Financial Section

74 CFO Interview on Adoption of IFRS

76 Key Differences between IFRSs and U.S. GAAP (FY2010)

78 Five-Year Financial Summary

82 Management's Discussion and Analysis of Financial Condition and Results of Operations

96 Consolidated Financial Statements and Notes

181 Independent Auditors' Report

Reference Information

182 Risk Factors

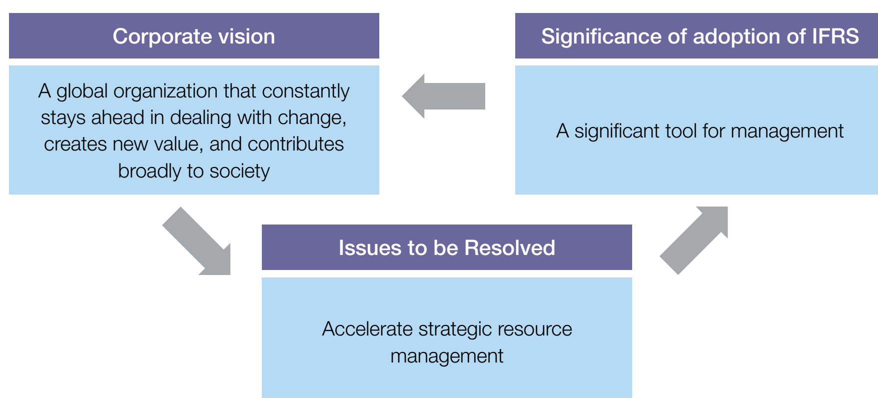
Toyosaku Hamada
CFO, General Manager, Financial Resources Management Group

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 "ƒ(x)," our new medium-term management plan.

Adoption of IFRS from a Management Perspective



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 restructure, 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 "ƒ(x)" (please refer to page 6-7).

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 "ƒ(x)," and aim for growth together with all our partners across regional, generational and organizational boundaries.

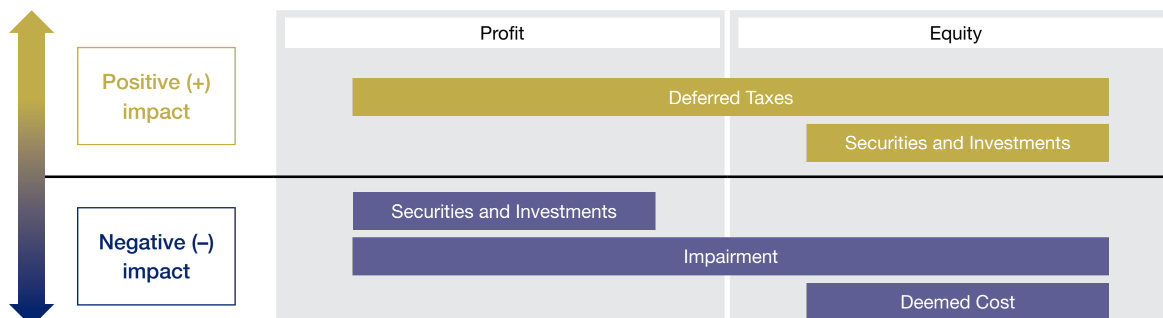
Characteristics of IFRS and Actions of the Sumitomo Corporation Group

Item	Characteristics of IFRS	Actions of the Sumitomo Corporation Group
Expansion of Disclosure (More notes to financial statements)	■ Due to the principle-based policy of IFRS, management determines accounting policies on its own ■ Expansion in disclosure of managerial risk information, etc.	■ Further improvement of operational quality through advancing risk management ■ Disclosure with higher transparency
Comprehensive income	■ IFRS places greater emphasis on comprehensive income which show changes in equity rather than "profit for the year"	■ Key indicator for capital management ■ "Profit for the year" remains our annual quantitative commitment
Impairment	■ Impairment losses tend to be recognized at an earlier timing under IFRS than U.S. GAAP	■ Utilization for the proper monitoring and evaluation of business activities
Deemed cost	■ One exemption from retrospective applications for the first time adopters of IFRS (*) ■ 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).	

* 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
	*1	Securities and Investments	(1.9)
	*2	Deferred Taxes	6.9
	*3	Impairment	(9.4)
		Others	1.9
IFRS		Profit for the year attributable to owners of the parent	200.2

