years ended March 31, 2011 and 2010, and the date of transition to IFRSs, respectively, exclusive of the amount previously appropriated for legal reserve, were not restricted by the limitations under the Company Law.

## 22 OTHER COMPONENTS OF EQUITY AND OTHER COMPREHENSIVE INCOME (LOSS)

The changes in other components of equity for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Exchange differences on translating foreign operations			
Balance, beginning of year	¥ 37,471	¥ —	\$ 451
Adjustment for the year	(85,079)	37,471	(1,024)
Balance, end of year	¥ (47,608)	¥ 37,471	\$ (573)
Available-for-sale securities			
Balance, beginning of year	¥ —	¥ 29,443	\$ —
Adjustment for the year	—	57,618	—
Balance, end of year	¥ —	¥ 87,061	\$ —
Financial assets measured at FVTOCI			
Balance, beginning of year	¥ 87,061	¥ —	\$ 1,049
Cumulative effect of applying a new accounting policy	8,254	—	99
Adjustment for the year	(38,575)	—	(465)
Transfer to retained earnings	(2,993)	—	(36)
Balance, end of year	¥ 53,747	¥ —	\$ 647
Cash-flow hedges			
Balance, beginning of year	¥ (14,603)	¥ (17,429)	\$ (176)
Adjustment for the year	3,645	2,826	44
Balance, end of year	¥ (10,958)	¥ (14,603)	\$ (132)
Actuarial gains (losses) on defined Benefit pension plans			
Balance, beginning of year	¥ —	¥ —	\$ —
Adjustment for the year	(13,825)	17,041	(167)
Transfer to retained earnings	13,825	(17,041)	167
Balance, end of year	¥ —	¥ —	\$ —
Other components of equity			
Balance, beginning of year	¥ 109,929	¥ 12,014	\$ 1,324
Cumulative effect of applying a new accounting policy	8,254	—	99
Adjustment for the year	(133,834)	114,956	(1,612)
Transfer to retained earnings	10,832	(17,041)	131
Balance, end of year	¥ (4,819)	¥109,929	\$ (58)

The following table provides each component of other comprehensive income (loss) included in non-controlling interests for the years ended March 31, 2011 and 2010.

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Exchange differences on translating foreign operations	<b>¥(2,598)</b>	¥1,078	<b>\$(31)</b>
Available-for-sale marketable securities	<b>—</b>	246	<b>—</b>
Financial assets measured at FVTOCI	<b>(216)</b>	—	<b>(3)</b>
Cash-flow hedges	<b>179</b>	(137)	<b>2</b>
Actuarial gains (losses) of defined benefit pension plans	<b>(110)</b>	410	<b>(1)</b>
Other comprehensive income (loss)	<b>¥(2,745)</b>	¥1,597	<b>\$(33)</b>

The following table provides an analysis of each component of other comprehensive income (loss) and related tax effects (including those on non-controlling interests) for the years ended March 31, 2011 and 2010.

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2011</b>			
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	<b>¥ (79,566)</b>	<b>¥ (8,024)</b>	<b>¥ (87,590)</b>
Reclassification to profit or loss for the year	<b>(147)</b>	<b>60</b>	<b>(87)</b>
Adjustment for the year	<b>(79,713)</b>	<b>(7,964)</b>	<b>(87,677)</b>
Available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	<b>—</b>	<b>—</b>	<b>—</b>
Reclassification to profit or loss for the year	<b>—</b>	<b>—</b>	<b>—</b>
Adjustment for the year	<b>—</b>	<b>—</b>	<b>—</b>
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	<b>(67,379)</b>	<b>27,914</b>	<b>(39,465)</b>
Adjustment for the year	<b>(67,379)</b>	<b>27,914</b>	<b>(39,465)</b>
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	<b>(6,209)</b>	<b>1,571</b>	<b>(4,638)</b>
Reclassification to profit or loss for the year	<b>14,388</b>	<b>(4,849)</b>	<b>9,539</b>
Adjustment for the year	<b>8,179</b>	<b>(3,278)</b>	<b>4,901</b>
Actuarial gains (losses) of defined benefit pension plans:			
Unrealized gains (losses) arising during the year	<b>(23,492)</b>	<b>9,566</b>	<b>(13,926)</b>
Adjustment for the year	<b>(23,492)</b>	<b>9,566</b>	<b>(13,926)</b>
Shares of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	<b>(3,101)</b>	<b>53</b>	<b>(3,048)</b>
Reclassification to profit or loss for the year	<b>2,636</b>	<b>—</b>	<b>2,636</b>
Adjustment for the year	<b>(465)</b>	<b>53</b>	<b>(412)</b>
Total other comprehensive income (loss)	<b>¥(162,870)</b>	<b>¥26,291</b>	<b>¥(136,579)</b>



2010	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	¥ 41,118	¥ (2,397)	¥ 38,721
Reclassification to profit or loss for the year	(291)	119	(172)
Adjustment for the year	40,827	(2,278)	38,549
Available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	91,138	(36,207)	54,931
Reclassification to profit or loss for the year	875	(496)	379
Adjustment for the year	92,013	(36,703)	55,310
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	—	—	—
Adjustment for the year	—	—	—
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(16,336)	5,936	(10,400)
Reclassification to profit or loss for the year	13,439	(4,776)	8,663
Adjustment for the year	(2,897)	1,160	(1,737)
Actuarial gains (losses) of defined benefit pension plans:			
Unrealized gains (losses) arising during the year	29,889	(12,438)	17,451
Adjustment for the year	29,889	(12,438)	17,451
Shares of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	3,471	(154)	3,317
Reclassification to profit or loss for the year	3,686	(23)	3,663
Adjustment for the year	7,157	(177)	6,980
Total other comprehensive income (loss)	¥166,989	¥(50,436)	¥116,553

2011	Millions of U.S. Dollars		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	\$ (958)	\$ (97)	\$(1,055)
Reclassification to profit or loss for the year	(2)	1	(1)
Adjustment for the year	(960)	(96)	(1,056)
Available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	—	—	—
Reclassification to profit or loss for the year	—	—	—
Adjustment for the year	—	—	—
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	(811)	336	(475)
Adjustment for the year	(811)	336	(475)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(75)	19	(56)
Reclassification to profit or loss for the year	173	(58)	115
Adjustment for the year	98	(39)	59
Actuarial gains (losses) of defined benefit pension plans:			
Unrealized gains (losses) arising during the year	(283)	115	(168)
Adjustment for the year	(283)	115	(168)
Shares of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	(38)	1	(37)
Reclassification to profit or loss for the year	32	—	32
Adjustment for the year	(6)	1	(5)
Total other comprehensive income (loss)	\$(1,962)	\$317	\$(1,645)

## 23 DIVIDENDS

The Company's basic dividend policy is that dividends are paid twice a year as interim dividends and year-end dividends. Interim dividends are to be approved by the Board of Directors. Year-end dividends are to be approved by the shareholders at the general meeting of shareholders.

Total dividends for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Total dividends:			
Interim dividends	<b>¥20,001</b>	¥11,250	<b>\$241</b>
Dividends per share (Yen/U.S. Dollars)	<b>¥16</b>	¥9	<b>\$0.2</b>
Year-end dividends	<b>25,001</b>	18,751	<b>301</b>
Dividends per share (Yen/U.S. Dollars)	<b>20</b>	15	<b>0.2</b>

For interim dividends for the year ended March 31, 2011 (Total dividends of ¥20,001 million (\$241million)), the date of approval by the Board of Directors was October 29, 2010, the record date was September 30, 2010, and the effective date was December 1, 2010.

For year-end dividends for the year ended March 31, 2011

(Total dividends of ¥25,001 million (\$301million)), the date of approval by the shareholders at the general meeting of shareholders was June 24, 2011, the record date was March 31, 2011, the effective date is June 27, 2011, and the source of dividends is retained earnings.

## 24 SHARE-BASED PAYMENTS

Information relating to the Company's share-based payments is as follows:

### Stock option plan

The Company has stock option plans for directors, executive officers, and corporate officers under the Company's qualification system. Under the plans, each stock option granted after August 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 are 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 are no

transactions on such date). Each stock option granted prior to July 31, 2006 entitles the recipient to acquire 1,000 shares of common stock under the same conditions described above.

The options vest 100% at the grant date. The options granted are exercisable beginning April 1 of the fiscal year after the fiscal year in which they are granted. They are exercisable for four years and three months from that date.

On May 18, 2010, the Board of Directors, and on June 22, 2010, the ordinary general meeting of shareholders, the issue of new stock options for up to 212,000 shares of common stock was authorized. The options for 212,000 shares were granted under these authorizations. On May 17, 2011, the Board of Directors, and on June 24, 2011 the ordinary general meeting of shareholders, the issue of new stock options for up to 200,000 shares of common stock was authorized.

The Company's stock option activities for the years ended March 31, 2011 and 2010 are as follows:

	2011			2010	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen
Outstanding, beginning of year	<b>594,000</b>	<b>¥1,577</b>	<b>\$19</b>	517,000	¥1,822
Granted	<b>212,000</b>	<b>1,004</b>	<b>12</b>	195,000	1,062
Exercised	<b>12,000</b>	<b>1,024</b>	<b>12</b>	5,000	888
Cancelled or expired	<b>63,000</b>	<b>1,461</b>	<b>18</b>	113,000	1,839
Outstanding, end of year	<b>731,000</b>	<b>1,430</b>	<b>17</b>	594,000	1,577
Options exercisable, end of year	<b>525,000</b>	<b>¥1,597</b>	<b>\$19</b>	402,000	¥1,824

Stock options outstanding and exercisable as of March 31, 2011 are as follows:

Exercise price range Yen	2011						
	Outstanding				Exercisable		
	Number of shares	Weighted average exercise price		Weighted average remaining life in years	Number of shares	Weighted average exercise price	
		Yen	U.S. Dollars			Yen	U.S. Dollars
¥1,001–1,200	<b>379,000</b>	<b>¥1,030</b>	<b>\$12</b>	<b>1.48</b>	<b>173,000</b>	<b>¥1,062</b>	<b>\$13</b>
1,401–1,600	<b>143,000</b>	<b>1,537</b>	<b>19</b>	<b>2.25</b>	<b>143,000</b>	<b>1,537</b>	<b>19</b>
1,601–1,800	<b>88,000</b>	<b>1,624</b>	<b>20</b>	<b>0.25</b>	<b>88,000</b>	<b>1,624</b>	<b>20</b>
2,401–2,600	<b>121,000</b>	<b>2,415</b>	<b>29</b>	<b>1.25</b>	<b>121,000</b>	<b>2,415</b>	<b>29</b>
	<b>731,000</b>	<b>¥1,430</b>	<b>\$17</b>	<b>2.64</b>	<b>525,000</b>	<b>¥1,597</b>	<b>\$19</b>

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

	2011	2010
Expected life (year)	<b>4.5</b>	4.5
Risk-free rate (%)	<b>0.30</b>	0.63
Expected volatility (%)	<b>40.14</b>	39.35
Expected dividend yield (%)	<b>2.19</b>	2.05

The Company has stock-linked compensation plans for directors and executive officers. Under the plans, each stock option granted beginning August 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 on and before July 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% as of the grant date. The options granted are exercisable beginning the day after leaving their positions as both director and executive officer of the Company. The

options are exercisable for ten years from that date.

On May 18, 2010, the Board of Directors, and June 22, 2010, the ordinary general meeting of shareholders, the issue of new stock options under these stock-linked compensation plans for up to 400,000 shares of common stock was authorized. Options for 217,200 shares were granted under these authorizations. On May 17, 2011, the Board of Directors, and June 24, 2011, the ordinary general meeting of shareholders, the issue of new stock options for up to 340,000 shares of common stock based on the plans was authorized.

The Company's stock-linked compensation plans for the years ended March 31, 2011 and 2010 are as follows:

	2011	2010
	Number of shares	Number of shares
Outstanding, beginning of year	<b>460,500</b>	300,800
Granted	<b>217,200</b>	187,500
Exercised	<b>7,300</b>	27,800
Cancelled or expired	<b>—</b>	—
Outstanding, end of year	<b>670,400</b>	460,500
Options exercisable, end of the year	<b>90,600</b>	76,300

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

	2011	2010
Expected life (year)	<b>2.61</b>	3.35
Risk-free rate (%)	<b>0.15</b>	0.47
Expected volatility (%)	<b>45.77</b>	42.19
Expected dividend yield (%)	<b>2.97</b>	2.18

Compensation expense incurred based on the stock option plans and the stock-linked compensation plans for the years ended March 31, 2011 and 2010 was ¥234 million (\$3 million) and ¥207 million, respectively.

## 25 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Capital Management

The fundamental principles of the Companies' capital management are to maintain appropriate capital level and the debt and equity balance to manage the business risk for the purpose to maintain management soundness and efficiency and to promote continuous growth.

The key metrics used for capital management are as follows:

- Risk-adjusted assets \*1 and equity balances
- Times of interest-bearing liabilities (net) \*2 to equity (Debt-equity ratio (net))

\*1 Risk-adjusted assets is the maximum loss exposure and is calculated by multiplying risk weight, which the Companies have considered individually in accordance with potential loss risk, with assets including trade and other receivables, inventories, fixed assets and investments, and adding derivatives and the loss exposure related commitments and contingent liabilities. The maximum loss exposure is measured statistically under the variability of the market values of assets related businesses and calculated based on a number of subjective judgments, estimates and assumptions concerning the all-around economic circumstances and tendencies of the industry.

\*2 Interest-bearing liabilities (net) is total debt less the amount of cash and cash equivalents and time deposits.

Management monitors the strategies for profits and investments and the metrics at the timing of planning and reviewing of medium-term management plan.

