FINANCIAL SECTION

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

1. INTRODUCTION

We are an integrated trading company (*sogo shosha*) engaged in a wide range of business activities on a global basis. Our business foundation consists of trust, global relations with over 100,000 business partners around the world, a global network with offices and subsidiaries worldwide, intellectual capital and advanced functions in business development, logistic solutions, financial services, IT solutions, risk management and intelligence gathering and analysis. Through integration of these elements, we provide a diverse array of value 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

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.

In April 2013, based on a strategic review of our business units and fields of business, we reorganized our seven business units into five business units. By broadening the coverage of the organizational units, we aim for greater dynamism and flexibility in our operation. The industry-based business segments after the reorganization are:

- Metal Products
- Transportation & Construction Systems
- Environment & Infrastructure
- Media, Network, Lifestyle Related Goods & Services
- Mineral Resources, Energy, Chemical & Electronics

Note: As used in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," "the Company" is used to refer to Sumitomo Corporation, and "the Companies" is used to refer to the Company and its subsidiaries, unless otherwise indicated.

2. OUR MEDIUM-TERM TARGETS

The following discussion of our medium-term targets contains forward-looking statements and measures that have been calculated based on a number of judgments, estimates and assumptions. Unless otherwise stated, the forward-looking statements reflect management's current assumptions and expectations of future events as of March 31, 2013. Accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance.

Over the two year period through March 2013, we undertook implementation of the medium-term management plan *ƒ*(x). Under this plan, in keeping with our Corporate Mission Statement, which defines value creation as our corporate vision, we aimed to achieve growth together with all our partners, working across regional, generational, and organizational boundaries and executing business model innovation so as to meet the demands of the times. For this purpose we focused our efforts on four key actions: (1) make visible and share long-term ideal images on the front lines, (2) accelerate strategic resource management,

(3) enhance our integrated corporate strength on a global basis, and (4) strengthen human resources management on a company-wide level.

In quantitative terms, in fiscal 2011 our consolidated net income* reached ¥250.7 billion, a record high, but in fiscal 2012, because of factors including the decline in the prices of resources, the figure was ¥232.5 billion. Meanwhile, thanks to active efforts to replace existing assets, we were able to keep our interest-bearing liabilities more or less unchanged from their level at the start of ƒ(x), and we improved our net debt-equity ratio** to 1.4 times. Our free cash flow over the two-year period was a positive inflow of ¥248.8 billion.

In April 2013, we launched our new medium-term management plan, “Be the Best, Be the One 2014.” We have adopted “Be the Best, Be the One” as the vision of what we aim to be as we approach the centennial of our company’s foundation in fiscal 2019. In order to achieve this vision, we are positioning the first two years, during which we will be implementing this new plan, as the stage of heading for a higher level of profit growth.

Under “Be the Best, Be the One 2014,” while promoting the working of our corporate metabolism by replacing old with new from a medium- and long-term viewpoint, we will have each workplace of our business operations pursue its own strengths and capabilities and at the same time pool the strengths and capabilities inside and outside the company through efforts including the building of strategic partnerships. In addition, through the strengthening of our business investment management power and overseas regional organizations, the maintenance of financial soundness, and the development of our human resources we need, we will evolve our management base into a stronger one in support of the front lines of our businesses. In quantitative terms, we have set our targets for consolidated net income at ¥240.0 billion for fiscal 2013 and ¥270.0 billion for fiscal 2014.

The quantitative targets and balance sheet plan for “Be the Best, Be the One 2014” are indicated below.

Quantitative targets		
Consolidated net income	FY2013	¥240.0 billion
	FY2014	¥270.0 billion
Risk-adjusted return ratio		approx. 12% (each fiscal year)
ROA		3% or more (each fiscal year)

Balance sheet plan (Two-year totals)	
	Total assets
New investment and loans	¥ 750.0 billion
Divestiture and reduction of assets	¥(770.0) billion

* “Consolidated net income” presented above is equivalent to “profit attributable to owners of the parent” under IFRSs.

** “Net debt-equity ratio” is calculated by dividing Interest-bearing liabilities (net) by “equity attributable to owners of the parent.”

3. ECONOMIC ENVIRONMENT

During the period under review (fiscal 2012), advanced countries energetically loosened their monetary policies in the face of the economic downturn in Europe and the delay in China’s recovery, but uncertainty over the European debt problem acted as a drag on the global economy, and growth decelerated. International commodity markets lacked clear direction throughout the period, reflecting the softness of demand.

The Japanese economy benefited from the emergence of full-scale recovery demand relating to the Great East Japan Earthquake, but meanwhile the end of the effect of earlier stimulus measures caused internal demand to sag, and exports declined because of the sluggishness in European economies and the deterioration in Japan-China relations, causing the loss of speed to become clearly visible. In January 2013, however, a new set of emergency economic measures was announced, and the correction of the overvalued yen, combined with higher stock prices, led to increased hopes for a recovery.