U.S. GAAP		Equity attributable to Sumitomo Corporation	1,619.9
	*4	Securities and Investments	13.1
	*2	Deferred Taxes	18.9
	*3	Impairment	(29.8)
	*5	Deemed Cost	(40.7)
		Others	(10.9)
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*[1]	**1,570.5**	1,533.3	1,285.5	**18,921**
Equity attributable to owners of the parent ratio (%)*[1]	**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*[2]	**¥ 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	**¥7,269.3**	¥7,137.8	¥ 7,018.2	¥7,571.4	¥8,430.5
Sumitomo Corporation Shareholders' equity	**1,619.9**	1,583.7	1,353.1	1,492.7	1,473.1
Sumitomo Corporation Shareholders' equity ratio (%)	**22.3**	22.2	19.3	19.7	17.5
Return on equity (%)	**12.7**	10.6	15.1	16.1	15.2
Return on assets (%)	**2.8**	2.2	2.9	3.0	2.8
Interest-bearing liabilities (gross)	**3,752.9**	3,600.7	3,702.7	3,709.8	3,355.6
Interest-bearing liabilities (net)	**3,041.8**	2,781.8	3,186.8	3,247.6	2,913.3
Debt-equity ratio (gross) (times)	**2.3**	2.3	2.7	2.5	2.3
Debt-equity ratio (net) (times)	**1.9**	1.8	2.4	2.2	2.0
Working capital	**1,024.2**	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	**¥2,525.4**	¥2,336.6	¥ 2,833.3	¥ 3,040.7	¥ 2,495.0
Sales of services and others	**576.6**	547.5	678.3	630.2	582.2
Total revenues	**3,102.0**	2,884.2	3,511.6	3,670.9	3,077.2
Cost:					
Cost of tangible products sold	**(2,034.0)**	(1,899.4)	(2,342.9)	(2,551.7)	(2,076.6)
Cost of services and others	**(204.5)**	(205.2)	(233.5)	(184.7)	(142.9)
Total cost	**(2,238.5)**	(2,104.7)	(2,576.3)	(2,736.4)	(2,219.5)
Gross profit	**863.5**	779.5	935.2	934.5	857.7
Other income (expenses):					
Selling, general and administrative expenses	**(647.5)**	(639.2)	(654.4)	(669.4)	(609.9)
Settlements on copper trading litigation	**—**	—	—	—	9.6
Provision for doubtful receivables	**(16.4)**	(19.8)	(17.5)	(11.1)	(8.0)
Impairment losses on long-lived assets	**(5.2)**	(4.7)	(14.7)	(13.5)	(9.8)
Gain (loss) on sale of property and equipment, net	**2.2**	9.8	(0.4)	3.5	2.4
Interest income	**13.6**	15.4	21.6	28.3	32.9
Interest expense	**(29.2)**	(39.5)	(57.7)	(71.1)	(70.0)
Dividends	**10.0**	11.3	14.6	15.3	14.1
Gain on marketable securities and other investments, net	**13.8**	32.9	4.5	94.9	44.4
Equity in earnings of associated companies, net	**92.2**	76.1	90.0	56.9	70.3
Other, net	**(3.5)**	1.5	(1.6)	(0.7)	(1.8)
Total other income (expenses)	**(570.0)**	(556.3)	(615.6)	(566.9)	(525.8)
Income before income taxes	**293.6**	223.3	319.6	367.6	331.9
Income taxes	**(81.2)**	(61.8)	(96.3)	(119.8)	(114.8)
Net income*1	**212.4**	161.5	223.3	247.8	217.1
Less: Net income attributable to noncontrolling interests*1	**(9.6)**	(6.3)	(8.3)	(8.9)	(6.1)
Net income attributable to Sumitomo Corporation*1	**¥ 202.7**	¥ 155.2	¥ 215.1	¥ 238.9	¥ 211.0
Total trading transactions*2	**¥8,350.4**	¥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	**¥212.4**	¥161.5	¥ 223.3	¥ 247.8	¥211.0
Net unrealized holding gains (losses) on securities available-for-sale	**(43.3)**	55.8	(109.3)	(135.3)	11.9
Foreign currency translation adjustments	**(76.9)**	30.5	(169.5)	(58.8)	25.7
Net unrealized gains (losses) on derivatives	**2.9**	2.8	(12.2)	2.7	4.7
Pension liability adjustments	**(13.8)**	20.9	(25.6)	(11.5)	—
Comprehensive income (loss)	**81.2**	271.4	(93.2)	44.9	—
Less: Comprehensive income (loss) attributable to noncontrolling interests	**(6.0)**	(8.1)	2.0	(5.4)	—
Comprehensive income (loss) attributable to Sumitomo Corporation	**¥ 75.2**	¥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**
ASSETS				
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**
LIABILITIES AND EQUITY				
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 "ƒ(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 ration 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, ƒ(x), pronounced “f-cross.” Under ƒ(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 ƒ—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 ƒ(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*	+¥350 billion	+¥1,150 billion
(new investment & loan included)	(+¥320 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

* “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.

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.

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.).

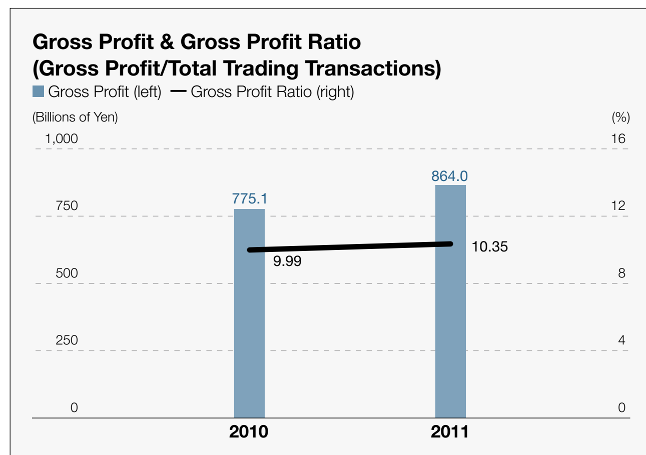
Gross Profit. Gross profit increased by ¥88.9 billion, or 11.5%, from ¥775.1 billion in the fiscal year ended March 31, 2010 to ¥864.0 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the stable performance in tubular business in North America in addition to the strong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

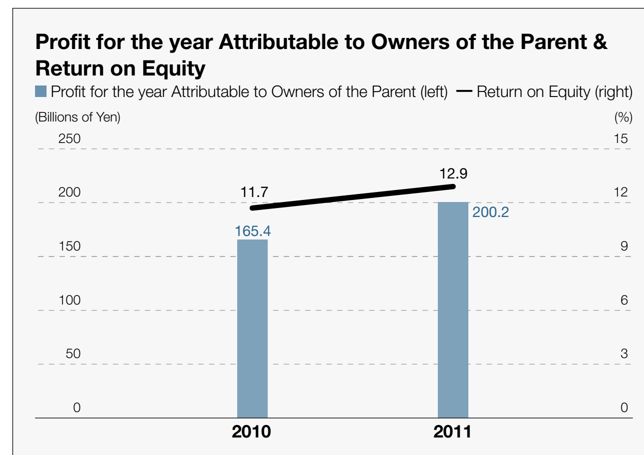
Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥10.1 billion, or 1.6%, from ¥650.6 billion in the fiscal year ended March 31, 2010 to ¥660.7 billion in the fiscal year ended March 31, 2011. The increase was mainly due to the increase of personnel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