The Company is not subject to any externally imposed capital requirements (except for general requirement, such as these under the Company Law).

### (2) Financial 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, foreign currency swaps, 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 continuously 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 financial assets, 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 the contracts are diversified across a number of major financial institutions. The Companies' basic policy for fund raising activities is to secure stable, medium- to long-term funds and liquidity for our operations.

#### 1. 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 mainly to preserve the economic value of cash flows in non-functional currencies by using foreign exchange forward contracts, foreign currency swaps, considering netting effect of foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments.

The net of foreign currency risk exposures as of March 31, 2011 and 2010 are as follows:

	2011					
	U.S. Dollars	G.B. Pounds	China Yuan	Euro	Others	Total
Recurring positions:						
Millions of Yen	7,305	377	9,581	(786)	25,316	41,793
Thousands of local currency	87,848	2,816	754,517	(6,682)	—	—
Non-recurring positions:						
Millions of Yen	10,839	482	2,331	2,243	27,430	43,325
Thousands of local currency	130,361	3,600	183,597	19,081	—	—
	2010					
	U.S. Dollars	G.B. Pounds	China Yuan	Euro	Others	Total
Recurring positions:						
Millions of Yen	5,182	(330)	11,132	603	18,520	35,107
Thousands of local currency	55,699	(2,347)	816,671	4,828	—	—
Non-recurring positions:						
Millions of Yen	12,558	135	3,456	3,797	19,800	39,746
Thousands of local currency	134,979	958	253,531	30,397	—	—

\*1 The foreign exchange gains or losses on recurring positions are recognized in profit or loss.

Recurring positions are the risk exposures arising from foreign currency trade receivables and payables, future contracts for sell and purchase transactions, derivatives and others. The foreign exchange gains or losses on non-recurring positions are recognized in other comprehensive income. Non-recurring positions are the risk exposures arising from foreign currency investments and others.

\*2 The positive balance represents a receivable position and the negative balance represents a payable position.

(a) Foreign currency sensitivity analysis

The following table represents the Companies' sensitivity analysis for the foreign currency risk exposures. The analysis shows a hypothetical impact on profit before tax as reported in the consolidated statement of comprehensive income that would result from 1% appreciation of Yen against all foreign currencies for the recurring positions at the end of the year. The analysis is based on the assumption that other factors such as outstanding balance and interest rates are constant.

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Profit before tax	<b>¥(418)</b>	¥(351)	<b>\$ (5)</b>

(b) Forward foreign exchange contracts

Forward foreign exchange contracts outstanding as of March 31, 2011, 2010 and the date of transition to IFRSs are mainly as follows:

	Average exchange rate	Foreign currency	Notional amount	Fair value
		Thousands of local currency	Millions of Yen	Millions of Yen
<b>2011</b>	Yen			
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	<b>¥84.87</b>	<b>\$2,907,759</b>	<b>¥246,790</b>	<b>¥(5,274)</b>
Due after one year	<b>85.90</b>	<b>582,137</b>	<b>50,007</b>	<b>(3,306)</b>
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	<b>82.47</b>	<b>3,218,741</b>	<b>265,446</b>	<b>(1,957)</b>
Due after one year	<b>87.62</b>	<b>186,716</b>	<b>16,360</b>	<b>1,343</b>
	Average exchange rate	Foreign currency	Notional amount	Fair value
		Thousands of local currency	Millions of Yen	Millions of Yen
<b>2010</b>	Yen			
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	¥92.77	\$3,474,202	¥322,299	¥ 611
Due after one year	88.00	813,559	71,593	1,462
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	90.98	3,469,915	315,911	(7,281)
Due after one year	89.99	219,956	19,794	290
	Average exchange rate	Foreign currency	Notional amount	Fair value
		Thousands of local currency	Millions of Yen	Millions of Yen
<b>2009</b>	Yen			
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	¥99.31	\$1,930,122	¥191,686	¥(3,015)
Due after one year	92.59	1,423,172	131,768	2,514
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	96.66	2,540,129	245,514	(3,651)
Due after one year	92.72	323,902	30,033	(351)

### (c) Currency swap agreements

Currency swap agreements outstanding as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Average exchange rate	Foreign currency Thousands of local currency	Notional amount	Fair value
	Yen		Millions of Yen	Millions of Yen
<b>2011</b>				
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	<b>¥ 82.57</b>	<b>\$2,290,767</b>	<b>¥189,137</b>	<b>¥(1,647)</b>
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	<b>118.12</b>	<b>67,729</b>	<b>8,000</b>	<b>2,429</b>
Due after one year	<b>119.58</b>	<b>29,269</b>	<b>3,500</b>	<b>1,108</b>
	Average exchange rate	Foreign currency Thousands of local currency	Notional amount	Fair value
	Yen		Millions of Yen	Millions of Yen
<b>2010</b>				
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	¥ 90.27	\$2,509,761	¥226,558	¥(7,087)
Due after one year	120.40	8,306	1,000	12
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	115.21	184,636	21,273	3,789
Due after one year	119.24	137,563	16,400	3,724
	Average exchange rate	Foreign currency Thousands of local currency	Notional amount	Fair value
	Yen		Millions of Yen	Millions of Yen
<b>2009</b>				
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	¥ 97.14	\$2,584,394	¥251,036	¥(3,560)
Due after one year	114.45	32,249	3,691	0
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	112.99	166,380	18,800	733
Due after one year	115.85	409,244	47,300	3,468

## 2. Interest rate risk management

The Companies are exposed to market risks arising from changes in interest rates in their business activities. In particular, interest rate fluctuations affect on borrowing costs because a major part of the outstanding debt instruments are floating rate instruments and short-term borrowings are refinanced from time to time.

However, the impact on borrowing costs are partially offset by returns on certain assets which also be impacted by interest rate fluctuations. In addition, the Companies are engaged in financing activities, such as automobile financing, which could be affected by interest rate fluctuations. The Companies are monitoring the interest rate risk arising from the assets and liabilities and the Companies' risk management structure is prepared to utilize derivatives contracts such as the interest rate swap to manage fluctuation of profits or losses due to the drastic fluctuations of interest rate.

### Interest rate sensitivity analysis

The following table represents the hypothetical impact on

the Companies' profit before tax that is attributable to the financial instruments exposed to fluctuation risk of interest rates in case interest rate would increase by 1%. The analysis is calculated by multiplying 1% by the net amounts of floating rate interest bearing financial assets and liabilities as of March 31, 2011 and 2010, without considering change of balance, currency exchange fluctuation and dispersing effect for floating rate borrowings derived from the timing differences to refund and revise the rate in the future and is based on the assumption that other variable factors are held constant.

A sensitivity analysis to fluctuation of market interest rate is performed for the potential cash flow exposures from the interest rate bearing debts and loans with floating rate. The floating rate loans include those with fixed rate which are converted to floating rate with interest rate swap contracts. The sensitivity from the interest bearing financial assets and liabilities such as cash and cash equivalents, time deposit and unsettled receivables and payables are also taken into consideration.

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Profit before tax	<b>¥(16,439)</b>	¥(15,748)	<b>\$ (198)</b>

### 3. Credit risk management

The Companies have original incorporated credit rating model, the Sumisho Credit Rating ("SCR"), to assess customers' credit risk. The authority level to provide credit exposure to customers depends on the nine assigned credit ratings, which is determined by the creditability of the customers and the risk weight for each rating criteria which ranges from 2% to 80%. Credit exposure is controlled within these credit lines that are reviewed regularly.

The Companies' receivables are from a large number of customers, spreading across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, the receivables are secured by pledge.

The Companies do not have significant concentrated credit risk exposure to any single counterparty or any group of counterparties.

The credit risk on deposits and derivatives is limited because the counterparties are internationally recognized financial institutions.

The total amounts of guarantees and the carrying amount of financial assets recorded in the consolidated statement of financial positions, net of impairment losses, represent the Companies'

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 for the year ended March 31, 2011 and 2010:

The Companies use the VaR for the purpose of risk management by each organization and do not eliminate intra-group transactions.

	Millions of Yen			
	2011			
	At year-end	High	Low	Average
VaR	¥3,885	¥4,855	¥3,337	¥4,045

	Millions of Yen			
	2010			
	At year-end	High	Low	Average
VaR	¥4,901	¥7,008	¥4,553	¥5,645

	Millions of U.S. Dollars			
	2011			
	At year-end	High	Low	Average
VaR	\$47	\$58	\$40	\$49

The Companies estimate VaR during the defined periods mainly using the Monte Carlo simulation method with a confidence level of 99%. As VaR incorporates historical data regarding changes in market risk factors, the actual results may differ significantly from the calculations above. In addition, the Companies periodically conduct back testing in which estimated quantitative risks are compared with actual gains or losses to verify the accuracy of the VaR measurement model. The actual value of gains or losses fell within our VaR threshold in the back testing during the twelve months ended December 31, 2010 which was the most recent period for which back testing was conducted. Based on the back testing, management believes the VaR model has provided reasonably accurate measurements.

maximum exposure to credit risk without taking account of any collateral obtained.

### 4. Commodity price risk management

The Companies trade in commodities such as physical precious and base metals, energy products and agricultural products and engage in investments in metal mining, and oil and gas development. As a result of these activities, the Companies are exposed to risk of price fluctuations of commodities. The Companies intend to reduce the risk related to the fluctuation of commodity prices by hedge-selling commodities, matching the volume and timing of selling and purchasing commodities, or using derivatives. The Companies use derivatives for trading purposes within defined position limits and loss limits.

#### Commodity price risk sensitivity analysis

The Companies use the Value-at-Risk ("VaR") method to measure the market risk for certain market-sensitive commodity transactions, including transactions associated with precious and base metals, energy products, and agricultural products.

### 5. Liquidity risk management

The Companies' basic policy for financing operation is to secure stable medium- to long-term funds and sufficient liquidity for the operations. Management has been monitoring liquidity risk by setting various worst case scenarios including financial market turmoil. The Companies secure necessary liquidity from the cash flows from operations, borrowing from financial institutions with which the Companies have good relationships, bonds issued in the capital markets, and issuance of commercial paper.

The Companies deposit these funds at the highly creditable financial institutions to which generally high credit ratings are given by the credit rating agencies.

The Companies have several unused committed lines of credit for short-term loans with leading domestic and international financial institutions and several uncommitted lines of credit to reduce the liquidity risk.



The Companies' remaining contractual maturities for non-derivative financial liabilities (excluding lease obligations and some other liabilities) as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

		Millions of Yen			
		Due in one year or less	Due after one year through five years	Due after five years	Total
<b>2011</b>					
Bonds and borrowings		<b>¥ 850,435</b>	<b>¥1,780,170</b>	<b>¥1,136,793</b>	<b>¥3,767,398</b>
Trade and other payables		<b>999,096</b>	<b>26,705</b>	<b>43,080</b>	<b>1,068,881</b>
Financial guarantee contracts		<b>43,955</b>	<b>93,456</b>	<b>34,071</b>	<b>171,482</b>
2010					
Bonds and borrowings		¥ 945,821	¥1,670,957	¥ 994,829	¥3,611,607
Trade and other payables		1,019,100	13,218	60,160	1,092,478
Financial guarantee contracts		144,788	93,697	51,963	290,448
2009					
Bonds and borrowings		¥1,178,559	¥1,636,697	¥ 899,698	¥3,714,954
Trade and other payables		937,737	23,198	43,939	1,004,874
Financial guarantee contracts		186,104	76,793	37,521	300,418
		Millions of U.S. Dollars			
		Due in one year or less	Due after one year through five years	Due after five years	Total
<b>2011</b>					
Bonds and borrowings		<b>\$10,246</b>	<b>\$21,448</b>	<b>\$13,696</b>	<b>\$45,390</b>
Trade and other payables		<b>12,037</b>	<b>322</b>	<b>519</b>	<b>12,878</b>
Financial guarantee contracts		<b>530</b>	<b>1,126</b>	<b>410</b>	<b>2,066</b>

The Companies' liquidity analysis for its derivatives as of March 31, 2011, 2010 and the date of transition to IFRSs is shown below. The table is based on the contractual future cash inflows and outflows of derivative instruments, and the net contractual cash inflows and outflows of gross-settled derivative instruments on a

transaction-by-transaction basis are included. When receipt and payment of cash are not fixed, the amount disclosed was calculated based on the projected interest rates by reference to the yield curves at the end of the reporting period.