4. 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, 2013, sales of services and others accounted for 19.4% of our total revenues, and the gross profit from sales of services and others accounted for 48.2% 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, deferred tax assets, and biological 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, 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. Impairment losses on long-lived assets includes reversals of impairment losses when applicable.

Gain (Loss) on Sale of Property, Plant and Equipment, Net. As a result of strategic and active 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.

Gain (Loss) on Securities and Other Investments. We maintain a significant level of investments in order to supplement our trading activities. Among those 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. Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment losses when necessary.

We recognize gains and losses on sales of our financial assets measured at amortized cost and investments in our consolidated subsidiaries or equity-accounted investees when we elect to sell investment holdings.

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. These differences are presented as "Exchange differences on translating foreign operations" in Other components of equity after the date of transition to IFRSs.

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 changes in fair value are recognized in other comprehensive income.

Cash-Flow Hedges. When derivatives are designated as hedging instruments to hedge the exposure to variability in cash flows that are attributable to particular risks associated with recognized assets or liabilities or 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.

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.

5. 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 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, and (ii) from the provision of services and other sales, from which revenue is recognized based on the delivery of the 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 of costs incurred 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 profit or loss when losses can be estimated; and provisions are recognized when a present obligation is identified and the amount can be estimated reliably.

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 on return;
- the Companies have latitude in establishing prices, either directly or indirectly; and
- 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; and
- 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. To ascertain whether these financial assets are impaired, we regularly assess them for objective evidence of impairment, which includes default or delinquency of the borrower. 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. Financial assets classified as FVTOCI are held in order to maintain and reinforce business relationships with investees to expand the Companies' revenue base and of which changes in fair values are not included in the assessment of business performance. Financial assets classified as FVTPL are held to make profits from the changes in fair values and are included in the assessment of business performance. Fair values of these assets are based on market prices or determined by the discounted future cash flow method, profitability and net assets of the 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 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. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs of disposal. 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 discount them by applying an appropriate discount rate. Changes in strategy or in market conditions could significantly affect these estimates.

Tax Asset Valuation

We reduce 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.

6. RESULTS OF OPERATIONS

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Total Revenues. Total revenues totaled ¥3,016.2 billion, representing a decline of ¥244.8 billion, or 7.5%, from ¥3,261.0 billion in the previous year. This was attributable in part to factors such as the switch of Sumitomo Mitsui Auto Service Company, Limited to the status of an associated company accounted for by the equity method.

Gross Profit. Gross profit totaled ¥827.0 billion, down by ¥91.8 billion, or 10.0%, from ¥918.8 billion in the previous year. This was due to factors such as the switch of Sumitomo Mitsui Auto Service Company, Limited and Jupiter Shop Channel Co., Ltd. to the status of associated companies accounted for by the equity method, in addition to a decline in a profit at coal-mining operations in Australia.

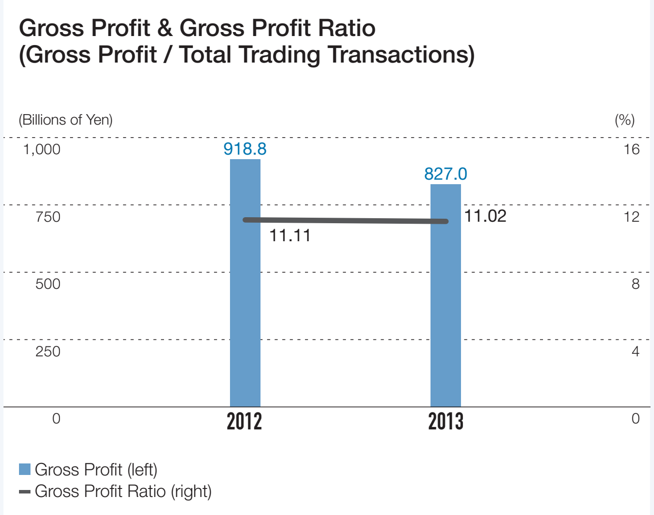
Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled ¥657.1 billion, a decrease of ¥29.3 billion, or 4.3%, from ¥686.4 billion in the previous year. This was owing mainly to the switch of Sumitomo Mitsui Auto Service Company, Limited and Jupiter Shop Channel Co., Ltd. to the status of associated companies accounted for by the equity method.