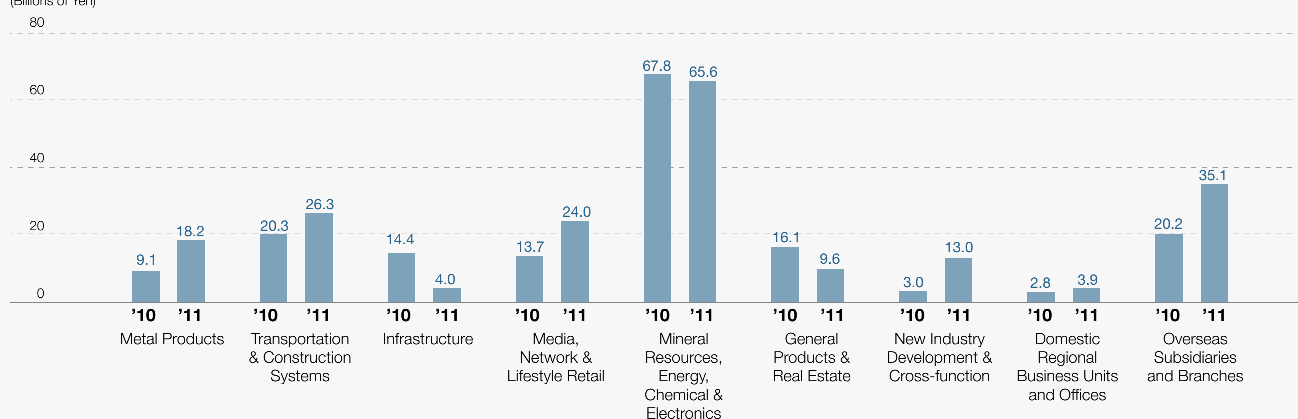
Breakdown of Gross Profit by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2011 and 2010	**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

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2011 and 2010	**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:

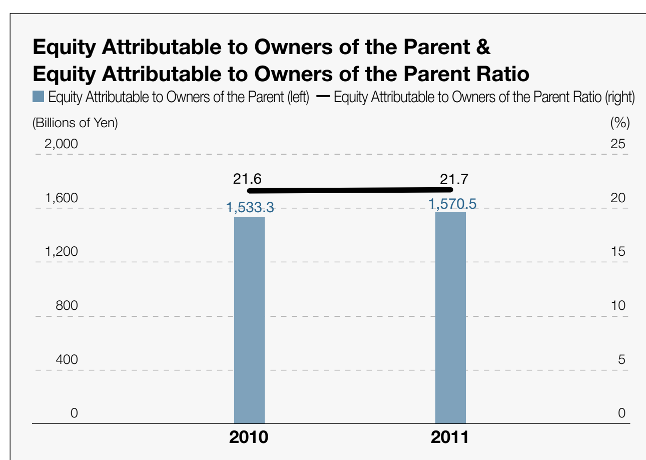
- a ¥200 billion Japanese shelf registration for primary debt offerings;
- a ¥1.0 trillion commercial paper program in Japan;
- a $1,500 million commercial paper program, established by our U.S. subsidiary, Sumitomo Corporation of America;
- a U.S.$3,000 million Euro Medium Term Note program jointly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

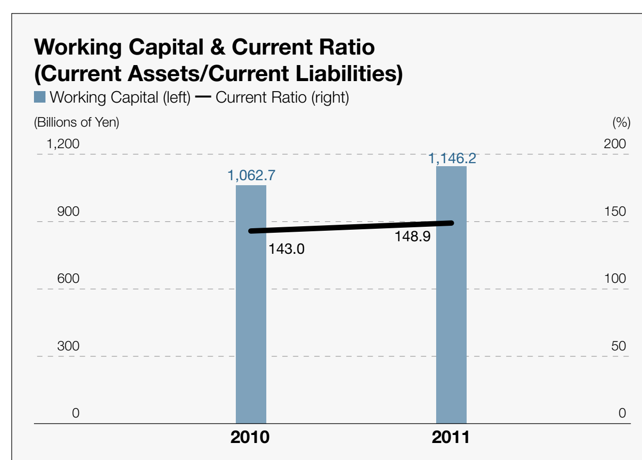
As of March 31, 2011, our total assets was ¥7,230.5 billion yen, increased by ¥123.5 billion from March 31, 2010. Although foreign-currency assets decreased due to yen appreciation, strategic investments such as investing in Brazilian iron ore mining business were the factors of the increase.

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 2011	Billions of Yen 2010	Millions of U.S. Dollars 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 2011	Billions of Yen 2010	Millions of U.S. Dollars 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.

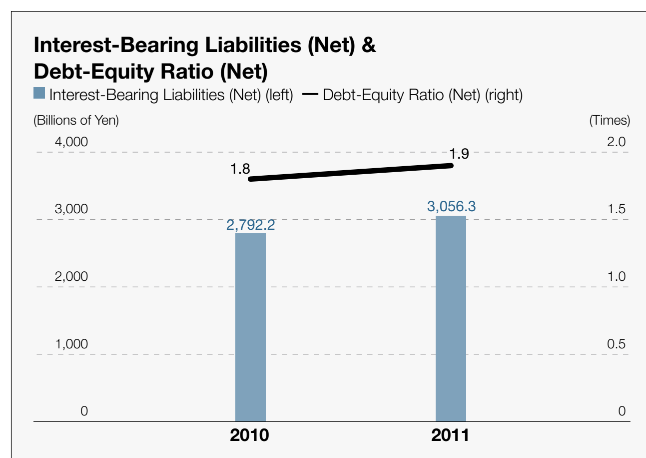
As a result, free cash flow, calculated as net cash from operating activities plus net cash used in investing activities, was ¥249.9 billion cash out for the fiscal year ended March 31, 2011.