		Millions of Yen			
		Due in one year or less	Due after one year through five years	Due after five years	Total
<b>2011</b>					
Interest rate contracts	cash receipt	<b>¥ 7,326</b>	<b>¥ 23,839</b>	<b>¥ 9,758</b>	<b>¥ 40,923</b>
	/ (payment)	<b>(2,409)</b>	<b>(5,231)</b>	<b>(3,715)</b>	<b>(11,355)</b>
Foreign exchange contracts	cash receipt	<b>10,339</b>	<b>4,721</b>	<b>149</b>	<b>15,209</b>
	/ (payment)	<b>(19,514)</b>	<b>(4,179)</b>	<b>(295)</b>	<b>(23,988)</b>
Commodity contracts	cash receipt	<b>64,169</b>	<b>5,682</b>	<b>6,667</b>	<b>76,518</b>
	/ (payment)	<b>(71,816)</b>	<b>(16,588)</b>	<b>(8,910)</b>	<b>(97,314)</b>
2010					
Interest rate contracts	cash receipt	¥ 6,652	¥ 18,677	¥ 8,782	¥ 34,111
	/ (payment)	(4,658)	(4,382)	(1,670)	(10,710)
Foreign exchange contracts	cash receipt	12,354	8,877	203	21,434
	/ (payment)	(24,638)	(6,317)	(307)	(31,262)
Commodity contracts	cash receipt	56,824	13,943	292	71,059
	/ (payment)	(59,090)	(26,417)	(12,630)	(98,137)
2009					
Interest rate contracts	cash receipt	¥ 3,671	¥ 14,285	¥ 10,205	¥ 28,161
	/ (payment)	(3,113)	(3,856)	(1,552)	(8,521)
Foreign exchange contracts	cash receipt	21,885	19,438	1,372	42,695
	/ (payment)	(37,075)	(4,184)	(662)	(41,921)
Commodity contracts	cash receipt	69,115	15,397	12	84,524
	/ (payment)	(68,788)	(29,840)	(25,150)	(123,778)

		Millions of U.S. Dollars			
		Due in one year or less	Due after one year through five years	Due after five years	Total
<b>2011</b>					
Interest rate contracts	cash receipt	<b>\$ 88</b>	<b>\$ 287</b>	<b>\$ 118</b>	<b>\$ 493</b>
	/ (payment)	<b>(29)</b>	<b>(63)</b>	<b>(45)</b>	<b>(137)</b>
Foreign exchange contracts	cash receipt	<b>124</b>	<b>57</b>	<b>2</b>	<b>183</b>
	/ (payment)	<b>(235)</b>	<b>(50)</b>	<b>(4)</b>	<b>(289)</b>
Commodity contracts	cash receipt	<b>773</b>	<b>69</b>	<b>80</b>	<b>922</b>
	/ (payment)	<b>(865)</b>	<b>(200)</b>	<b>(107)</b>	<b>(1,172)</b>

### (3) Fair Value of Financial Instruments

#### 1. Fair value measurements

The fair values of financial assets and liabilities are determined as follows:

Quoted market prices, if available, are used as fair values of financial instruments. If quoted market prices are not available, fair values for such financial instruments are measured by using appropriate measurement techniques such as a discounted future cash flow method or others.

#### Cash and cash equivalents, time deposits and marketable securities

The carrying amounts of these instruments approximate their fair value due to their short-term maturities.

#### Other investments

The fair values of marketable securities are estimated using quoted market prices. Other investments include investments mainly in common stock and debt securities of unlisted companies of customers, suppliers that are not applied to equity method, and investments in unlisted preferred stock of certain financial institutions. The Companies have not estimated the fair value of unlisted investments in common stock as of March 31, 2010 and the date of transition to IFRSs due to the lack of a quoted market price.

As of March 31, 2011, fair values of unlisted investments in common stock are determined by discounted future cash flow method, valuation models based on revenue, profitability and net assets of investees, market values of comparable companies, and other valuation approaches.

#### Trade and other receivables, trade and other payables

The fair values of current and non-current trade receivables and payables, except for loans with floating rates whose carrying amounts approximate fair value, are estimated by discounted future

cash flow analysis, using interest rates currently being offered for loans or accounts receivables with similar terms to borrowers or customers of similar credit quality and remaining maturities.

#### Bonds and borrowings

The fair values of bonds and borrowings, except for debt with floating rates whose carrying amount approximates fair value, are estimated by discounted future cash flow analysis using interest rates currently available for similar types of borrowings with similar terms and remaining maturities.

#### Guarantee of third party debt

The fair values of financial guarantees are estimated, based on the premiums received or receivables by guarantors in an arm's length transactions with unrelated parties.

#### 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 quoted market prices for contracts with similar terms.

#### Interest rate future contracts, bond future contracts

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

#### Commodity forwards, futures and swap contracts

The fair values of commodity forwards, futures and swap contracts are estimated using quoted market prices.

## 2. Financial instruments measured at amortized cost

The fair values of financial instruments measured at amortized cost as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows. Financial instruments measured at amortized cost that are included in "Marketable securities" and "Other investments" are disclosed in Note 6.

	Millions of Yen	
	2011	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥2,086,394	¥2,088,755
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,767,398	3,789,887
Trade and other payables	1,079,781	1,079,879

	Millions of Yen	
	2010	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥2,121,098	¥2,123,879
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,611,607	3,630,568
Trade and other payables	1,172,637	1,172,477

	Millions of Yen	
	2009	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥2,272,640	¥2,274,546
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,714,954	3,732,202
Trade and other payables	1,078,068	1,077,888

	Millions of U.S. Dollars	
	2011	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	\$25,137	\$25,166
Financial liabilities measured at amortized cost:		
Bonds and borrowings	45,390	45,661
Trade and other payables	13,009	13,011

## 3. Financial instruments measured at fair value

International Financial Reporting Standard No. 7 *Financial Instruments: Disclosures* requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Companies early applied the exemption of IFRS 1 that permit an entity not to provide fair value hierarchy disclosures for periods ended before December 31, 2009.

The fair value hierarchy has the following levels:

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 assets or liabilities, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liabilities.

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

The fair values of financial assets and liabilities measured at fair value, grouped into fair value hierarchy as of March 31, 2011 and 2010 are as follows:

2011	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 5,157	¥ 157	¥ 26,467	¥ 31,781
Financial assets measured at FVTOCI	285,839	46,857	78,754	411,450
Trade and other receivables measured at FVTPL	—	47,462	—	47,462
Other financial assets (derivatives)				
Derivatives designated as hedges	—	43,922	—	43,922
Derivatives not designated as hedges	10,087	77,510	93	87,690
Total	¥301,083	¥ 215,908	¥105,314	¥ 622,305
Liabilities:				
Trade and other payables measured at FVTPL	¥ —	¥ (64,452)	¥ —	¥ (64,452)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(17,141)	—	(17,141)
Derivatives not designated as hedges	(9,755)	(87,216)	(18,149)	(115,120)
Total	¥ (9,755)	¥(168,809)	¥ (18,149)	¥(196,713)

2010	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	¥ 5,008	¥ —	¥ —	¥ 5,008
Available-for-sale securities	361,311	48,522	—	409,833
Derivatives	10,696	114,747	120	125,563
Total	¥377,015	¥ 163,269	¥ 120	¥ 540,404
Liabilities:				
Derivatives	¥ (6,373)	¥(113,014)	¥(20,499)	¥(139,886)
Total	¥ (6,373)	¥(113,014)	¥(20,499)	¥(139,886)

2011	Millions of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments				
Financial assets measured at FVTPL	\$ 62	\$ 2	\$ 319	\$ 383
Financial assets measured at FVTOCI	3,444	564	949	4,957
Trade and other receivables measured at FVTPL	—	572	—	572
Other financial assets (derivatives)				
Derivatives designated as hedges	—	529	—	529
Derivatives not designated as hedges	122	934	1	1,057
Total	\$3,628	\$ 2,601	\$1,269	\$ 7,498
Liabilities:				
Trade and other payables measured at FVTPL	\$ —	\$ (777)	\$ —	\$ (777)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(206)	—	(206)
Derivatives not designated as hedges	(117)	(1,051)	(219)	(1,387)
Total	\$ (117)	\$(2,034)	\$ (219)	\$(2,370)

Reconciliation between the beginning and ending balance of financial assets measured at fair value on a recurring basis using Level 3 inputs for the year ended March 31, 2011 is as follows:

	Millions of Yen		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
<b>2011</b>			
Balance, beginning of year	¥28,604	¥78,268	¥(20,379)
Purchases	3,351	5,055	—
Comprehensive income			
Profit or loss for the year	967	—	(2,443)
Other comprehensive income	—	2,813	—
Disposal	(5,361)	(7,382)	—
Settlements	(1,094)	—	4,766
Balance, end of year	¥26,467	¥78,754	¥(18,056)
Profit or loss for the year included in earnings relating to financial instruments still held at the end of year	¥ 758	¥ —	¥ (3,508)

	Millions of U.S. Dollars		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
<b>2011</b>			
Balance, beginning of year	\$345	\$943	\$(246)
Purchases	40	61	—
Comprehensive income			
Profit or loss for the year	12	—	(29)
Other comprehensive income	—	34	—
Disposal	(65)	(89)	—
Settlements	(13)	—	57
Balance, end of year	\$319	\$949	\$(218)
Profit or loss for the year included in earnings relating to financial instruments still held at the end of year	\$ 9	\$ —	\$ (42)

The above profit or loss for the year were included in “Sales of tangible products,” “Cost of tangible products sold,” “Gain on sale of securities and other investments,” “Loss on revaluations of securities and other investments” in the consolidated statement of comprehensive income.

#### (4) Derivatives and Hedge Accounting

##### Fair-value hedges

Fair-value hedge is a type of hedge that eliminates the risk of changes in the fair values of assets and liabilities or firm commitments. The Companies use commodity future contracts and foreign exchange forward contracts to hedge the changes in fair values

on firm commitments. The Companies use interest rate swaps to hedge the changes in fair values on fixed rate borrowings used to fund assets earning interest at variable rates. Changes in the fair values of derivatives designated as fair-value hedges are recognized in profit or loss and are offset by corresponding changes in the fair values of the hedged item to the extent of hedge effectiveness. For the years ended March 31, 2011 and 2010, net gains or losses for hedged items were loss of ¥4,803 million (\$58 million) and loss of ¥7,205 million, respectively, and net gains or losses for hedging instruments were gain of ¥4,803 million (\$58 million) and gain of ¥7,205 million, respectively.

### Cash-flow hedges

Cash-flow hedge is a type of hedge that uses derivatives to offset the variability of expected future cash flows. The Companies use commodity future contracts and foreign exchange forward 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 recognized changes in the fair values of derivative instruments that are designated and qualified as cash-flow hedges in other comprehensive income and accumulated in other components of equity. Such amounts are reclassified into profit or loss in the period when the hedged items are recognized in profit or loss. For the years ended March 31, 2011 and 2010, net derivative gains or losses (net of the related tax) that were expected to be reclassified into profit or loss within the next fiscal year were loss of ¥8,660 million (\$104 million) and loss of ¥11,686 million, respectively.

### Hedges of net investments in foreign operations

The Companies use currency swaps and foreign currency borrowings to hedge the foreign currency risk of the net investments in foreign operations. The Companies recognized changes in fair values of derivatives designated as hedging instruments and exchange differences in foreign currency borrowings designated as hedging instruments in other comprehensive income and

accumulated in other components of equity to the extent of hedge effectiveness.

### Derivatives not designated as hedges

International Accounting Standard No. 39 *Financial Instruments: Recognition and measurement* specifies certain criteria that must be met in order to apply hedge accounting. For example, hedge accounting is not permitted for hedged items that are re-measured with the changes in fair values attributable to the hedged risk reported currently in profit or loss.

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 values are recognized in profit or loss.

The fair values of derivative instruments as of March 31, 2011, 2010 and the date of transition to IFRSs are as follows:

	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
<b>2011</b>					
[Derivative assets]					
Interest rate contracts	¥33,834	¥ —	¥ —	¥ 6,051	¥ 39,885
Foreign exchange contracts	3,576	2,648	125	8,860	15,209
Commodity contracts	1,491	2,248	—	72,779	76,518
Total	¥38,901	¥ 4,896	¥ 125	¥ 87,690	¥ 131,612
Other financial assets (current)					68,641
Other financial assets (non-current)					53,507
Total					¥ 122,148
[Derivative liabilities]					
Interest rate contracts	¥ (2,190)	¥ (3,019)	¥ —	¥ (5,750)	¥ (10,959)
Foreign exchange contracts	(3)	(6,019)	(1,634)	(16,332)	(23,988)
Commodity contracts	(227)	(4,049)	—	(93,038)	(97,314)
Total	¥ (2,420)	¥(13,087)	¥(1,634)	¥(115,120)	¥(132,261)
Other financial liabilities (current)					(92,136)
Other financial liabilities (non-current)					(33,998)
Total					¥(126,134)

Other than the above, the Companies have foreign currency borrowings of ¥17,449 million (\$210 million) that are designated as hedging instruments to hedge the net investments in foreign operations.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the consolidated statement of financial position resulted from offsetting derivative assets and derivative liabilities with deposits.

	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
2010					
[Derivative assets]					
Interest rate contracts	¥27,795	¥ 4	¥ —	¥ 5,271	¥ 33,070
Foreign exchange contracts	3,740	1,060	195	16,439	21,434
Commodity contracts	3,431	2,612	—	65,016	71,059
Total	¥34,966	¥ 3,676	¥ 195	¥ 86,726	¥ 125,563
Other financial assets (current)					67,800
Other financial assets (non-current)					53,723
Total					¥ 121,523
[Derivative liabilities]					
Interest rate contracts	¥ (2,967)	¥ (2,179)	¥ —	¥ (5,341)	¥ (10,487)
Foreign exchange contracts	(27)	(7,789)	(2,871)	(20,575)	(31,262)
Commodity contracts	(268)	(8,461)	—	(89,408)	(98,137)
Total	¥ (3,262)	¥ (18,429)	¥ (2,871)	¥ (115,324)	¥ (139,886)
Other financial liabilities (current)					(87,776)
Other financial liabilities (non-current)					(52,434)
Total					¥ (140,210)

Other than the above, the Companies have foreign currency borrowings of ¥20,743 million that are designated as hedging instruments to hedge the net investments in foreign operations.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the consolidated statement of financial position resulted from offsetting derivative assets and derivative liabilities with deposits.