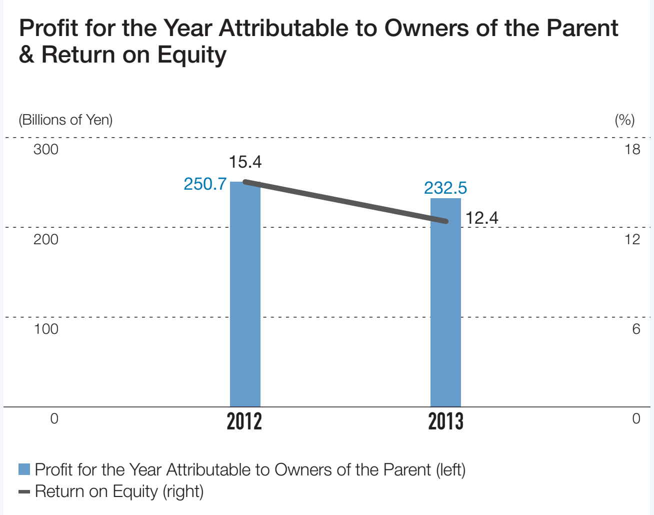
Gain (loss) on securities and other investments, net. Gain (loss) on securities and other investments, net totaled ¥51.5 billion, up by ¥36.7 billion, or 248.0%, from ¥14.8 billion in the previous year. Factors contributing to this included a gain resulting from selling part of our holding in Jupiter Shop Channel Co., Ltd.

Share of profit of investments accounted for using the equity method. Share of profit of investments accounted for using the equity method totaled ¥107.4 billion, a decrease of ¥3.2 billion, or 3.0%, from ¥110.6 billion in the previous year. This decline was attributable to factors such as falls in the earnings of Group companies in mineral resource fields, while there was the switch of Sumitomo Mitsui Auto Service Company, Limited and Jupiter Shop Channel Co., Ltd. to the status of associated companies accounted for by the equity method.

Profit for the year attributable to owners of the parent. As a result of the above, profit for the year attributable to owners of the parent totaled ¥232.5 billion, representing a decline of ¥18.2 billion, or 7.3%, from ¥250.7 billion in the previous year.

Comprehensive income for the year attributable to owners of the parent. Comprehensive income for the year attributable to owners of the parent totaled ¥439.8 billion, up by ¥259.8 billion, or 144.3%, from ¥180.0 billion in the previous year. This was due primarily to factors such as an improvement in exchange differences on translating foreign operations owing to yen's depreciation, while there was a decrease in profit for the year attributable to owners of the parent.





7. OPERATING SEGMENT ANALYSIS

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

We conduct our business using seven business segments based on industries, including: Metal Products; Transportation & Construction Systems; Infrastructure; Media, Network & Lifestyle Retail; Mineral Resources, Energy, Chemical & Electronics; General Products & Real Estate; and 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 on a 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, 2013 and 2012.

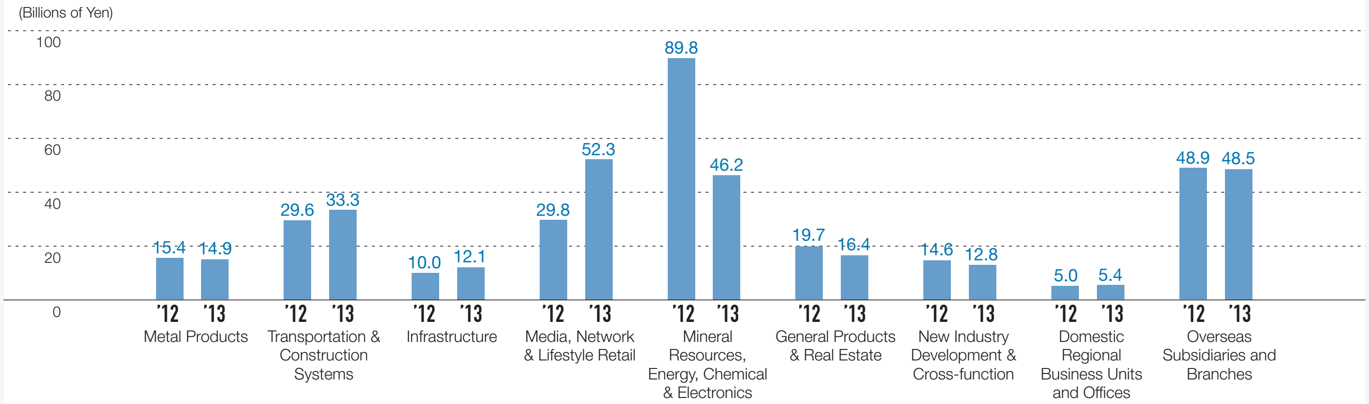
Breakdown of Gross Profit by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2013 and 2012	**2013**	2012	Increase/ decrease	Increase/ decrease	**2013**
Metal Products	**¥ 64.6**	¥ 66.8	¥ (2.2)	(3.3)%	**$ 688**
Transportation & Construction Systems	**118.2**	147.1	(28.9)	(19.6)	**1,257**
Infrastructure	**34.5**	31.2	3.3	10.6	**368**
Media, Network & Lifestyle Retail	**186.5**	221.1	(34.6)	(15.6)	**1,984**
Mineral Resources, Energy, Chemical & Electronics	**79.6**	112.8	(33.2)	(29.4)	**846**
General Products & Real Estate	**100.5**	100.2	0.3	0.3	**1,069**
New Industry Development & Cross-function	**27.0**	27.8	(0.8)	(2.9)	**287**
Domestic Regional Business Units and Offices	**38.3**	37.7	0.6	1.6	**407**
Overseas Subsidiaries and Branches	**184.8**	179.0	5.8	3.2	**1,966**
Segment Total	**834.0**	923.7	(89.7)	(9.7)	**8,872**
Corporate and Eliminations	**(7.0)**	(4.9)	(2.1)	(42.9)	**(75)**
Consolidated	**¥827.0**	¥918.8	¥(91.8)	(10.0)%	**$8,797**