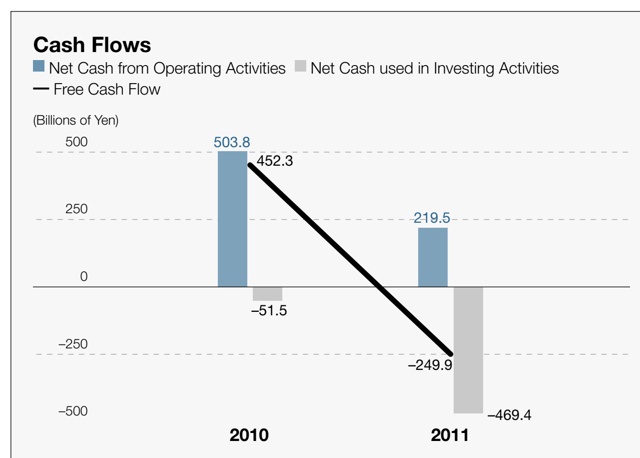
Net cash from financing activities was ¥155.9 billion for the fiscal year ended March 31, 2011. As a result of the factors discussed above, cash and cash equivalents decreased by ¥110.0 billion from the fiscal year ended March 31, 2010 to ¥704.3 billion.

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	(Billions of Yen) 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.

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.

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
				Use of deemed cost for operations subject to rate regulation
IFRS3	Business Combinations	Jul. 1, 2010	Mar. 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	Jan. 1, 2011	Mar. 31, 2012	Disclosures of risks of financial instruments
		Jul. 1, 2011	Mar. 31, 2013	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)

	Millions of Yen			Millions of U.S. Dollars
ASSETS	**2011**	2010	2009	**2011**
Current assets:				
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**
Non-current assets:				
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 2011	2010	2009	Millions of U.S. Dollars 2011
Current liabilities:				
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**
Non-current liabilities:				
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**
Equity:				
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**
Revenues:			
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**
Cost:			
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**
Other income (expenses):			
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**
Finance income:			
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**
Finance costs:			
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**
Share of profit of investments accounted for using the equity method (Note 11)	**95,580**	74,403	**1,151**
Profit before tax	**280,463**	221,968	**3,379**
Income tax expense (Note 29)	**(70,671)**	(52,602)	**(852)**
Profit for the year	**209,792**	169,366	**2,527**
Profit for the year attributable to:			
Owners of the parent (Note 4)	**¥ 200,222**	¥ 165,365	**$ 2,412**
Non-controlling interests	**9,570**	4,001	**115**
Other comprehensive income:			
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**
Comprehensive income for the year attributable to:			
Owners of the parent	**¥ 66,388**	¥ 280,321	**$ 800**
Non-controlling interests	**6,825**	5,598	**82**

	Yen		U.S. Dollars
Earnings per share (attributable to owners of the parent) (Note 30)**:**			
Basic	**¥ 160.17**	¥ 132.29	**$ 1.93**
Diluted	**160.09**	132.25	**1.93**

	Millions of Yen		Millions of U.S. Dollars
Total trading transactions*	**¥ 8,349,371**	¥ 7,757,382	**$100,595**

* 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**
Equity (Note 20)**:**			
Common stock:			
Balance, beginning of year	**¥ 219,279**	¥ 219,279	**$ 2,642**
Balance, end of year	**219,279**	219,279	**2,642**
Additional paid-in capital (Note 21)**:**			
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**
Treasury stock:			
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)**
Other components of equity (Note 22)**:**			
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)**
Retained earnings (Note 21)**:**			
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**
Non-controlling interests:			
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	**$20,266**
Comprehensive income for the year attributable to:			
Owners of the parent	**66,388**	280,321	**800**
Non-controlling interests	**6,825**	5,598	**82**
Total comprehensive income for the year	**¥ 73,213**	¥ 285,919	**$ 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**
Operating activities (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**
Investing activities (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)**
Financing activities (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**
Net (decrease) increase in cash and cash equivalents	**(93,997)**	300,961	**(1,132)**
Cash and cash equivalents at the beginning of year	**814,288**	511,758	**9,811**
Effect of exchange rate changes on cash and cash equivalents	**(15,978)**	1,569	**(193)**
Cash and cash equivalents at the end of year	**¥ 704,313**	¥ 814,288	**$ 8,486**

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 recognized 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:

2011	Millions of Yen			
Segment	Revenue	Gross profit	Profit for year (attributable to owners of the parent)	Total assets
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**

2010	Millions of Yen			
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 (attributable to owners of the parent)	Total assets
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 Engergie 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	Millions of U.S. Dollars
	2011	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		Millions of U.S. Dollars	
	2011		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	Millions of U.S. Dollars
	2011	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			Millions of U.S. Dollars		
2011			2011		
Fair value at the date of sale	Cumulative gains or (losses)	Dividends	Fair value at the date of sale	Cumulative gains or (losses)	Dividends
¥34,287	**¥14,074**	**¥342**	**$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	**¥ 49,539**	¥ 48,862	**$ 597**
Impairment losses	**16,446**	19,279	**198**
Charge-off	**(20,731)**	(19,506)	**(250)**
Exchange differences on translating foreign operations	**(2,126)**	904	**(25)**
Balance, end of year	**¥ 43,128**	¥ 49,539	**$ 520**