	Millions of Yen				
			Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
2009	Fair-value hedges	Cash-flow hedges			
[Derivative assets]					
Interest rate contracts	¥25,000	¥ —	¥ —	¥ 1,299	¥ 26,299
Foreign exchange contracts	6,975	11,133	281	24,306	42,695
Commodity contracts	22	1,078	—	83,424	84,524
Total	¥31,997	¥ 12,211	¥ 281	¥ 109,029	¥ 153,518
Other financial assets (current)					83,078
Other financial assets (non-current)					62,600
Total					¥ 145,678
[Derivative liabilities]					
Interest rate contracts	¥(3,255)	¥ (1,551)	¥ —	¥ (2,878)	¥ (7,684)
Foreign exchange contracts	(592)	(4,925)	(2,845)	(33,559)	(41,921)
Commodity contracts	(1,263)	(5,468)	—	(117,047)	(123,778)
Total	¥(5,110)	¥(11,944)	¥(2,845)	¥(153,484)	¥(173,383)
Other financial liabilities (current)					(106,093)
Other financial liabilities (non-current)					(67,107)
Total					¥(173,200)



Other than the above, the Companies have foreign currency borrowings of ¥9,818 million that are designated as hedging instruments to hedge the net investments in foreign operations.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the consolidated statement of financial position resulted from offsetting derivative assets and derivative liabilities with deposits.

	Millions of U.S. Dollars				Total
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	
<b>2011</b>					
[Derivative assets]					
Interest rate contracts	\$408	\$ —	\$ —	\$ 73	\$ 481
Foreign exchange contracts	43	32	1	107	183
Commodity contracts	18	27	—	877	922
Total	\$469	\$ 59	\$ 1	\$ 1,057	\$ 1,586
Other financial assets (current)					827
Other financial assets (non-current)					645
Total					\$ 1,472
[Derivative liabilities]					
Interest rate contracts	\$ (26)	\$ (37)	\$ —	\$ (69)	\$ (132)
Foreign exchange contracts	(0)	(72)	(20)	(197)	(289)
Commodity contracts	(3)	(49)	—	(1,121)	(1,173)
Total	\$ (29)	\$ (158)	\$ (20)	\$ (1,387)	\$ (1,594)
Other financial liabilities (current)					(1,110)
Other financial liabilities (non-current)					(410)
Total					\$ (1,520)

## 26 EXCHANGE DIFFERENCE 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 profit or loss as they arise. Net exchange difference losses of ¥3,738 million (\$45 million) and gains of ¥216 million were included in the consolidated statement of comprehensive income for the years ended March 31, 2011 and 2010, respectively.

## 27 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Employee benefits expenses	¥331,930	¥322,406	\$3,999
Equipment expenses	109,821	109,064	1,323
Travel and transportation expenses	23,513	21,689	283
Outsourcing expenses	52,702	52,961	635
Advertising expenses	27,844	28,845	336
Amortization expenses of intangible assets	19,689	21,957	237
Impairment losses on receivables	16,446	19,279	198
Others	78,745	74,417	949
Selling, general and administrative expenses	¥660,690	¥650,618	\$7,960

Equipment expenses disclosed above mainly includes rental expenses and depreciation of property, plant and equipment.

## 28 FINANCE INCOME AND COSTS

### (1) For the year ended March 31, 2011

Finance Income and Costs are as follows:

	Millions of Yen	Millions of U.S. dollars
Interest income:		
Financial assets measured at FVTPL	¥ 90	\$ 1
Financial assets measured at amortized cost	11,192	135
Derivatives	2,637	32
Total	13,919	168
Dividends:		
Financial assets measured at FVTPL	732	9
Financial assets measured at FVTOCI	9,279	112
Total	10,011	121
Gain on sale of securities and other investments:		
Financial assets measured at FVTPL	1,473	18
Others	10,014	120
Total	11,487	138
Interest expense:		
Financial liabilities measured at amortized cost	(37,069)	(447)
Derivatives	5,060	61
Total	(32,009)	(386)
Loss on revaluation of securities and other investments :		
Financial assets measured at FVTPL	786	9
Others	(2,796)	(33)
Total	¥ (2,010)	\$ (24)

Others of "Gain on sale of securities and other investments" are mainly gain on subsidiaries and associates, which includes ¥6,700 million (\$81 million) that was recognized due to deconsolidation of subsidiaries.

Others of "Loss on revaluation of securities and other investments" includes of which were recognized on subsidiaries and equity-accounted investees.

In addition to the above, gain or loss on revaluation of

derivatives not designated as hedge were a loss of ¥8,072 million (\$97 million) in "Revenues" and "Cost," and a gain of ¥342 million (\$4 million) in "Other, net."

Interest income from financial assets measured at amortized cost was ¥55,824 million (\$673 million) and was included in "Revenues." Interest expense from financial liabilities measured at amortized cost was ¥27,321 million (\$329 million) and was included in "Cost."

### (2) For the year ended March 31, 2010

Proceeds from and the related gross gain or loss on sale of available-for-sale securities are as follows:

	Millions of Yen
Proceeds from sales	¥18,660
Gross gain on sale of available-for-sale securities	7,320
Gross loss on sale of available-for-sale securities	(365)
Gain (loss) on sale of available-for-sale securities (net)	¥ 6,955

In addition to the above, the Companies deconsolidated thirty subsidiaries and recognized a gain of ¥36,315 million. The amount was mainly included in "Gain on sale of Securities and other investments" in the consolidated statement of comprehensive income.

Interest income from financial assets measured at amortized cost was ¥54,229 million and was included in "Revenues." Interest expense from financial liabilities measured at amortized cost was ¥26,866 million and was included in "Cost."

## 29 INCOME TAX EXPENSE

Income tax expense for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Current tax	<b>¥77,483</b>	¥89,363	<b>\$934</b>
Deferred tax	<b>(6,812)</b>	(36,761)	<b>(82)</b>
Total	<b>¥70,671</b>	¥52,602	<b>\$852</b>

The Company is subject to mainly 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 an applicable income tax rate of approximately 41%. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

The reconciliation between the applicable income tax rate in Japan and the Companies' average effective income tax rate in the consolidated statement of comprehensive income for the years ended March 31, 2011 and 2010 are as follows:

	%	
	2011	2010
The applicable income tax rate in Japan	<b>41.0</b>	41.0
Tax effect on equity—accounted investees	<b>(8.0)</b>	(6.3)
Tax effect on expenses not deductible for tax purposes	<b>1.7</b>	0.9
Difference in applicable tax rate of foreign subsidiaries	<b>(8.5)</b>	(6.7)
Reassessment of the recoverability of deferred tax assets	<b>2.1</b>	(2.9)
Others—net	<b>(3.1)</b>	(2.3)
The Companies' average effective income tax rate	<b>25.2</b>	23.7

## 30 EARNINGS PER SHARE

A calculation of the basic and diluted earnings per share (attributable to owners of the parent) for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Profit for the year attributable to owners of the parent	<b>¥200,222</b>	¥165,365	<b>\$2,412</b>

	Number of shares	
	2011	2010
Weighted-average shares—basic	<b>1,250,060,473</b>	1,250,044,847
Dilutive effect of: Stock options	<b>602,278</b>	394,139
Weighted-average shares—diluted	<b>1,250,662,751</b>	1,250,438,986

	Yen		U.S. Dollars
	2011	2010	2011
Earnings per share (attributable to owners of the parent) :			
Basic	<b>¥160.17</b>	¥132.29	<b>\$1.93</b>
Diluted	<b>160.09</b>	132.25	<b>1.93</b>

### 31 CASH FLOW INFORMATION

Supplemental disclosure of cash flow information for the year ended March 31, 2011 and 2010 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Non-cash investing and financing activities:			
Finance lease obligations incurred	¥ 7,619	¥ 17,706	\$ 92
Acquisition of subsidiaries:			
Fair value of assets acquired	38,099	74,572	459
Fair value of liabilities assumed	(15,370)	(42,014)	(185)
Non-controlling interests assumed	(3,369)	(42)	(41)
Pre-acquisition fair value of equity investment	(4,598)	—	(55)
Cash paid (received), net	14,762	32,516	178

### 32 RELATED PARTY TRANSACTIONS

#### Compensation of directors

The remuneration of directors for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
1. Monthly remuneration	¥ 725	¥ 722	\$ 9
2. Bonuses resolved at the 142nd ordinary general meeting of shareholders	—	573	—
3. Bonuses resolved at the 143rd ordinary general meeting of shareholders	515	—	6
4. Expenses recognized for the grant of the 9th of stock option issued on July 31, 2010	15	—	0
5. Expenses recognized for the grant of the 8th of stock option issued on July 31, 2009	—	15	—
6. Expenses recognized for the grant of the 5th of stock option (stock-linked compensation plan) issued on July 31, 2010	77	—	1
7. Expenses recognized for the grant of the 4th of stock option (stock-linked compensation plan) issued on July 31, 2009	24	71	0
8. Expenses recognized for the grant of the 3rd of stock option (stock-linked compensation plan) issued on July 31, 2008	—	27	—
Total	¥1,356	¥1,408	\$16

### 33 SUBSIDIARIES

The Companies' subsidiaries as of March 31, 2011 are as follows:

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Metal Products	Sumisho Metalex Corporation	Chuo-ku, Tokyo	100.00
	Sumisho Tekko Hanbai Co., Ltd.	Chuo-ku, Tokyo	100.00
	SC Pipe Solutions Co., Ltd.	Chuo-ku, Tokyo	100.00
	Asian Steel Company Ltd.	Singapore	100.00
	SC Metal Pty. Ltd.	Melbourne, Australia	100.00
			(10.00)
	Sumisho Steel Corporation (Hong Kong) Limited	Hong Kong, China	100.00
	ERYNGIUM Ltd.	Glasgow, England	100.00
			(70.00)
	SC Pipe Services Inc.	Houston, U.S.	100.00
			(100.00)
	Others (49 Companies)		
Transportation & Construction Systems	Sumitomo Mitsui Auto Service Company, Limited	Shinjuku-ku, Tokyo	60.00
	KIRIU Corporation	Ashikaga, Tochigi	100.00
			(0.24)
	P.T. Summit Oto Finance	Jakarta, Indonesia	99.56
			(14.56)
	SMS Construction and Mining Systems Inc.	Edmonton, Canada	100.00
			(30.00)
	Tecnologia para La Construcción y Minería S.L.	Madrid, Spain	100.00
			(30.00)
	P.T. Oto Multiartha	Jakarta, Indonesia	83.86
			(0.32)
	SMS International Corporation	Plant City, U.S.	100.00
			(100.00)
	SML Isuzu Limited	Chandigarh, India	54.96
Infrastructure	Triton Navigation B.V.	Amsterdam, Netherlands	100.00
			(100.00)
	Toyota Ukraine	Kiev, Ukraine	100.00
	Sumitec International, Ltd.	Moscow, Russia	100.00
	Others (117 Companies)		
	Sumisho Machinery Trade Corporation	Chuo-ku, Tokyo	100.00
	Sumitomo Shoji Machinex Co., Ltd.	Chuo-ku, Tokyo	100.00
	P.T. Central Java Power	Jakarta, Indonesia	100.00
			(100.00)
	Perennial Power Holdings Inc.	New York, U.S.	100.00
			(49.99)
	Summit Southern Cross Power Holdings Pty. Ltd.	Sydney, Australia	100.00
			(20.00)
	Others (25 Companies)		

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Media, Network & Lifestyle Retail	Sumisho Computer Systems Corporation	Koto-ku, Tokyo	60.39
	Summit, Inc.	Suginami-ku, Tokyo	100.00
	Jupiter Shop Channel Co., Ltd.	Chuo-ku, Tokyo	100.00
			(1.00)
	United Cinemas Co., Ltd.	Minato-ku, Tokyo	99.00
	Montrive Corporation	Shinagawa-ku, Tokyo	100.00
			(1.00)
	Others (24 Companies)		
Mineral Resources, Energy, Chemical & Electronics	Sumitomo Shoji Chemicals Co., Ltd.	Chuo-ku, Tokyo	100.00
	Sumitronics Corporation	Shinagawa-ku, Tokyo	100.00
	Nusa Tenggara Mining Corporation	Chuo-ku, Tokyo	74.28
	Serra Azul Iron Ore, LLC	Chuo-ku, Tokyo	100.00
	Sumi Agro Europe Limited	London, England	100.00
			(20.00)
	Cantex Inc.	Fort Worth, U.S.	100.00
			(45.00)
	Interacid Trading S.A.	Lausanne, Switzerland	100.00
			(30.00)
	The Hartz Mountain Corporation	Secaucus, U.S.	100.00
			(59.41)
	Minera San Cristobal S.A.	La Paz, Bolivia	100.00
			(100.00)
	Sumisho Coal Australia Pty. Ltd.	Sydney, Australia	100.00
	SC Minerals A.B.	Stockholm, Sweden	100.00
	SC Minerals America, Inc.	Denver, U.S.	100.00
			(15.25)
	Summit Petroleum Limited	London, England	100.00
			(10.00)
	Petro Summit Pte. Ltd.	Singapore	100.00
			(20.00)
	SC Mineral Resources Pty. Ltd.	Sydney, Australia	100.00
	Summit Minerals GmbH	Zug, Switzerland	100.00
			(100.00)
	Summit Oil and Gas USA Corporation	New York, U.S.	100.00
	Summit Discovery Resources II —LLC	Houston, U.S.	100.00
			(100.00)
	Summit Empreendimentos Minerais Ltda	Sao Paulo, Brazil	100.00
			(100.00)
	Others (61 Companies)		
General Products & Real Estate	SEVEN INDUSTRIES CO., LTD.	Minokamo, Gifu	50.61
	Shinko Sugar Co., Ltd.	Joto-ku, Osaka	68.98
	Sumifru Corporation	Bunkyo-ku, Tokyo	100.00
	IG Kogyo Co., Ltd.	Higashine, Yamagata	64.48
	S.C. Cement Co., Ltd.	Chuo-ku, Tokyo	100.00
	TBC Corporation	Palm Beach Gardens, U.S.	100.00
			(100.00)
	Summit Rural Western Australia Pty. Ltd.	Kwinana, Australia	100.00
			(20.00)
	Others (53 Companies)		

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
New Industry Development & Cross-function	Sumisho Global Logistics Co., Ltd.	Chuo-ku, Tokyo	100.00
	Bluewell Corporation	Chuo-ku, Tokyo	100.00
	Thang Long Industrial Park Corporation	Hanoi, Vietnam	58.00 (58.00)
	Sumitomo Corporation Global Commodities Limited	London, England	100.00 (49.00)
	Others (41 Companies)		
Domestic Regional Business Units and Offices	Nippon Katan Co., Ltd.	Hirakata, Osaka	100.00
	Sumisho Montblanc Co., Ltd.	Chuo-ku, Osaka	87.50
	Others (12 Companies)		
Overseas Subsidiaries and Branches	Sumitomo Corporation of America	New York, U.S.	100.00
	Sumitomo Corporation Europe Holding Limited	London, England	100.00 (100.00)
	Sumitomo Corporation (China) Holding Ltd.	Beijing, China	100.00
	Sumitomo Corporation Asia Pte Ltd.	Singapore	100.00 (100.00)
	Sumitomo Australia Pty Ltd.	Sydney, Australia	100.00 (100.00)
	Sumitomo Corporation Do Brasil S.A.	Sao Paulo, Brazil	100.00 (19.32)
	Sumitomo Corporation Taiwan Ltd.	Taipei, Taiwan	100.00 (100.00)
	Others (122 Companies)		
	Sumitomo Shoji Financial Management Co., Ltd.	Chuo-ku, Tokyo	100.00
	Yasato Kosan Co., Ltd.	Chuo-ku, Tokyo	100.00
Others	Others (2 Companies)		

\* The percentage in the parenthesis under "Proportion of voting power held by the Companies" indicates the indirect ownership out of the total ownership noted above.