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, 2013 and 2012	**2013**	2012	Increase/ decrease	Increase/ decrease	**2013**
Metal Products	**¥ 14.9**	¥ 15.4	¥ (0.5)	(3.2)%	**$ 158**
Transportation & Construction Systems	**33.3**	29.6	3.7	12.5	**355**
Infrastructure	**12.1**	10.0	2.1	21.0	**129**
Media, Network & Lifestyle Retail	**52.3**	29.8	22.5	75.5	**556**
Mineral Resources, Energy, Chemical & Electronics	**46.2**	89.8	(43.6)	(48.6)	**491**
General Products & Real Estate	**16.4**	19.7	(3.3)	(16.8)	**174**
New Industry Development & Cross-function	**12.8**	14.6	(1.8)	(12.3)	**137**
Domestic Regional Business Units and Offices	**5.4**	5.0	0.4	8.0	**57**
Overseas Subsidiaries and Branches	**48.5**	48.9	(0.4)	(0.8)	**516**
Segment Total	**241.9**	262.8	(20.9)	(8.0)	**2,573**
Corporate and Eliminations	**(9.4)**	(12.1)	2.7	22.3	**(100)**
Consolidated	**¥232.5**	¥250.7	¥(18.2)	(7.3)%	**$2,473**

Profit for the Year Attributable to Owners of the Parent by Operating Segment



Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Metal Products

Gross profit totaled ¥64.6 billion, a decrease of ¥2.2 billion, or 3.3%, from ¥66.8 billion in the previous year. Profit for the year attributable to owners of the parent totaled ¥14.9 billion, representing a decline of ¥0.5 billion, or 3.2%, from ¥15.4 billion in the previous year. Tubular products business in North America performed stably, but the operations of the steel service centers suffered a decline in profit.

Transportation & Construction Systems

Gross profit totaled ¥118.2 billion, down by ¥28.9 billion, or 19.6%, from ¥147.1 billion in the previous year. This was attributable to factors such as the switch of Sumitomo Mitsui Auto Service Company, Limited to the status of an associated company accounted for by the equity method. Profit for the year attributable to owners of the parent totaled ¥33.3 billion, an increase of ¥3.7 billion, or 12.5%, from ¥29.6 billion in the previous year. This was due to factors such as temporary gains during the year as well as a strong performance by our automobile financing business in Asia.

Infrastructure

Gross profit totaled ¥34.5 billion, up by ¥3.3 billion, or 10.6%, from ¥31.2 billion in the previous year. This was owing to factors such as ongoing stable business performance by the Tanjung Jati B power plant. Profit for the year attributable to owners of the parent totaled ¥12.1 billion, an increase of ¥2.1 billion, or 21.0%, from ¥10.0 billion in the previous year.

Media, Network & Lifestyle Retail

Gross profit totaled ¥186.5 billion, representing a decline of ¥34.6 billion, or 15.6%, from ¥221.1 billion in the previous year. This was attributable to factors such as the switch of Jupiter Shop Channel Co., Ltd. to the status of an associated company accounted for by the equity method. Profit for the year attributable to owners of the parent totaled ¥52.3 billion, up by ¥22.5 billion, or 75.5%, from ¥29.8 billion in the previous year. Factors contributing to this included a gain resulting from selling part of our holding in Jupiter Shop Channel Co., Ltd., and robust performances by major Group companies.

Mineral Resources, Energy, Chemical & Electronics

Gross profit totaled ¥79.6 billion, a decrease of ¥33.2 billion, or 29.4%, from ¥112.8 billion in the previous year. This was due primarily to a decline in profit at coal-mining operations in Australia. Profit for the year attributable to owners of the parent totaled ¥46.2 billion, representing a decline of ¥43.6 billion, or 48.6%, from ¥89.8 billion in the previous year. This was attributable to a decline in profit at coal-mining operations in Australia and at copper operations, and to other factors such as the fact that temporary gains had been posted during the previous year.