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	**¥ 73,456**	¥48,351	¥ 77,220	**$ 885**
Due after 90 days through one year	**15,600**	13,397	18,078	**188**
Due after one year	**17,730**	10,399	13,411	**214**
Total	**¥106,786**	¥72,147	¥108,709	**$1,287**

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	**¥124,294**	¥126,258	¥126,757	**$1,498**
Due after one year through five years	**194,906**	207,326	228,416	**2,348**
Due after five years	**36,458**	51,075	49,424	**439**

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 Yen			Millions of U.S. Dollars
	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 Yen			Millions of U.S. Dollars
	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**
Due in one year or less	**¥ 39,744**	¥ 40,181	¥ 39,766	**$ 479**
Due after one year through five years	**129,407**	134,838	129,980	**1,559**
Due after five years	**233,271**	232,314	236,366	**2,810**

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 Yen			Millions of U.S. Dollars
	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 Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Due in one year or less	**¥ 8,923**	¥ 4,635	¥10,019	**$108**
Due after one year through five years	**20,906**	13,883	15,259	**252**
Due after five years	**36,129**	30,421	39,111	**435**

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	**¥154,559**	¥ 86,634	¥ 2,643	**$1,862**
Due to customers under construction contracts, included in trade and other payables as amounts	**(2,394)**	(7,183)	(8,876)	**(29)**
Construction costs incurred and recognized profits less recognized losses to date	**¥197,921**	¥152,582	¥ 250,039	**$2,384**
Less: progress billings	**(45,756)**	(73,131)	(256,272)	**(551)**
Due from (to) customers	**¥152,165**	¥ 79,451	¥ (6,233)	**$1,833**

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	**¥12,393**	—	—	**$149**

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	**¥ 77,662**	¥ 75,327	¥ 81,636	**$ 936**
Commodities	**543,326**	524,637	635,741	**6,546**
Materials /work in progress	**77,822**	70,256	114,828	**937**
Inventories	**¥698,810**	¥670,220	¥832,205	**$8,419**

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	**¥7,439,705**	¥7,140,299	¥7,078,895	**$89,635**
Total liabilities	**4,798,173**	4,765,727	4,991,043	**57,809**
Total equity	**2,641,532**	2,374,572	2,087,852	**31,826**

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Gross profit	**¥953,975**	¥832,464	**$11,494**
Profit for the year	**369,537**	275,996	**4,452**

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	**¥3,008**	¥3,237	**$36**
Interest income	**625**	1,399	**8**
Interest expense	**520**	660	**6**

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	**3,274**	**9,057**	**104,093**	**24,689**	**20,576**	**161,689**
Reclassification	**—**	**6,047**	**15,312**	**(21,359)**	**—**	**—**
Acquisitions through business combinations	**1,592**	**1,136**	**7,892**	**527**	**—**	**11,147**
Disposals	**(2,017)**	**(4,366)**	**(70,065)**	**(1,611)**	**—**	**(78,059)**
Exchange differences on translating foreign operations	**(1,392)**	**(8,002)**	**(33,540)**	**(744)**	**(4,912)**	**(48,590)**
Others	**1,024**	**2,962**	**(6,278)**	**740**	**166**	**(1,386)**
Balance as of March 31, 2011	**¥88,124**	**¥268,951**	**¥1,027,319**	**¥ 12,386**	**¥ 74,184**	**¥1,470,964**

	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	**40**	**109**	**1,254**	**297**	**248**	**1,948**
Reclassification	**—**	**73**	**184**	**(257)**	**—**	**—**
Acquisitions through business combinations	**19**	**14**	**95**	**6**	**—**	**134**
Disposals	**(24)**	**(53)**	**(844)**	**(19)**	**—**	**(940)**
Exchange differences on translating foreign operations	**(17)**	**(96)**	**(404)**	**(9)**	**(59)**	**(585)**
Others	**12**	**35**	**(76)**	**9**	**2**	**(18)**
Balance as of March 31, 2011	**$1,062**	**$3,240**	**$12,377**	**$ 149**	**$894**	**$17,722**

[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	**—**	**2,928**	**47,681**	**—**	**—**	**50,609**
Depreciation expenses	**—**	**(17,329)**	**(108,548)**	**—**	**(5,331)**	**(131,208)**
Impairment losses	**(785)**	**(746)**	**(4,724)**	**—**	**(1,080)**	**(7,335)**
Exchange differences on translating foreign operations	**3**	**2,737**	**10,246**	**—**	**300**	**13,286**
Others	**185**	**1,715**	**3,395**	**61**	**(346)**	**5,010**
Balance as of March 31, 2011	**¥(935)**	**¥(117,385)**	**¥(525,967)**	**¥ —**	**¥(13,242)**	**¥(657,529)**

	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)	$(7,083)
Disposals	**—**	**35**	**575**	**—**	**—**	**610**
Depreciation expenses	**—**	**(209)**	**(1,308)**	**—**	**(64)**	**(1,581)**
Impairment losses	**(9)**	**(9)**	**(57)**	**—**	**(13)**	**(88)**
Exchange differences on translating foreign operations	**0**	**33**	**123**	**—**	**4**	**160**
Others	**2**	**21**	**41**	**1**	**(5)**	**60**
Balance as of March 31, 2011	**$(11)**	**$(1,414)**	**$(6,337)**	**$—**	**$(160)**	**$(7,922)**

[Carrying amount]

	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2011 (Millions of Yen)	**¥87,189**	**¥151,566**	**¥501,352**	**¥12,386**	**¥60,942**	**¥813,435**
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)	**$1,051**	**$1,826**	**$6,040**	**$149**	**$734**	**$9,800**

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)	**¥168,369**
2010 (Millions of Yen)	¥169,867
2009 (Millions of Yen)	¥159,814
2011 (Millions of U.S. Dollars)	**$2,029**