## 34 COMMITMENTS AND CONTINGENT LIABILITIES

### (1) 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 ¥729,274 million (\$8,786 million) as of March 31, 2011. Scheduled deliveries are at various dates through 2025. The Companies also had long-term financing commitments of ¥45,443 million (\$548 million) as of March 31, 2011 for loans and investments in equity capital.

For finance and operating lease commitments which the Companies are the lessees, refer to Note 8.

### (2) Guarantees

The Companies enter into various guarantee agreements. These agreements arise in transactions related to enhancing the credit standings of equity-accounted investees, suppliers, buyers and employees, and residual value guarantees on operating leases.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees as of March 31, 2011:



	Millions of Yen	Millions of U.S. Dollars
	2011	2011
Guarantees of indebtedness to :		
Equity-accounted investees	¥ 96,773	\$1,166
Third parties	64,030	772
Employees	1,858	22
Residual value guarantees for lease	8,821	106
Total	¥171,482	\$2,066

### 1. Guarantees of Indebtedness for equity-accounted investees

The Companies provide guarantees on certain of equity-accounted investees' borrowings from banks, payables to suppliers and other indebtedness. These guarantees mature through 2030. Guarantees with third party guarantee aggregated ¥12,983 million (\$156 million) as of March 31, 2011. The Companies would be obligated to reimburse the banks for losses, if any, if an equity-accounted investee defaults on a guaranteed loan.

### 2. 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 ¥12 million (\$0 million) as of March 31, 2011. Certain of these guarantees are also collateralized by borrower assets.

### 3. 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 banks for losses, if any, if the employee defaults on

a guaranteed loan. These guarantees are collateralized by the housing units related to the loans.

### 4. 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 amounts of the equipment are less than the guaranteed values 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 recognized as of March 31, 2011.

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

### (3) 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.

## 35 SUBSEQUENT EVENTS

The subsequent events as of June 24, 2011, the date the Annual Security Report was filed, are as follows:

The Company and Sumisho Computer Systems Corporation jointly undertook the tender offer for the purpose of acquiring common shares, preferred shares and stock acquisition rights of

CSK Corporation ("CSK").

As a result, the Company acquired 54.17% of the voting rights of CSK (including potential voting rights) as of April 18, 2011 and CSK became a consolidated subsidiary of the Company.

## 36 EXPLANATION OF TRANSITION TO IFRSs

The Companies prepared its first consolidated financial statements in accordance with IFRSs.

The accounting policies described in Note 3 to our consolidated financial statements have been applied in preparing the consolidated financial statements for the year ended March 31, 2011, the

comparative information for the year ended March 31, 2010 and the opening IFRS consolidated statement of financial position as of the date of transition to IFRSs (April 1, 2009).

Exemptions under IFRS 1

IFRSs require full retrospective application of IFRSs for the first time adopters. However, IFRS 1 provides some mandatory exceptions and voluntary exemptions from full retrospective applications. These adjustments as a result of the initial application of IFRSs are recognized directly through retained earnings and other components of equity at the date of transition to IFRSs. The exemptions under IFRS 1 the Companies elected were as follows:

- **Business combinations:**

IFRS 3 may be applied retrospectively or prospectively. Under retrospective application, it is required to restate all business combinations that occurred before the date of transition to IFRSs. The Companies elected not to retrospectively apply IFRS 3 to business combinations that occurred before the date of transition to IFRSs. Any goodwill arising from business combinations which occurred before the date of transition to IFRSs were not restated from the carrying value previously determined under U.S. GAAP. In addition, the Companies performed an impairment test at the date of transition to IFRSs regardless of whether there was an indication that the goodwill may be impaired.

- **Fair value as deemed cost:**

IFRS 1 permits an entity elects to measure items of property, plant and equipment and investment property at the date of transition to IFRSs at its fair value and use that fair value as deemed cost at that date. The Companies elected to use the cost model for an item of property, plant and equipment and investment property under IFRSs, thus the revaluation model is not applied. Further, the Companies elected to use the fair value at the date of transition to IFRSs as deemed cost at the date of transition to IFRSs for certain items of property, plant and equipment and investment property.

- **Employee benefits:**

The Companies elected the exemption in IFRS 1 which permits the cumulative unrecognized actuarial gains and losses related to the retirement benefit plans recorded in retained earnings at the date of transition to IFRSs. Accordingly, all unrecognized actuarial gains and losses were recognized in retained earnings

at the date of transition to IFRSs. In addition, the Companies have prospectively elected to report all actuarial gains and losses in other comprehensive income in accordance with IAS 19.

- **Exchange differences on translating foreign operations:**

IFRS 1 permits the cumulative amount of exchange differences on translating foreign operations to be deemed to be zero at the date of transition to IFRSs. Alternatively, IFRS 1 permits exchange differences on translating foreign operations to be recalculated in accordance with IFRSs from the date a subsidiary or equity-accounted investee was formed or acquired. The Companies elected to deem all of cumulative exchange differences on translating foreign operations to be zero at the date of transition to IFRSs.

- **Restatement of comparative information for IFRS 9:**

IFRS 1 does not require a first-time adopter to restate comparative information in its first IFRS consolidated financial statements and permits the use of the previous GAAP for comparative information in accordance with IFRS 9, if an entity adopts IFRSs for annual period beginning before January 1, 2012. The Companies elected this exemption in recognition and measurement in the consolidated financial statements of the comparative years in accordance with previous GAAP which is U.S. GAAP.

#### **Mandatory exceptions under IFRS 1**

IFRS 1 prohibits retrospective application of IFRSs: estimates, derecognition of financial assets and financial liabilities, hedge accounting, classification and measurement of financial assets, non-controlling interests. The Companies applied the requirements of IFRSs on these items prospectively.

#### **Reconciliation of U.S. GAAP to IFRSs**

In preparing its consolidated statement of financial position as of the date of transition to IFRSs, the Companies have adjusted amounts reported previously in its consolidated financial statements prepared in accordance with U.S. GAAP.

An explanation of how the transition from U.S. GAAP to IFRSs

has affected the Companies' consolidated financial position, financial performance and cash flows is as follows:

Reconciliation of equity as of the date of transition to IFRSs

ASSETS	Millions of Yen				ASSETS
	U.S. GAAP	Re-classification	Effect of transition to IFRSs	IFRSs	
Current assets:					Current assets:
Cash and cash equivalents	¥ 511,350	—	408	¥ 511,758	Cash and cash equivalents
Time deposits	4,514	—	—	4,514	Time deposits
Marketable securities	18,963	—	—	18,963	Marketable securities
		1,616,216	6,400	1,622,616	Trade and other receivables
Receivables-trade	1,592,060	(1,592,060)			
		64,156	18,922	83,078	Other financial assets
Inventories	840,088	—	(7,883)	832,205	Inventories
Deferred income taxes	33,987	(33,987)			
Advance payments to suppliers	94,859	179,958	(3,237)	271,580	Advance payments to suppliers
Other current assets	279,026	(59,357)	(2,867)	216,802	Other current assets
Total current assets	3,374,847	174,926	11,743	3,561,516	Total current assets
Investments and long-term receivables					Non-current assets:
Investments in and advances to associated companies	893,372	(893,372)			
		767,961	(17,626)	750,335	Investments accounted for using the equity method
Other investments	450,280	—	(711)	449,569	Other investments
Long-term receivables	745,583	(745,583)			
		629,030	20,994	650,024	Trade and other receivables
Allowance for doubtful receivables	(33,051)	33,051			
		51,742	10,858	62,600	Other financial assets
Total investments and long-term receivables	2,056,184				
Property and equipment, at cost	1,725,887				
Accumulated depreciation	(670,738)				
	1,055,149	—	(246,754)	808,395	Property, plant and equipment
Goodwill and other intangible assets	400,555	(400,555)			
		400,555	(39,967)	360,588	Intangible assets
			219,995	219,995	Investment property
Prepaid expenses, non-current	43,518	—	—	43,518	Prepaid expenses
Deferred income taxes, non-current	36,161	(36,161)			
		70,148	(6,197)	63,951	Deferred tax assets
Other assets	51,742	(51,742)			
		(174,926)	(59,408)	3,408,975	Total non-current assets
Total Assets	¥7,018,156	—	(47,665)	¥6,970,491	Total Assets

## Reconciliation of equity as of the date of transition to IFRSs—continued

LIABILITIES AND EQUITY	Millions of Yen				LIABILITIES AND EQUITY
	U.S. GAAP	Re-classification	Effect of transition to IFRSs	IFRSs	
Current liabilities:					Current liabilities:
Short-term debt	¥ 792,169	(792,169)			
Current maturities of long-term debt	382,849	(382,849)			
Payables-trade	928,938	1,179,911	(1,352)	¥1,178,559	Bonds and borrowings
		967,369	4,101	971,470	Trade and other payables
		87,721	18,372	106,093	Other financial liabilities
Income taxes	28,133	—	(244)	27,889	Income tax payables
Accrued expenses	85,634	322	(4,058)	81,898	Accrued expenses
Advances from customers	122,389	129,916	(8)	252,297	Advances from customers
			4,208	4,208	Provisions
Other current liabilities	239,591	(118,968)	(2,245)	118,378	Other current liabilities
Total current liabilities	2,579,703	142,315	18,774	2,740,792	Total current liabilities
Long-term debt, less current maturities	2,821,287	(2,821,287)			Non-current liabilities:
		2,528,836	7,559	2,536,395	Bonds and borrowings
		79,933	26,665	106,598	Trade and other payables
		55,698	11,409	67,107	Other financial liabilities
Accrued pension and retirement benefits	20,003	(20,003)			
		20,003	1,277	21,280	Accrued pension and retirement benefits
		12,551	1,737	14,288	Provisions
Deferred income taxes, non-current	138,264	(138,264)			
		140,218	(43,641)	96,577	Deferred tax liabilities
Commitments and contingent liabilities					
		(142,315)	5,006	2,842,245	Total non-current liabilities
		—	23,780	5,583,037	Total liabilities
					Equity:
Sumitomo Corporation shareholders' equity					
Common stock	219,279	—	—	219,279	Common stock
Additional paid-in capital	291,256	—	530	291,786	Additional paid-in capital
Retained earnings:					
Appropriated for legal reserve	17,696	(17,696)			
Unappropriated	1,109,442	(1,109,442)			
Accumulated other comprehensive income (loss)	(283,416)	283,416			
Treasury stock, at cost	(1,142)	—	—	(1,142)	Treasury stock
		(283,416)	295,430	12,014	Other components of equity
		1,127,138	(363,530)	763,608	Retained earnings
Total Sumitomo Corporation shareholders' equity	1,353,115	—	(67,570)	1,285,545	Equity attributable to owners of the parent
Non-controlling interests	105,784	—	(3,875)	101,909	Non-controlling interests
Total equity	1,458,899	—	(71,445)	1,387,454	Total equity
Total liabilities and equity	¥7,018,156	—	(47,665)	¥6,970,491	Total liabilities and equity