General Products & Real Estate

Gross profit totaled ¥100.5 billion, up by ¥0.3 billion, or 0.3%, from ¥100.2 billion in the previous year. Profit for the year attributable to owners of the parent totaled ¥16.4 billion, a decrease of ¥3.3 billion, or 16.8%, from ¥19.7 billion in the previous year. This was owing mainly to a decrease in profit in the tire business in the US and in the banana business.

New Industry Development & Cross-function

Gross profit totaled ¥27.0 billion, down by ¥0.8 billion, or 2.9%, from ¥27.8 billion in the previous year. Profit for the year attributable to owners of the parent totaled ¥12.8 billion, representing a decline of ¥1.8 billion, or 12.3%, from ¥14.6 billion in the previous year. Although this segment was boosted by the performance of an aircraft leasing business acquired in June 2012, this was offset by other factors such as a temporary securities-related gain in the previous year resulting from the IPO of a company in which we had invested.

Domestic Regional Business Units and Offices

Gross profit totaled ¥38.3 billion, an increase of ¥0.6 billion, or 1.6%, from ¥37.7 billion in the previous year. Profit for the year attributable to owners of the parent totaled ¥5.4 billion, up by ¥0.4 billion, or 8.0%, from ¥5.0 billion in the previous year. This was due mainly to stable performance of the metal products business.

Overseas Subsidiaries and Branches

Gross profit totaled ¥184.8 billion, an increase of ¥5.8 billion, or 3.2%, from ¥179.0 billion in the previous year. This was owing to factors such as ongoing stable business performance by the Tanjung Jati B power plant. Profit for the year attributable to owners of the parent totaled ¥48.5 billion, representing a decline of ¥0.4 billion, or 0.8%, from ¥48.9 billion in the previous year. Although the tubular products business in North America registered stable performance, our subsidiaries in China suffered a year-on-year decline in profits.

8. LIQUIDITY AND CAPITAL RESOURCES

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

As of March 31, 2013, we had ¥3,861.4 billion of bonds and borrowings. Our short-term debt, excluding current maturities of long-term debt, was ¥322.1 billion, an increase of ¥60.1 billion from the previous year. Our short-term debt consisted of ¥223.4 billion of loans, principally from banks, and ¥98.6 billion of commercial paper.

As of March 31, 2013, we had bonds and long-term debt of ¥3,539.3 billion, an increase of ¥187.5 billion from the previous year, including current maturities of ¥373.6 billion. As of March 31, 2013, the balance of our borrowings from banks and insurance companies was ¥3,035.2 billion, an increase of ¥131.5 billion from the previous year, and the balance of notes and bonds was ¥504.1 billion, an increase of ¥56.0 billion from the previous year.

Most of our loans from banks contain covenant provisions customary in Japan. We do not believe those provisions materially limit our operating or financial flexibility. However, 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 a prepayment request. Certain agreements provide that the banks may require the borrower to obtain 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 adequate levels of liquidity in any market condition. As of March 31, 2013, we had several committed lines of credit available for immediate borrowing, providing an aggregate of up to $1,200 million and ¥445 billion in short-term loans. These lines of credit consist of:

- $1,100 million multi-borrower and multi-currency line of credit provided by a syndicate of major European and U.S. banks, under which we can obtain loans for Sumitomo Corporation or any of our subsidiaries in the United Kingdom, the United States and Singapore;
- $100 million U.S. dollar-denominated line of credit provided to Sumitomo Corporation of America by a major U.S. bank;
- ¥330 billion line of credit provided by a syndicate of major Japanese banks; and
- ¥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, 2013, 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:

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

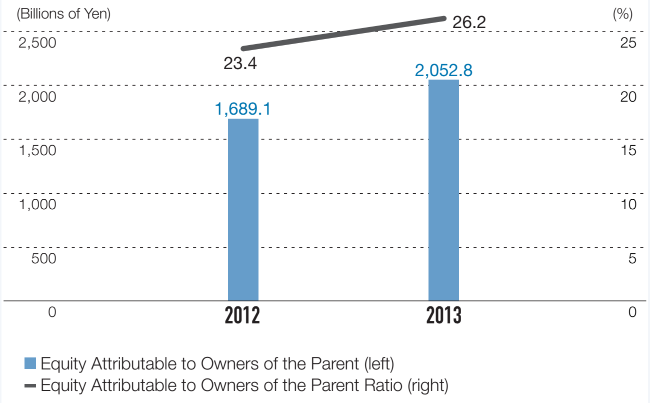
As of March 31, 2013, total assets stood at ¥7,832.8 billion, representing an increase of ¥606.0 billion from the previous year-end, in spite of the fact that we sold part of our shareholding in Jupiter Shop Channel Co., Ltd. Key factors causing the net rise were depreciation of the yen, an increase in our holding in a US company engaging in the rental of construction equipment, and participation in a project for tight-oil development in the US.