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	**¥ 5,704**	¥ 4,687	**$ 69**
Transportation & Construction Systems	**13,128**	13,354	**158**
Media, Network & Lifestyle Retail	**83,796**	83,688	**1,010**
Mineral Resources, Energy, Chemical & Electronics	**9,636**	11,577	**116**
General Products & Real Estate	**16,716**	16,623	**202**
New Industry Development & Cross-function	**83**	200	**1**
Domestic Regional Business Units and Offices	**519**	574	**6**
Overseas Subsidiaries and Branches	**38,787**	39,164	**467**
Total	**¥168,369**	¥169,867	**$2,029**

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	**—**	**6,876**	**944**	**7,820**
Separate acquisitions	**9,275**	**—**	**86**	**9,361**
Exchange differences on translating foreign operations and others	**(5,143)**	**(7,503)**	**(5,338)**	**(17,984)**
Balance as of March 31, 2011	**¥107,143**	**¥202,207**	**¥ 8,400**	**¥317,750**

	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]

	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	**¥305,169**	¥271,675	**$3,677**
Acquisitions	**8,556**	22,437	**103**
Additions through subsequent expenditure	**—**	2,841	**—**
Acquisitions through business combinations	**3,925**	—	**47**
Disposals	**(5,222)**	(8,249)	**(63)**
Exchange differences on translating foreign operations	**(4,308)**	(2,220)	**(52)**
Reclassification	**3,149**	18,137	**38**
Others	**468**	548	**5**
Balance, end of year	**¥311,737**	¥305,169	**$3,755**

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Balance, beginning of year	**¥(60,873)**	¥(51,680)	**$(733)**
Depreciation expenses	**(5,748)**	(6,098)	**(69)**
Impairment losses	**(10,175)**	(4,607)	**(123)**
Disposals	**3,051**	1,512	**37**
Exchange differences on translating foreign operations	**674**	(11)	**8**
Others	**(998)**	11	**(12)**
Balance, end of year	**¥(74,069)**	¥(60,873)	**$(892)**

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)	**¥237,668**	**¥287,271**
2010 (Millions of Yen)	¥244,296	¥298,817
2009 (Millions of Yen)	¥219,995	¥294,701
2011 (Millions of U.S. Dollars)	**$2,863**	**$3,461**

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	**¥ 2,497**	¥ 2,333	¥ 3,601	**$ 30**
2nd year	**542**	2,334	981	**7**
3rd year	**1,843**	1,028	1,398	**22**
4th year	**2,686**	2,456	1,188	**32**
5th year and thereafter	**17,425**	18,863	22,323	**210**
Total	**¥24,993**	¥27,014	¥29,491	**$301**

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	**¥ 5,925**	¥ 3,864	¥ 4,208	**$ 71**
Non-current	**17,374**	14,437	14,288	**209**
Total	**¥23,299**	¥18,301	¥18,496	**$280**

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	**¥ (2,537)**	¥ (2,143)	**$ (31)**
Defined benefit plans	**(11,726)**	(8,640)	**(141)**
Total	**¥(14,263)**	¥(10,783)	**$(172)**

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	**¥ (8,011)**	¥(7,481)	**$ (97)**
Interest on obligation	**(5,090)**	(4,830)	**(61)**
Expected return on plan assets	**4,737**	4,093	**57**
Past service cost	**(3,362)**	(1,145)	**(40)**
Gain on settlements and curtailments	**—**	723	**—**
Total	**¥(11,726)**	¥(8,640)	**$(141)**

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	Millions of U.S. Dollars
	Actuarial gains (losses)	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	**(23,492)**	**(283)**
Cumulative amount of actuarial gains (losses) as of March 31, 2011	**¥ 6,397**	**$ 77**

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	**¥(193,373)**	¥(194,221)	**$(2,330)**
Current service cost	**(8,011)**	(7,481)	**(97)**
Interest on obligation	**(5,090)**	(4,830)	**(61)**
Plan amendments	**(3,362)**	(1,145)	**(40)**
Acquisitions and divestitures	**(82)**	(175)	**(1)**
Actuarial (losses) gains	**(16,591)**	3,894	**(200)**
Benefits paid	**9,287**	9,683	**112**
Exchange differences on translating foreign operations	**1,087**	(318)	**13**
Curtailments and settlements	**—**	1,220	**—**
Balance, end of year	**¥(216,135)**	¥(193,373)	**$(2,604)**

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Balance, beginning of year	**¥217,969**	¥192,280	**$2,626**
Expected return on plan assets	**4,737**	4,093	**57**
Actuarial (losses) gains	**(6,901)**	25,995	**(83)**
Acquisitions and divestitures	**—**	162	**—**
Contributions from the employer	**13,666**	3,910	**164**
Benefits paid	**(8,287)**	(8,569)	**(100)**
Exchange differences on translating foreign operations	**(864)**	218	**(10)**
Settlements	**—**	(120)	**—**
Balance, end of year	**¥220,320**	¥217,969	**$2,654**

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	**¥(216,135)**	¥(193,373)	¥(194,221)	**$(2,604)**
Fair value of plan assets	**220,320**	217,969	192,280	**2,654**
Funded status	**4,185**	24,596	(1,941)	**50**
Net asset (liability) arising from defined benefit obligation	**¥ 4,185**	¥ 24,596	¥ (1,941)	**$ 50**
Experience adjustments on defined benefit obligation	**¥ (16,591)**	¥ 3,894	¥ (9,749)	**$ (200)**
Experience adjustments on plan assets	**¥ (6,901)**	¥ 25,995	¥ (37,477)	**$ (83)**