## Reconciliation of equity as of March 31, 2010

ASSETS	Millions of Yen				ASSETS
	U.S. GAAP	Re-classification	Effect of transition to IFRSs	IFRSs	
Current assets:					Current assets:
Cash and cash equivalents	¥ 813,833	—	455	¥ 814,288	Cash and cash equivalents
Time deposits	5,084	—	—	5,084	Time deposits
Marketable securities	5,259	—	—	5,259	Marketable securities
		1,509,938	2,740	1,512,678	Trade and other receivables
Receivables-trade	1,496,494	(1,496,494)			
		42,365	25,435	67,800	Other financial assets
Inventories	676,840	—	(6,620)	670,220	Inventories
Deferred income taxes	34,191	(34,191)			
Advance payments to suppliers	68,539	218,751	(3,728)	283,562	Advance payments to suppliers
Other current assets	211,684	(38,788)	3,438	176,334	Other current assets
Total current assets	3,311,924	201,581	21,720	3,535,225	Total current assets
Investments and long-term receivables					Non-current assets:
Investments in and advances to associated companies	936,683	(936,683)			
		821,404	(4,614)	816,790	Investments accounted for using the equity method
Other investments	522,752	—	(721)	522,031	Other investments
Long-term receivables	732,978	(732,978)			
		587,960	20,460	608,420	Trade and other receivables
Allowance for doubtful receivables	(24,525)	24,525			
		44,402	9,321	53,723	Other financial assets
Total investments and long-term receivables	2,167,888				
Property and equipment, at cost	1,797,394				
Accumulated depreciation	(673,015)				
	1,124,379	—	(286,107)	838,272	Property, plant and Equipment
Goodwill and other intangible assets	392,940	(392,940)			
		392,940	(31,261)	361,679	Intangible assets
			244,296	244,296	Investment property
Prepaid expenses, non-current	70,842	—	(1,155)	69,687	Prepaid expenses
Deferred income taxes, non-current	25,423	(25,423)			
		59,614	(2,693)	56,921	Deferred tax assets
Other assets	44,402	(44,402)			
		(201,581)	(52,474)	3,571,819	Total non-current assets
Total Assets	¥7,137,798	—	(30,754)	¥7,107,044	Total Assets

## Reconciliation of equity as of March 31, 2010—continued

LIABILITIES AND EQUITY	Millions of Yen				LIABILITIES AND EQUITY
	U.S. GAAP	Re-classification	Effect of transition to IFRSs	IFRSs	
Current liabilities:					Current liabilities:
Short-term debt	¥ 453,361	(453,361)			
Current maturities of long-term debt	481,326	(481,326)			
Payables-trade	990,219	938,927	6,894	¥ 945,821	Bonds and borrowings
		(990,219)			
		1,043,643	2,190	1,045,833	Trade and other payables
		56,579	31,197	87,776	Other financial liabilities
Income taxes	30,985	—	(417)	30,568	Income tax payables
Accrued expenses	91,433	260	(5,248)	86,445	Accrued expenses
Advances from customers	113,120	105,696	(2)	218,814	Advances from customers
			3,864	3,864	Provisions
Other current liabilities	159,460	(104,143)	(1,911)	53,406	Other current liabilities
Total current liabilities	2,319,904	116,056	36,567	2,472,527	Total current liabilities
Long-term debt, less current maturities	2,938,465	(2,938,465)			Non-current liabilities:
		2,666,021	(235)	2,665,786	Bonds and borrowings
		101,540	25,264	126,804	Trade and other payables
		40,730	11,704	52,434	Other financial liabilities
Accrued pension and retirement benefits	19,166	(19,166)			
		19,166	896	20,062	Accrued pension and retirement benefits
		12,494	1,943	14,437	Provisions
Deferred income taxes, non-current	165,605	(165,605)			
		167,229	(49,457)	117,772	Deferred tax liabilities
Commitments and contingent liabilities					
		(116,056)	(9,885)	2,997,295	Total non-current liabilities
		—	26,682	5,469,822	Total liabilities
Sumitomo Corporation shareholders' equity					Equity:
Common stock	219,279	—	—	219,279	Common stock
Additional paid-in capital	288,564	—	553	289,117	Additional paid-in capital
Retained earnings:					
Appropriated for legal reserve	17,696	(17,696)			
Unappropriated	1,234,640	(1,234,640)			
Accumulated other comprehensive income (loss)	(175,370)	175,370			
Treasury stock, at cost	(1,083)	—	—	(1,083)	Treasury stock
		(175,370)	285,299	109,929	Other components of equity
		1,252,336	(336,323)	916,013	Retained earnings
Total Sumitomo Corporation shareholders' equity	1,583,726	—	(50,471)	1,533,255	Equity attributable to owners of the parent
Non-controlling interests	110,932	—	(6,965)	103,967	Non-controlling interests
Total equity	1,694,658	—	(57,436)	1,637,222	Total equity
Total liabilities and equity	¥7,137,798	—	(30,754)	¥7,107,044	Total liabilities and equity

## Reconciliation of comprehensive income for the year ended March 31, 2010

	Millions of Yen				
	U.S. GAAP	Re- classification	Effect of transition to IFRSs	IFRSs	
Revenues:					Revenues:
Sales of tangible products	¥ 2,336,647	—	(10,555)	¥ 2,326,092	Sales of tangible products
Sales of services and others	547,525	—	3,129	550,654	Sales of services and others
Total revenues	2,884,172	—	(7,426)	2,876,746	Total revenues
Cost:					Cost:
Cost of tangible products sold	(1,899,439)	—	2,019	(1,897,420)	Cost of tangible products sold
Cost of services and others	(205,221)	—	985	(204,236)	Cost of services and others
Total cost	(2,104,660)	—	3,004	(2,101,656)	Total cost
Gross profit	779,512	—	(4,422)	775,090	Gross profit
Other income (expenses):					Other income (expenses):
Selling, general and administrative expenses	(639,240)	(19,755)	8,377	(650,618)	Selling, general and administrative expenses
Provision for doubtful receivables	(19,755)	19,755			
Impairment losses on long-lived assets	(4,741)	—	(5,225)	(9,966)	Impairment losses on long-lived assets
Gain (loss) on sale of property and equipment, net	9,750	—	(355)	9,395	Gain (loss) on sale of property, plant and equipment, net
		1,490	(22)	1,468	Other, net
				(649,721)	Total other income (expenses)
				125,369	Operating profit
Interest income	15,434	—	333	15,767	Finance income:
Interest expense	(39,504)	39,504			Interest income
Dividends	11,297	—	—	11,297	Dividends
Other than temporary impairment losses on securities	(19,060)	19,060			
Gain on sale of marketable securities and other investments, net	51,941		(51,941)		
			55,236	55,236	Gain on sale of securities and other investments
				82,300	Total finance income
		(39,504)	(1,095)	(40,599)	Finance costs:
		(19,060)	(445)	(19,505)	Interest expense
				(60,104)	Other than temporary impairment losses on securities
				22,196	Total finance costs
					Finance income (costs), net
Equity in earnings of associated companies, net	76,132	—	(1,729)	74,403	Share of profit of investments accounted for using the equity method
Other, net	1,490	(1,490)			
Income before income taxes	223,256	—	(1,288)	221,968	Profit before tax
Income taxes	(61,804)	—	9,202	(52,602)	Income tax expense
Net income	161,452	—	7,914	169,366	Profit for the year
Less: Net income attributable to non-controlling interests	(6,253)	6,253			
Net income attributable to Sumitomo Corporation	¥ 155,199	—	10,166	¥ 165,365	Profit for the year attributable to:
		(6,253)	10,254	4,001	Owners of the parent
					Non-controlling interests



## Reconciliation of comprehensive income for the year ended March 31, 2010—continued

	Millions of Yen				
	U.S. GAAP	Re- classification	Effect of transition to IFRSs	IFRSs	
Comprehensive income (loss):					Other comprehensive income:
Net income	¥161,452		(161,452)		
Other comprehensive income (loss), net of tax					
Net unrealized holding gains (losses) on securities available-for-sale	55,781	(55,781)			
Foreign currency transaction adjustments	30,467	(30,467)			
		30,467	8,082	¥ 38,549	Exchange differences on translating foreign operations
		55,781	(471)	55,310	Available-for-sale securities
Net unrealized gains (losses) on derivatives	2,815	(2,815)			
		2,815	(4,552)	(1,737)	Cash-flow hedges
Pension liability adjustments	20,862	(20,862)			
		20,862	(3,411)	17,451	Actuarial gains (losses) on defined benefit pension plans
					Share of other comprehen- sive income of investments accounted for using the equity method
			6,980	6,980	
	109,925	—	6,628	116,553	Other comprehensive income, net of tax
Comprehensive income (loss)	271,377	—	14,542	285,919	Comprehensive income for the year
Less: Comprehensive income (loss) attributable to non-controlling interests	(8,132)	8,132			
					Comprehensive income for the year attributable to:
Comprehensive income (loss) attributable to Sumitomo Corporation	¥263,245	— (8,132)	17,076 13,730	¥280,321 5,598	Owners of the parent Non-controlling interests
Yen					
Net income attributable to Sumitomo Corporation per share of common stock:					Earnings per share (attributable to owners of the parent):
Basic	¥124.15	—	8.14	¥132.29	Basic
Diluted	124.12	—	8.13	132.25	Diluted

The following adjustments affected presentation of the consolidated statement of financial position and did not affect that of the consolidated statement of comprehensive income and retained earnings.

1. Under U.S. GAAP, trade receivables and payables that were recognized in the normal course of trading operations were classified as non-current items when the maturity date is over one year from the next business day of the consolidated balance sheet date. However, under IFRSs, trade receivables and trade payables that have a maturity date of more than one year to the maturity date are classified as current assets or liabilities if these trade receivables and payables were recognized as part of the normal operating cycle. Accordingly, applicable trade receivables and payables have been reclassified as current items from non-current items.
2. IFRSs do not permit deferred tax assets and liabilities to be classified as current assets and liabilities, whereas under U.S. GAAP deferred tax assets and liabilities are classified as current assets and liabilities or non-current asset and liabilities. Accordingly, all deferred tax assets and liabilities that were classified as current assets and liabilities under U.S. GAAP have been reclassified to non-current assets and liabilities.
3. Under U.S. GAAP, derivative receivables and payables to/from counterparties that are covered by master netting agreements were presented on a net basis. Under IFRSs, those are presented on a net basis when, and only when, the companies currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Notes to the reconciliation of equity

##### a) Impairment

Under U.S. GAAP, when assessing for impairment of a long-lived asset, undiscounted future cash flows are compared to its carrying amount. In addition, the excess of the carrying amount over the fair value of the asset is recognized as an impairment loss.

Under IFRSs the excess of the carrying amount of an asset over its recoverable amount, which is the higher of value in use and fair value less costs to sell, is recognized as an impairment loss.

The impact arising from the change is summarized as follows:

	Millions of Yen 2010
Consolidated statement of comprehensive income	
Cost	¥ 847
Other income (expenses)	982
Adjustment to profit before tax	¥1,829

The value in use is measured based on the most recent financial budgets and forecasts approved by management which cover a maximum period of five years unless a longer period can be justified. Beyond this period, the value in use is estimated by using a steady or declining growth rate.

In assessing the impairment for goodwill, U.S. GAAP compares the fair value of a reporting unit ("RU") to its carrying amount, which includes goodwill. When the fair value of the RU is less than its carrying amount, the fair value of goodwill needs to be calculated. If the calculated fair value of goodwill is less than its carrying amount, the difference is recognized as an impairment loss.

Under IFRSs, when the carrying amount of a CGU, including the goodwill, exceeds its recoverable amount, the excess is recognized as an impairment loss. An impairment loss recognized for a CGU including goodwill is first allocated to goodwill.

As a result of the transition to IFRSs, an impairment loss of ¥14,410 million for a CGU, which belongs to the Transportation & Construction Systems business unit, was recognized as of the date of transition to IFRSs, and allocated to goodwill. The recoverable amount of this CGU is determined based on the value in use.

Other than stated above, property, plant and equipment and intangible assets decreased by ¥2,574 million at the date of transition to IFRSs due to differences of accounting standards between U.S. GAAP and IFRSs.

Property, plant and equipment and intangible assets decreased by ¥22,017 million as of March 31, 2010, and profit before tax decreased by ¥5,039 million for the year ended March 31, 2010.

The related tax effects decreased deferred tax liabilities by ¥495 million and ¥2,618 million at the date of transition to IFRSs and as of March 31, 2010, respectively, and decreased retained earnings by ¥15,976 million and ¥18,785 million at the date of transition and as of March 31, 2010, respectively.

##### b) Deemed cost

The Companies elected to use the exemption under IFRS 1 to measure certain items of property, plant and equipment and investment property at the date of transition to IFRSs at their fair value and used that fair value as their deemed cost.

The carrying amounts of property, plant and equipment, and investment property subject to this provision were ¥53,132 million and ¥135,778 million, and the fair value of those respective items were ¥32,986 million and ¥86,043 million at the date of transition to IFRSs.

	Millions of Yen	
	2009	2010
Consolidated statement of financial position		
Property, plant and equipment and investment property	¥(69,881)	¥(66,898)
Others	(401)	(1,305)
Related tax effects	24,736	23,898
Non-controlling interests	2,794	2,691
Adjustment to retained earnings	¥(42,752)	¥(41,614)

#### c) Employee benefits

Under U.S. GAAP, unfunded accrued retirement benefits relating to benefit pension plans were recognized in the consolidated statement of financial position and are measured as the difference between the fair value of plan assets and the projected benefit obligations or as the cumulative benefit obligation in other post-employment benefits.

Under IFRSs, the obligations are measured as the unfunded accrued retirement benefits less unrecognized past service cost in consolidated statement of financial position.

Under U.S. GAAP, actuarial gains or losses and past service cost (income) which incurred during the fiscal year but not recognized as the same periodic pension cost are recognized as accumulated other comprehensive income (loss) by the amount after tax. The amount recognized as accumulated other comprehensive

income (loss) is thereafter adjusted by recognizing as a component of periodic pension costs in consolidated statement of comprehensive income.

Under IFRSs, all actuarial gains and losses in defined benefit pension plans are recognized in other comprehensive income, and reclassified from other components of equity to retained earnings as incurred.

The past service cost (income) is also amortized on a straight-line basis over the average period until the benefits become vested, and the cost (income) that the benefits are already vested is recognized immediately as the component of periodic pension costs.

The Companies elected to recognize all unrecognized actuarial gains and losses in retained earnings in accordance with the IFRS 1.