As of March 31, 2013, equity attributable to owners of the parent totaled ¥2,052.8 billion, up by ¥363.7 billion from March 31, 2012, due primarily to an increase in retained earnings and the impact of depreciation of the yen. The ratio of equity attributable to owners of the parent to total assets was 26.2%. Meanwhile interest-bearing liabilities (net) rose by ¥143.7 billion from the previous year-end, to ¥2,930.3 billion. In consequence, the net debt-equity ratio improved by 0.2 of a point from the previous year-end, to 1.4.

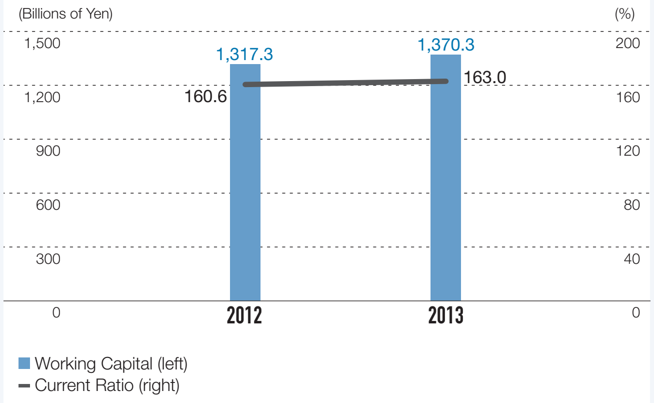
Liquidity and Capital Resources

	Billions of Yen		Millions of U.S. Dollars
As of March 31, 2013 and 2012	**2013**	2012	**2013**
Short-term	**¥ 322.1**	¥ 262.0	**$ 3,427**
Loans, principally from banks	**223.4**	163.4	**2,377**
Commercial paper	**98.6**	98.6	**1,050**
Long-term, including current maturities of long-term debt	**3,539.3**	3,351.8	**37,652**
Secured long-term debt			
Loans	**453.8**	395.3	**4,827**
Bonds	**52.6**	26.7	**560**
Unsecured long-term debt			
Loans	**2,581.4**	2,508.4	**27,462**
Bonds and notes	**451.5**	421.4	**4,803**
Interest-bearing liabilities (gross)	**3,861.4**	3,613.8	**41,079**
Cash and cash equivalents & time deposits	**931.1**	827.2	**9,905**
Interest-bearing liabilities (net)	**2,930.3**	2,786.6	**31,174**
Total assets	**7,832.8**	7,226.8	**83,327**
Equity attributable to owners of the parent	**2,052.8**	1,689.1	**21,838**
Equity attributable to owners of the parent ratio (%)	**26.2**	23.4	**26.2**
Debt-Equity Ratio (gross) (times)	**1.9**	2.1	**1.9**
Debt-Equity Ratio (net) (times)	**1.4**	1.6	**1.4**

Equity Attributable to Owners of the Parent & Equity Attributable to Owners of the Parent Ratio



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



The following table sets forth our cash flow information for the fiscal years ended March 31, 2013, and 2012:

Summary Statements of Consolidated Cash Flows

	Billions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2013 and 2012	**2013**	2012	**2013**
Net cash from operating activities	**¥ 280.3**	¥190.4	**$ 2,982**
Net cash used in investing activities	**(186.2)**	(35.7)	**(1,981)**
Free cash flow	**94.1**	154.7	**1,001**
Net cash from (used in) financing activities	**(24.7)**	(33.3)	**(262)**
Net (decrease) increase in cash and cash equivalents	**69.4**	121.4	**739**
Cash and cash equivalents at the beginning of year	**821.9**	704.3	**8,744**
Effect of exchange rate changes on cash and cash equivalents	**33.2**	(3.8)	**352**
Cash and cash equivalents at the end of year	**¥ 924.5**	¥821.9	**$ 9,835**

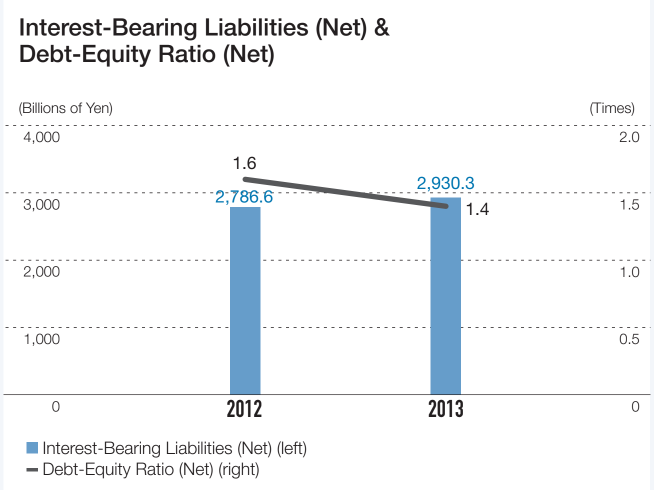
Net cash from operating activities totaled ¥280.3 billion for the fiscal year ended March 31, 2013, as our core businesses performed well in generating cash.