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	**¥(2,598)**	¥1,078	**$(31)**
Available-for-sale marketable securities	**—**	246	**—**
Financial assets measured at FVTOCI	**(216)**	—	**(3)**
Cash-flow hedges	**179**	(137)	**2**
Actuarial gains (losses) of defined benefit pension plans	**(110)**	410	**(1)**
Other comprehensive income (loss)	**¥(2,745)**	¥1,597	**$(33)**

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		
2011	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	**¥ (79,566)**	**¥ (8,024)**	**¥ (87,590)**
Reclassification to profit or loss for the year	**(147)**	**60**	**(87)**
Adjustment for the year	**(79,713)**	**(7,964)**	**(87,677)**
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	**(67,379)**	**27,914**	**(39,465)**
Adjustment for the year	**(67,379)**	**27,914**	**(39,465)**
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	**(6,209)**	**1,571**	**(4,638)**
Reclassification to profit or loss for the year	**14,388**	**(4,849)**	**9,539**
Adjustment for the year	**8,179**	**(3,278)**	**4,901**
Actuarial gains (losses) of defined benefit pension plans:			
Unrealized gains (losses) arising during the year	**(23,492)**	**9,566**	**(13,926)**
Adjustment for the year	**(23,492)**	**9,566**	**(13,926)**
Shares of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	**(3,101)**	**53**	**(3,048)**
Reclassification to profit or loss for the year	**2,636**	**—**	**2,636**
Adjustment for the year	**(465)**	**53**	**(412)**
Total other comprehensive income (loss)	**¥(162,870)**	**¥26,291**	**¥(136,579)**

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	**¥20,001**	¥11,250	**$241**
Dividends per share (Yen/U.S. Dollars)	**¥16**	¥9	**$0.2**
Year-end dividends	**25,001**	18,751	**301**
Dividends per share (Yen/U.S. Dollars)	**20**	15	**0.2**

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	
		Weighted average exercise price			Weighted average exercise price
	Number of shares	Yen	U.S. Dollars	Number of shares	Yen
Outstanding, beginning of year	**594,000**	**¥1,577**	**$19**	517,000	¥1,822
Granted	**212,000**	**1,004**	**12**	195,000	1,062
Exercised	**12,000**	**1,024**	**12**	5,000	888
Cancelled or expired	**63,000**	**1,461**	**18**	113,000	1,839
Outstanding, end of year	**731,000**	**1,430**	**17**	594,000	1,577
Options exercisable, end of year	**525,000**	**¥1,597**	**$19**	402,000	¥1,824

Stock options outstanding and exercisable as of March 31, 2011 are as follows:

	2011							
	Outstanding				Exercisable			
Exercise price range	Number of	Weighted average exercise price		Weighted average remaining life	Number of	Weighted average exercise price		
Yen	shares	Yen	U.S. Dollars	in years	shares	Yen	U.S. Dollars	
¥1,001–1,200	**379,000**	**¥1,030**	**$12**	**1.48**	**173,000**	**¥1,062**	**$13**	
1,401–1,600	**143,000**	**1,537**	**19**	**2.25**	**143,000**	**1,537**	**19**	
1,601–1,800	**88,000**	**1,624**	**20**	**0.25**	**88,000**	**1,624**	**20**	
2,401–2,600	**121,000**	**2,415**	**29**	**1.25**	**121,000**	**2,415**	**29**	
	731,000	**¥1,430**	**$17**	**2.64**	**525,000**	**¥1,597**	**$19**	

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)	**4.5**	4.5
Risk-free rate (%)	**0.30**	0.63
Expected volatility (%)	**40.14**	39.35
Expected dividend yield (%)	**2.19**	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	**460,500**	300,800
Granted	**217,200**	187,500
Exercised	**7,300**	27,800
Cancelled or expired	**—**	—
Outstanding, end of year	**670,400**	460,500
Options exercisable, end of the year	**90,600**	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)	**2.61**	3.35
Risk-free rate (%)	**0.15**	0.47
Expected volatility (%)	**45.77**	42.19
Expected dividend yield (%)	**2.97**	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	**¥(418)**	¥(351)	**$(5)**

(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:

2011	Average exchange rate Yen	Foreign currency Thousands of local currency	Notional amount Millions of Yen	Fair value Millions of Yen
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	**¥84.87**	**$2,907,759**	**¥246,790**	**¥(5,274)**
Due after one year	**85.90**	**582,137**	**50,007**	**(3,306)**
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	**82.47**	**3,218,741**	**265,446**	**(1,957)**
Due after one year	**87.62**	**186,716**	**16,360**	**1,343**

2010	Average exchange rate Yen	Foreign currency Thousands of local currency	Notional amount Millions of Yen	Fair value Millions of 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

2009	Average exchange rate Yen	Foreign currency Thousands of local currency	Notional amount Millions of Yen	Fair value Millions of 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	Notional amount	Fair value
2011	Yen	Thousands of local currency	Millions of Yen	Millions of Yen
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	**¥ 82.57**	**$2,290,767**	**¥189,137**	**¥(1,647)**
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	**118.12**	**67,729**	**8,000**	**2,429**
Due after one year	**119.58**	**29,269**	**3,500**	**1,108**

	Average exchange rate	Foreign currency	Notional amount	Fair value
2010	Yen	Thousands of local currency	Millions of Yen	Millions of Yen
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	Notional amount	Fair value
2009	Yen	Thousands of local currency	Millions of Yen	Millions of Yen
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	**¥(16,439)**	¥(15,748)	**$(198)**

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’ 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.

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.