The impact arising from the change is summarized as follows:

	Millions of Yen
	2010
Consolidated statement of comprehensive income	
Cost	¥ 740
Other income (expenses)	4,591
Adjustment to profit before tax	¥5,331

	Millions of Yen	
	2009	2010
Consolidated statement of financial position		
Provision for employee benefits	¥ (1,484)	¥ (1,153)
Others	—	(322)
Related tax effects	(5)	55
Reclassification from other components of equity	(66,229)	(45,687)
Non-controlling interests	—	(113)
Adjustment to retained earnings	¥(67,718)	¥(47,220)

**d) Exchange differences on translating foreign operations**

The Companies elected the exemption to adjust the cumulative exchange differences for all foreign operations to be zero at the date of transition to IFRSs. This exemption has been applied to all subsidiaries in accordance with IFRS 1.

The impact arising from the change is summarized as follows:

	Millions of Yen	
	2009	2010
Consolidated statement of comprehensive income		
Finance income		¥3,296
Finance costs		333
Adjustment to profit before tax		¥3,629
Consolidated statement of financial position		
Reclassification from other components of equity	¥(221,291)	¥(217,662)
Adjustment to retained earnings	¥(221,291)	¥(217,662)

**e) Scope of consolidation**

Under U.S. GAAP, if an entity is a variable interest entity, the primary beneficiary of the entity's expected losses and retained earnings is required to consolidate the variable interest entity. Entities other than the variable interest entities are consolidated by the Company that owns more than half of the voting power of the entities' shares directly or indirectly through its subsidiaries. In addition, potential voting rights are not considered.

Under IFRSs, an entity is consolidated when the Companies own more than half of the voting power of the entity directly or

indirectly through subsidiaries. In addition, potential voting rights are considered. A SPE is consolidated when the Companies conclude that the substance of the relationship between the Companies and the SPE and the assessment of the risks and benefits indicate that the SPE is controlled by the Companies. When the SPE conducts activities on behalf of the Companies or the Companies obtain the majority of the risks and benefits of the activities of the SPE, or both, it is an indicator that the Companies have a control.

The impact arising from the change is summarized as follows:

	Millions of Yen	
	2009	2010
Consolidated statement of comprehensive income		
Gross profit		¥(6,586)
Operating profit		(5,172)
Adjustment to profit before tax		¥(2,569)
Consolidated statement of financial position		
Assets	¥ 3,451	¥ (605)
Liabilities	(4,006)	(3,502)
Non-controlling interests	486	3,945
Adjustment to retained earnings	¥ (69)	¥ (162)

The related tax effects were a decrease in deferred tax liabilities by ¥287 million and ¥176 million at the date of transition to IFRSs and for the year ended March 31, 2010, respectively.

#### f) Income tax expense

The above changes resulted in decreases of the deferred tax liabilities (net, deferred tax assets) as follows:

	Millions of Yen	
	2009	2010
Impairment	¥ 495	¥ 2,618
Deemed cost	24,736	23,898
Employee benefits	(5)	55
Scope of consolidation	287	176
Others	11,931	20,017
Decrease in deferred tax liabilities (net, deferred tax assets)	¥37,444	¥46,764

The effect on the consolidated statement of comprehensive income for the year ended March 31, 2010 was to decrease the previously reported income tax expense under U.S. GAAP by ¥9,202 million.

Others in the above table arise mainly from the factors below.

1. Under U.S. GAAP, deferred tax assets for deductible temporary differences arising from investments in associates are recognized to the extent that the realization of the tax benefit is more likely than not. Under IFRSs, deferred tax assets for deductible temporary differences arising from investments in associates are only recognized to the extent that it is probable that they are expected to reverse in the foreseeable future. Also under U.S. GAAP, deferred tax liabilities recognized for taxable temporary differences associated with investments in associates are measured using the tax rates applied to the manner consistent with its current use in the business, such as disposal of the investments. Under IFRSs, deferred tax liabilities recognized for taxable temporary differences associated with investments in associates are measured using the tax rates applied to expected manners by which differences to be reversed, such as distribution of dividends.
2. Under U.S. GAAP, in relation to deferred tax assets or liabilities previously recognized in other comprehensive income, the recognition of a change in deferred taxes caused by the change in

tax rates are recognized in profit for the year. However, under IFRSs, these changes are recognized in other comprehensive income.

3. Under U.S. GAAP, the tax effects arising from the elimination of intercompany unrealized gains are recognized as prepaid taxes using the sellers' tax amounts. However, under IFRSs, these tax effects are recognized as deferred tax assets using the purchasers' tax rates and the temporary differences arose from the purchasers' assets.
4. Under U.S. GAAP, it is prohibited to recognize deferred tax assets and liabilities for the temporary differences arising from changes in the tax bases of non-monetary assets and liabilities when non-monetary assets and liabilities denominated in local currencies are translated to the reporting currency. However, under IFRSs, deferred tax assets and liabilities are recognized for temporary differences arising from changes in tax bases of non-monetary assets and liabilities due to exchange rate changes or price fluctuations.

As a result, deferred tax liabilities (net) decreased by ¥13,385 million and ¥20,684 million at the date of transition to IFRSs and for the year ended March 31, 2010, respectively and retained earnings increased by ¥5,145 million and ¥13,014 million at the date of transition to IFRSs and as of March 31, 2010, respectively.

#### g) Retained earnings

The effects of the above on the retained earnings are as follows:

	Millions of Yen	
	2009	2010
Impairment	¥ (15,976)	¥ (18,785)
Deemed cost	(42,752)	(41,614)
Employee benefits	(67,718)	(47,220)
Effect of exchange differences on translating foreign operations	(221,291)	(217,662)
Scope of consolidation	(69)	(162)
Others	(15,724)	(10,880)
Adjustment to retained earnings	¥(363,530)	¥(336,323)

Others in the table above arise mainly from the factors below.

Under U.S. GAAP, when financial statements of some subsidiaries used in the preparation of consolidated financial statements are prepared as of the end of the reporting period different from that of the Company's financial statements, adjustments are not required for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. On the other hand, under IFRSs, when financial statements of some subsidiaries used in the preparation of consolidated financial statements are prepared as of the date different from that of the Company's financial statements, the end of the reporting period should be unified unless it is impracticable to do so. In addition, under IFRSs, when it is impractical to unify the end of the reporting period, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. As a result, retained

earnings decreased by ¥4,329 million and ¥9,099 million as of the date of transition to IFRSs and March 31, 2010, respectively.

IFRSs are also applied to equity-accounted investees, and retained earnings of those decreased by ¥10,177 million and ¥8,774 million at the date of transition to IFRSs and March 31, 2010, respectively.

According to the above mentioned in f) Income tax expense, 1. to 4., retained earnings increased by ¥5,145 million and ¥13,014 million at the date of transition to IFRSs and the end of prior year, respectively.

Material adjustments to the consolidated statement of cash flows for the year ended March 31, 2010.

There are no material differences between the consolidated statement of cash flows presented under IFRSs and the consolidated statement of cash flows presented under U.S. GAAP.

## **37 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by Susumu Kato, CEO, and Toyosaku Hamada, CFO, on June 24, 2011.



## Independent Auditors' Report

The Board of Directors and Shareholders  
Sumitomo Corporation:

We have audited the accompanying consolidated financial statements of Sumitomo Corporation and its subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sumitomo Corporation and its subsidiaries as of March 31, 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Emphasis of matter*

Without qualifying our opinion, we draw attention to note 2(5) of the notes to the consolidated financial statements, Sumitomo Corporation and its subsidiaries have early-applied International Financial Reporting Standard No.9 *Financial Instruments* (published in November 2009, revised in October 2010) since the beginning of fiscal year ended March 31, 2011.

### *Convenience translations*

The accompanying consolidated financial statements as of and for the year ended March 31, 2011 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(3) of the notes to the consolidated financial statements.

KPMG AZSA LLC

June 24, 2011  
Tokyo, Japan



## REFERENCE INFORMATION [RISK FACTORS]

Sumitomo Corporation and Subsidiaries

The factors described below may conceivably materially affect investors' decisions as risks relating to us. Unless otherwise specified, information concerning the future presented herein are forecasts based on our decisions, targets, certain premises or assumptions as of the last day (March 31, 2011) of the consolidated fiscal year and may differ materially from the actual results.

### RISKS RELATED TO OUR BUSINESS

#### The risk of our revenues and profitability fluctuating from period to period unexpectedly

Our results of operations for any quarter, half year or year are not necessarily indicative of results to be expected in future periods. Our operating results have historically been, and we expect they will continue to be, subject to quarterly, half yearly and yearly fluctuations as a result of a number of factors, including:

- changes in prevailing economic and other conditions relating to our businesses;
- variations in costs, sales prices and volume of our products and services, and the mix of products and services we offer;
- changes in customer demand and/or our supply chains, which in turn will often depend upon market conditions for the relevant products, the success of our customers' or suppliers' businesses, industry trends, and other factors;
- changes in the level of performance of our strategic investments, which in turn will affect our gains and losses on sales of such investments or may result in the write-off or impairment of such investments;
- changes in our asset prices, including equity, real estate and other assets, which in turn will affect our gains and losses on sales of such assets or may result in the write-off or impairment of such assets;
- changes in the financial and commodity markets; and
- changes in the credit quality of our customers.

As such, you should not rely on comparisons of our historical results of operations as an indication of our future performance.

#### The risk that we may not be able to achieve the managerial targets set forth in our medium-term business plans

As part of our efforts to strengthen our position as a leading global business enterprise, we intend to increase our profitability and our earnings base and to improve our financial strength

and the efficiency and effectiveness of our operations. As part of these continuing efforts, we set and implement a medium-term business plan every two years. In the medium-term business plan, we set certain quantitative and qualitative targets and undertake efforts to achieve such targets while monitoring the status of progress. The targets are set based on the gathering and analysis of information deemed appropriate at the time of such target-setting. However, since we may not be able to always gather all the necessary information, we may not be able to achieve the targets due to changes in the operating environment and other factors.

In our business plan, we use two key management measures that we call "risk-adjusted assets" and "risk-adjusted return ratio," which are targets set for each of our industry-based business units and for our company as a whole. These targets involve a certain statistical confidence level, estimates and assumptions. Since they are different from return on assets or any other measure of performance calculated based on the financial statements, they may not be useful to all investors in making investment decisions.

#### The risk that economic conditions may change adversely for our business

We undertake operations through our offices in over 60 countries, including Japan. Since we are engaged in business activities and other transactions in a broad range of industrial sectors in Japan and abroad, we are affected by not only general Japanese economic conditions but also the economic conditions of the relevant countries in which we operate and the world economy as a whole.

As a result of the financial crisis that occurred in many major economies, some countries in which we operate have experienced, or are currently experiencing, deflation, currency depreciation, and liquidity crises, and these conditions may continue or reoccur in the future.

Moreover, economic conditions in key countries for our operations have been adversely impacted by events such as the continued fear of future terrorist attacks and political instability.

These changes in economic conditions in key countries for our operations may adversely affect our results of operations and financial condition.

#### Risks associated with intense competition

The markets for many of the industries in which we are involved are intensely competitive. For many of our businesses, we are

involved at all levels of the supply chain and compete with companies that are engaged in certain of the same businesses as we are, but that are more concentrated in individual business segments. We also compete with other integrated trading companies in Japan which often establish and pursue similar strategic business plans as ours. Our competitors may have stronger relationships and associations with our current or potential customers, suppliers, counterparties and business partners. Our competitors may also have greater financial, technical, marketing, distribution, information, human and other resources than we do and may be stronger in certain of the market segments in which we operate.

In this intensely competitive environment, our results of operations will be adversely affected if we are unable to:

- anticipate and meet market trends to timely satisfy our customers' changing needs;
- maintain relationships with our customers and suppliers;
- maintain our global and regional network of associated companies and business partners;
- obtain financing to carry out our business plans on reasonable terms or at all; and
- adapt our cost structure to constantly changing market conditions so as to maintain our cost competitiveness.

#### **Credit risk arising from customers and counterparties**

We extend credit to our customers in the form of accounts receivable, advances, loans, guarantees and other means and therefore bear credit risk. Some of our customers are also companies in which we invest. In those cases, our potential exposure includes both credit risk and the investment exposure. We also enter into various swap and other derivative transactions largely as a part of our hedging activities and have counterparty payment risk on these contracts. If our customers or counterparties fail to meet their financial or contractual commitments to us, or if we fail to collect on our receivables, it could have a material adverse effect on our business, results of operations and financial condition.

We undertake efforts to manage credit risk by carrying out credit checks on customers based on our internal credit rating system, obtaining collateral or guarantees, and having a diversified customer base. We make allowances for doubtful receivables based on certain assumptions, estimates and assessments about the credit worthiness of our customers, the value of collateral we hold and other items.

However, such efforts may fail or be insufficient. Furthermore,

these assumptions, estimates and assessments might be wrong. And if general economic conditions deteriorate, if other factors which were the basis for our assumptions, estimates and assessments change, or if we are adversely affected by other factors to an extent worse than anticipated, our actual losses could materially exceed our allowances.

#### **Risks related to investment activities and our strategic business alliances**

In connection with our corporate strategy and the development of our business opportunities, we have acquired or made investments in newly established or existing companies and intend to continue to do so in the future. And we sometimes extend credit, through such as credit sales, loans, and guarantees, to the companies in which we invest. As our business investments sometimes require the commitment of substantial capital resources, in some instances, we may be required to contribute additional funds. We may not be able to achieve the benefits we expect from such investments. In addition, since a substantial portion of our business investments is illiquid, we may not be able to exit from such investments at the time or in the manner we would like.