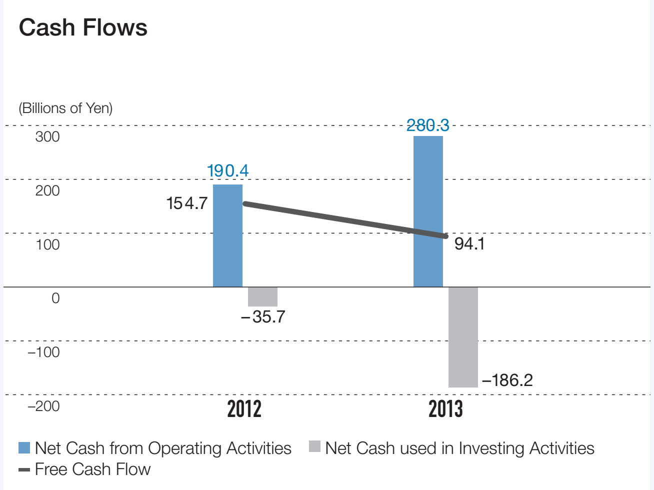
Net cash used in investing activities totaled ¥186.2 billion for the fiscal year ended March 31, 2013. In spite of selling some of our shares in Jupiter Shop Channel Co., Ltd., we made new investments for participation in a tight-oil development project in the US and the acquisition of a water supply and distribution company in the United Kingdom.

As a result of the above developments, free cash flow, calculated as net cash from operating activities plus net cash used in investing activities, totaled ¥94.1 billion for the fiscal year ended March 31, 2013.

Net cash used in financing activities totaled ¥24.7 billion for the fiscal year ended March 31, 2013.

As a result, cash and cash equivalents increased by ¥102.6 billion from the end of the previous year, to ¥924.5 billion.





As of March 31, 2013, our contractual cash obligations for the periods indicated were as follows:

Payments due by period

	Billions of Yen	
	Bonds and borrowings	Operating leases
Less than 1 year	¥ 695.7	¥ 43.5
1–2 years	412.9	40.6
2–3 years	488.2	31.9
3–4 years	515.3	27.7
4–5 years	423.9	25.3
More than 5 years	1,325.4	230.0
Total	¥3,861.4	¥399.0

As of March 31, 2013, we had financing commitments in the aggregate amount of ¥234.9 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 ¥893.6 billion as of March 31, 2013. Scheduled deliveries are at various dates through 2025.

As of March 31, 2013, we have no material commitments for capital expenditures.

In addition to our commitments discussed above, in connection with our businesses, from time to time, we incur various contingent liabilities, such as guarantees of our customers' obligations. In addition, we are, from time to time, subject to contingent liabilities arising from litigation. These contingent liabilities are discussed in detail in "9. Contingencies" and "10. Litigation and others" 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 ¥183.6 billion in property, plant and equipment and made ¥118.7 billion of other investments in the fiscal year ended March 31, 2013. 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 flows from operations will be sufficient to meet our cash needs during the foreseeable future, although we cannot assure you that this will be the case. If our future cash flows from operations are less than we expect, we may need to incur additional debt, pursue other sources of liquidity, or modify our investment plans.

9. CONTINGENCIES

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

As of March 31, 2013, we were contingently liable for guarantees (continuing through 2038) in the aggregate amount of ¥225.1 billion, including ¥116.1 billion relating to our associated companies and ¥1.2 billion to our employees. 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 2022 in the aggregate amount of ¥6.8 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, 2013.

10. LITIGATION AND OTHERS

On December 30, 2011, Minera San Cristobal S.A. ("MSC"), which is a consolidated subsidiary of the Company, in Plurinational State of Bolivia received a correction notice, relating to its withholding tax returns, from Bolivian Tax Authority. During 2013 MSC is in legal proceedings to dispute the resolution. The Company does not disclose the detail because it is to prejudice seriously the position of the entity in a dispute with other party on the subject matter of the contingent liability.