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
2011				
Bonds and borrowings	**¥ 850,435**	**¥1,780,170**	**¥1,136,793**	**¥3,767,398**
Trade and other payables	**999,096**	**26,705**	**43,080**	**1,068,881**
Financial guarantee contracts	**43,955**	**93,456**	**34,071**	**171,482**
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
2011				
Bonds and borrowings	**$10,246**	**$21,448**	**$13,696**	**$45,390**
Trade and other payables	**12,037**	**322**	**519**	**12,878**
Financial guarantee contracts	**530**	**1,126**	**410**	**2,066**

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
2011					
Interest rate contracts	cash receipt	**¥ 7,326**	**¥ 23,839**	**¥ 9,758**	**¥ 40,923**
	/ (payment)	**(2,409)**	**(5,231)**	**(3,715)**	**(11,355)**
Foreign exchange contracts	cash receipt	**10,339**	**4,721**	**149**	**15,209**
	/ (payment)	**(19,514)**	**(4,179)**	**(295)**	**(23,988)**
Commodity contracts	cash receipt	**64,169**	**5,682**	**6,667**	**76,518**
	/ (payment)	**(71,816)**	**(16,588)**	**(8,910)**	**(97,314)**
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
2011					
Interest rate contracts	cash receipt	**$ 88**	**$ 287**	**$ 118**	**$ 493**
	/ (payment)	**(29)**	**(63)**	**(45)**	**(137)**
Foreign exchange contracts	cash receipt	**124**	**57**	**2**	**183**
	/ (payment)	**(235)**	**(50)**	**(4)**	**(289)**
Commodity contracts	cash receipt	**773**	**69**	**80**	**922**
	/ (payment)	**(865)**	**(200)**	**(107)**	**(1,172)**

(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:

	Millions of Yen			
2011	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)**

	Millions of Yen			
2010	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)

	Millions of U.S. Dollars			
2011	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		
2011	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
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		
2011	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
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				
2011	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[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				
2010	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[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				
2009	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[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				
2011	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[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	**¥77,483**	¥89,363	**$934**
Deferred tax	**(6,812)**	(36,761)	**(82)**
Total	**¥70,671**	¥52,602	**$852**

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	**41.0**	41.0
Tax effect on equity—accounted investees	**(8.0)**	(6.3)
Tax effect on expenses not deductible for tax purposes	**1.7**	0.9
Difference in applicable tax rate of foreign subsidiaries	**(8.5)**	(6.7)
Reassessment of the recoverability of deferred tax assets	**2.1**	(2.9)
Others—net	**(3.1)**	(2.3)
The Companies' average effective income tax rate	**25.2**	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	**¥200,222**	¥165,365	**$2,412**

	Number of shares	
	2011	2010
Weighted-average shares—basic	**1,250,060,473**	1,250,044,847
Dilutive effect of: Stock options	**602,278**	394,139
Weighted-average shares—diluted	**1,250,662,751**	1,250,438,986

	Yen		U.S. Dollars
	2011	2010	**2011**
Earnings per share (attributable to owners of the parent) :			
Basic	**¥160.17**	¥132.29	**$1.93**
Diluted	**160.09**	132.25	**1.93**

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 (10.00)
	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 Construccion y Mineria 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	Chandigharh, India	54.96
	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)		
Infrastructure	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)		
Others	Sumitomo Shoji Financial Management Co., Ltd.	Chuo-ku, Tokyo	100.00
	Yasato Kosan Co., Ltd.	Chuo-ku, Tokyo	100.00
	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 investees 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	U.S. GAAP	Re-classification	Effect of transition to IFRSs	IFRSs	ASSETS
	Millions of Yen				
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

	Millions of Yen				
LIABILITIES AND EQUITY	U.S. GAAP	Re-classification	Effect of transition to IFRSs	IFRSs	LIABILITIES AND EQUITY
Current liabilities:					Current liabilities:
Short-term debt	¥ 792,169	(792,169)			
Current maturities of long-term debt	382,849	(382,849)			
		1,179,911	(1,352)	¥1,178,559	Bonds and borrowings
Payables-trade	928,938	(928,938)			
		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
					Non-current liabilities:
Long-term debt, less current maturities	2,821,287	(2,821,287)			
		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	U.S. GAAP	Re-classification	Effect of transition to IFRSs	IFRSs	ASSETS
	Millions of Yen				
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 U.S. GAAP	Re-classification	Effect of transition to IFRSs	IFRSs	LIABILITIES AND EQUITY
Current liabilities:					Current liabilities:
Short-term debt	¥ 453,361	(453,361)			
Current maturities of long-term debt	481,326	(481,326)			
		938,927	6,894	¥ 945,821	Bonds and borrowings
Payables-trade	990,219	(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
					Non-current liabilities:
Long-term debt, less current maturities	2,938,465	(2,938,465)			
		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
					Equity:
Sumitomo Corporation shareholders' 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
					Finance income:
Interest income	15,434	—	333	15,767	Interest income
Interest expense	(39,504)	39,504			
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
					Finance costs:
		(39,504)	(1,095)	(40,599)	Interest expense
		(19,060)	(445)	(19,505)	Other than temporary impairment losses on securities
				(60,104)	Total finance costs
				22,196	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			
					Profit for the year attributable to:
Net income attributable to Sumitomo Corporation	¥ 155,199	—	10,166	¥ 165,365	Owners of the parent
		(6,253)	10,254	4,001	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
			6,980	6,980	Share of other comprehensive income of investments accounted for using the equity method
	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	—	17,076	¥280,321	Owners of the parent
		(8,132)	13,730	5,598	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 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.

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

	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
	2010
Consolidated statement of comprehensive income	
Finance income	¥3,296
Finance costs	333
Adjustment to profit before tax	¥3,629

	Millions of Yen	
	2009	2010
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
	2010
Consolidated statement of comprehensive income	
Gross profit	¥(6,586)
Operating profit	(5,172)
Adjustment to profit before tax	¥(2,569)

	Millions of Yen	
	2009	2010
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