We sometimes enter into partnerships, joint ventures or strategic business alliances with other industry participants in a number of business segments, including with our competitors. In some cases, we cannot control the operations and the assets of the companies in which we invest nor can we make major decisions without the consent of other shareholders or participants or at all. Our business could be adversely affected in such cases or if we are unable to continue with one or more of our partnerships, joint ventures or strategic business alliances.

In order to curb such risk as much as possible, we in principle invest only in projects that meet the specified hurdle rate at inception of investment. At the same time, as for large, important projects that could have a major impact on the entire company, the Corporate Group has a restraining function on business segments through the Loan and Investment Committee, which analyzes project risks from a specialist view point and assesses whether or not to go ahead with them prior to the investment.

#### **Fluctuations of interest rates, foreign currency exchange rates, and commodity prices**

We rely on debt financing in the form of loans from financial institutions or the issuance of corporate bonds and commercial

paper to finance our operations. We also often extend credit to our customers and suppliers in the form of loans, guarantees, advances and other financing means. For example, through several subsidiaries, we are engaged in motor vehicle financing and leasing businesses in Japan and other countries. Revenues and expenses and the fair price of our assets and liabilities arising from such business transactions, in some cases, are affected by interest rate fluctuations.

Foreign currency exchange rate fluctuations can affect the yen value of our investments denominated in foreign currencies as well as revenues and expenses and our foreign currency-denominated assets and liabilities arising from business transactions and investments denominated in foreign currencies. Exchange rate fluctuations can also affect the yen value of the foreign currency financial statements of our foreign subsidiaries. Although we attempt to reduce such interest rate fluctuations and foreign currency exchange risks, primarily by using various derivative instruments, we are not able to fully insulate ourselves from the effects of interest rate fluctuations and exchange rate fluctuations.

As a major participant in the global commodities markets, we trade in a variety of commodities, including mineral, metal, chemical, energy and agricultural products and invest in natural resource development projects. As such, we may be adversely affected by the fluctuations in the prices of the relevant commodities. Although we attempt to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing derivative instruments for hedging purposes, we are not able to fully insulate ourselves from the effects of commodity price movements.

#### **Risks related to declines in real estate market or impairment loss on fixed assets, etc.**

Our real estate business involves developing, renting and managing of and providing services to office buildings and commercial and residential properties in Japan and abroad. If the real estate market deteriorates, our results of operations and financial condition could be materially adversely affected.

Also, if land prices and rental values decline, we may be forced to write down the value of our properties as well as the value of land and buildings held for lease and land held for development. Not only real estate but also our property holdings are exposed to impairment risk. As such, our business, operating results and financial condition could be adversely affected.

#### **Risks related to continued volatility of equity markets in Japan and elsewhere**

A significant portion of our investments consists of marketable equity securities, particularly those of Japanese issuers. Our results of operation and financial conditions may be adversely affected by the change of fair value of those securities if the Japanese equity market declines in the future.

#### **Risks regarding uncertainty about pension expenses**

Declines in the Japanese and foreign stock market would reduce the value of our pension plan assets, and could necessitate additional funding of the plan by us and an increase in pension expenses. This could adversely affect our results of operations and financial condition.

#### **Concentration of risk exposure in specific fields**

Some parts of our operations and businesses are concentrated in a few particular markets, entities, and regions. As a result, if these operations and businesses do not perform as we expect or if the economic conditions in these markets and regions deteriorate unexpectedly, it could have a disproportionately negative effect on our businesses and results of operations. For example, we are involved in a large copper and gold mine project, a large power plant project, the automobile lease and finance business, liquefied natural gas projects and other business activities in Indonesia. As such, risk exposure is concentrated there.

#### **Risks stemming from restrictions on access to liquidity and capital**

We rely on debt financing in the form of loans from financial institutions or the issuance of corporate bonds and commercial paper etc. to finance our operations. If financial markets are in turmoil and financial institutions reduce their lendings to us and there is a significant downgrade of our credit ratings by one or more credit rating agencies, we may not be able to access funds when we need them on acceptable terms, our access to debt capital markets may become more restricted or the cost of financing our operations through indebtedness may increase. This could adversely affect our results of operations and financial condition.

#### **Risks regarding laws and regulations**

Our operations are subject to extensive laws and regulations covering a wide range of fields in Japan and many other

countries. These laws and regulations govern, among other things, tariffs and other taxation, repatriation of profits, business and investment approvals, import and export activities (including restrictions based on national security interests), anti-trust and competition, commercial activities, currency exchange, distributor protection, consumer protection and environmental protection. In some of the countries in which we operate, our operations may subject us to additional or future relevant laws and regulations. Also particularly in developing countries with relatively nascent legal systems, our burden of compliance may further increase due to factors such as the lack of laws and regulations, unexpected interpretations of existing laws and regulations and changing practices of regulatory, judicial and administrative bodies. Failure to comply with current or future laws and regulations could lead to penalties and fines against us and restrictions in our operations or damage to our reputation. If that occurs, our business, results of operations and financial condition could be materially adversely affected.

#### **Risks related to legal actions, etc.**

We are party to a number of legal actions and other disputes in Japan and abroad. In performing our business, lawsuits arising incidentally and claims that do not develop into lawsuits may be brought against us.

Due to the inherent uncertainty of litigation, it is not possible to predict the ultimate outcome of the actions in which we are involved at this time. There can be no assurance that we will prevail in any action or that we will not be materially adversely affected by such action in the future.

#### **Risks regarding noncompliance by officers and employees with applicable laws and regulations and internal policies and regarding management of our information and communications systems**

Due to our size, as well as the diversity and geographic breadth of our activities, our day-to-day operations are necessarily decentralized. The nature of our operations requires extensive internal controls and management oversight to ensure compliance by our employees with applicable laws and regulations and our internal policies. There can be no assurance that we will succeed in preventing misconduct by our employees through our internal control and compliance systems. Employee misconduct could have a material adverse effect on our results of operations, expose us to legal and financial risks and compromise our reputation.

We are dependent on the proper functioning of our information and communications systems to maintain our global operations. System malfunction may result in disruptions of our operations.

#### **There is no assurance that our risk management systems will effectively minimize various types of risks in our operations to appropriate levels.**

Our extensive and diverse businesses expose us to various types of risks. We conduct our business through industry-based business units and regional operations, domestic and overseas. At the same time, we are expanding our business activities into new areas. Accordingly, in addition to the risks and uncertainties that we face as a whole as an integrated trading company, each of our industry-based business units and regional operations may be subject to risks inherent in or relating to each industry, market and/or geographic focus.

Our existing risk management systems, which consist of various elements from risk measurement methodology and information system to internal rule and organization structure, may not work satisfactorily with respect to various risks. Furthermore, we may have no experience or only limited experience with the risks relating to our new business activities, products and services.

In such cases, our new business activities, products and services may require the introduction of more complex management systems and additional management resources, such as human resources.

Moreover, a shortage of management resources, such as human resources, may lead to a restriction of business operation.

#### **Natural Disasters and other risks**

Natural disasters, such as an earthquake, heavy rain or flood, or infectious diseases, such as the new influenza occur in the region or the countries where we operate may adversely affect our operations and results. We have implemented measures such as developing disaster contingency manual, creating Business Continuity Plan (BCP), introducing a safety confirmation system of employees, reinforcing earthquake resistance, and conducting emergency drills. However, despite of these measures, there is no assurance that damage from disasters can be completely avoided.

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## CORPORATE INFORMATION

(As of March 31, 2011)

■ Company Name:	Sumitomo Corporation
■ Date of Establishment:	December 24, 1919
■ Sumitomo Corporation Shareholders' Equity:	¥1,619.9 billion
■ Fiscal Year:	From April 1 of each year through March 31 of the following year
■ Number of Consolidated Subsidiaries:	576 (Overseas 434, Domestic 142)
■ Associated Companies [equity method]:	216 (Overseas 161, Domestic 55)
■ Total:	792
■ Number of Employees:	Total, including Consolidated Subsidiaries 64,886 Non-Consolidated 5,159
■ Headquarters:	1-8-11, Harumi, Chuo-ku, Tokyo 104-8610, Japan
■ URL:	<a href="http://www.sumitomocorp.co.jp/english/">http://www.sumitomocorp.co.jp/english/</a>

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## STOCK INFORMATION

(As of April 1, 2011)

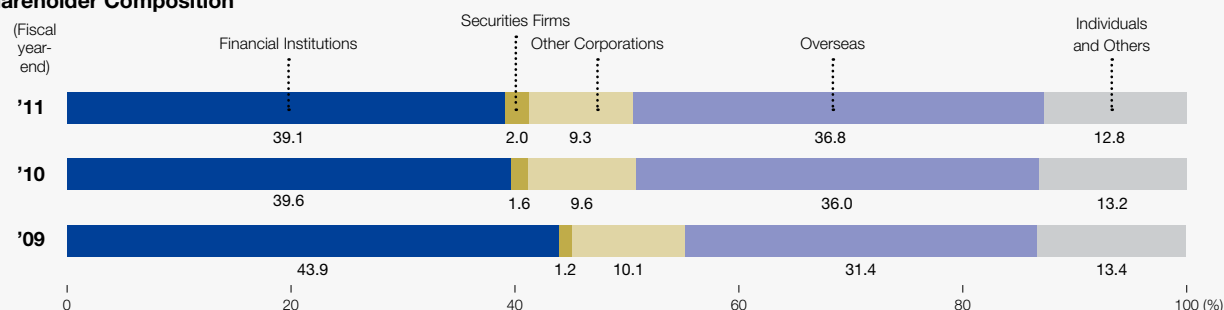
■ Stock Listings:	Tokyo, Osaka, Nagoya, Fukuoka
■ American Depositary Receipts:	
Ratio:	1ADR:1ORD
Exchange:	OTC (Over-the-Counter)
Symbol:	SSUMY
CUSIP Number:	865613103
■ Depository and Registrar:	Citibank, N.A. Global Transaction Services Depositary Receipts Services, P.O. Box 43077, Providence, Rhode Island 02940-3077, U.S.A.
Toll Free Number:	1-877-248-4237(CITI-ADR)
Overseas Dial-In:	1-781-575-4555
e-mail:	<a href="mailto:citibank@shareholders-online.com">citibank@shareholders-online.com</a>
URL:	<a href="http://www.citigroup.com/adr">http://www.citigroup.com/adr</a>

## Major Shareholders

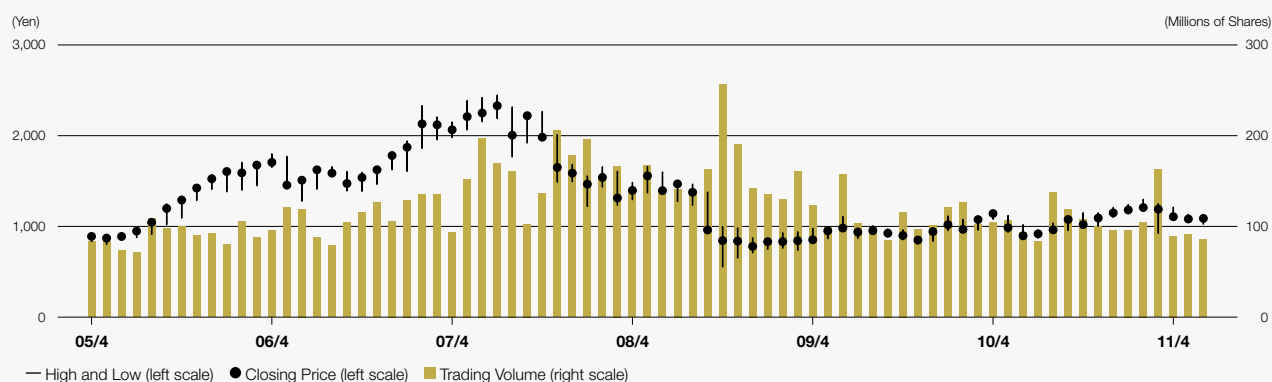
(As of March 31, 2011)

Name	Number of Shares (In Thousands of Shares)	Shareholding Ratio (%)
1 The Master Trust Bank of Japan, Ltd. (trust account)	76,619	6.13
2 Japan Trustee Services Bank, Ltd. (trust account)	74,037	5.92
3 Liberty Programming Japan, Inc.	45,652	3.65
4 Mitsui Sumitomo Insurance Company, Limited	33,227	2.66
5 Japan Trustee Services Bank, Ltd. (trust account 9)	31,726	2.54
6 Sumitomo Life Insurance Company	30,855	2.47
7 SSBT OD05 Omnibus Account-Treaty Clients	24,017	1.92
8 Japan Trustee Services Bank, Ltd. (trust account 4)	19,900	1.59
9 Sumitomo Metal Industries, Ltd.	19,291	1.54
10 Nippon Life Insurance Company	16,532	1.32

### Shareholder Composition



### Stock Price and Trading Volume



		10/4	5	6	7	8	9	10	11	12	11/1	2	3	4	5	6
Stock Price (Yen)	Closing Price	1,142	987	897	918	963	1,076	1,020	1,092	1,149	1,181	1,208	1,189	1,107	1,082	1,089
	High	1,163	1,120	1,018	955	1,035	1,105	1,149	1,149	1,207	1,240	1,297	1,249	1,210	1,131	1,093
	Low	1,080	937	884	874	928	956	1,018	1,004	1,102	1,162	1,180	925	1,084	1,051	1,021
Trading Volume (in Thousands of Shares)		104,537	106,590	93,024	83,129	137,973	118,363	107,496	99,818	95,888	95,898	104,936	162,543	89,323	91,164	85,891

Note: Above stock prices and trading volume are based on Tokyo Stock Exchange data.

➔ For further information contact:

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