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

11. 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, 2013, are as follows. The Companies are currently evaluating the 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
IFRS 7	Financial Instruments: Disclosures	January 1, 2013	March 31, 2014	Disclosures of offsetting financial assets and financial liabilities
IFRS 10	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 IAS 27 and SIC 12*)
		January 1, 2014	March 31, 2015	Definition of an investment entity and exception to consolidation
IFRS 11	Joint Arrangements	January 1, 2013	March 31, 2014	Establishment of accounting for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (Replacement of IAS 31* and SIC 13*)
IFRS 12	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 IAS 27 and IAS 28*)
		January 1, 2014	March 31, 2015	Disclosure requirements for interests in unconsolidated subsidiaries of investment entities
IFRS 13	Fair Value Measurement	January 1, 2013	March 31, 2014	Establishment of a single framework when other IFRSs requires the measurement of fair values
IAS 1	Presentation of Financial Statements	July 1, 2012	March 31, 2014	Presentation of items of other comprehensive income
		January 1, 2013	March 31, 2014	Clarification of the requirements for comparative information
IAS 16	Property, Plant and Equipment	January 1, 2013	March 31, 2014	Classification of servicing equipment
IAS 19	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
IAS 27	Separate Financial Statements	January 1, 2014	March 31, 2015	Accounting for interests in separate financial statements of investment entities
IAS 32	Financial Instruments: Presentation	January 1, 2013	March 31, 2014	Accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction
		January 1, 2014	March 31, 2015	Presentation of offsetting financial assets and financial liabilities
IAS 36	Impairment of Assets	January 1, 2014	March 31, 2015	Recoverable amount disclosures for non-financial assets
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013	March 31, 2014	Accounting for stripping costs in the production phase of a surface mine
IFRIC 21	Levies	January 1, 2014	March 31, 2015	Accounting for a liability to pay a levy

* When IFRS 10, IFRS 11 and IFRS 12 are applied, IAS 31, SIC 12 and SIC 13 are superseded, while amended and retitled IAS 27 “Separate Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” are effective.

12. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Interest Rate Risk

Our business activities expose us to market risks arising from changes in interest rates, which we monitor and for which we take measures to minimize through our Financial Resources Management Group of the Corporate Group. In particular, interest rate fluctuations will impact our borrowing costs because a significant amount of our outstanding debt instruments are floating rate instruments and because we have short-term borrowings that we refinance from time to time. However, the impact on our borrowing costs will be partially offset by increased returns on certain of our assets, which will also be impacted by interest rate fluctuations. In addition, we are engaged in financing activities, such as automobile financing, which could be affected by interest rate fluctuations. To manage this risk, we enter into interest rate swap agreements, future contracts and option contracts that 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. In order to mitigate foreign currency exchange rate risks, except for certain risks including the risk associated with foreign investments considered to be permanent, we use derivative instruments including foreign exchange forward contracts, currency swap agreements and currency option contracts with third parties in addition to borrowing and deposit transactions denominated in foreign currencies.

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, 2013, we had fair value exposure on our marketable equity securities in the aggregate amount of ¥332.0 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 an annual report 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 the Consolidated Financial Statements—26. 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, 2013 and 2012

	Millions of Yen		Millions of U.S. Dollars
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and cash equivalents	**¥ 924,513**	¥ 821,915	**$ 9,835**
Time deposits	**6,551**	5,245	**70**
Marketable securities (Note 6)	**29,653**	20,474	**316**
Trade and other receivables (Note 7)	**1,470,942**	1,514,360	**15,648**
Other financial assets	**55,718**	48,239	**593**
Inventories (Note 10)	**770,450**	707,105	**8,196**
Advance payments to suppliers	**125,805**	217,697	**1,338**
Other current assets (Notes 16 and 34)	**163,224**	155,271	**1,737**
Total current assets	**3,546,856**	3,490,306	**37,733**
Non-current assets:			
Investments accounted for using the equity method (Note 11)	**1,490,565**	1,246,666	**15,857**
Other investments (Note 6)	**520,962**	476,910	**5,542**
Trade and other receivables (Note 7)	**664,086**	645,732	**7,065**
Other financial assets	**97,090**	74,965	**1,033**
Property, plant and equipment (Note 12)	**821,981**	606,855	**8,744**
Intangible assets (Note 13)	**279,809**	331,618	**2,977**
Investment property (Note 14)	**263,982**	215,563	**2,808**
Biological assets (Note 15)	**11,259**	—	**120**
Prepaid expenses	**46,739**	36,131	**497**
Deferred tax assets (Note 16)	**89,428**	102,023	**951**
Total non-current assets	**4,285,901**	3,736,463	**45,594**
Total assets (Note 4)	**¥7,832,757**	¥7,226,769	**$83,327**

	Millions of Yen		Millions of U.S. Dollars
LIABILITIES AND EQUITY	**2013**	2012	**2013**
Current liabilities:			
Bonds and borrowings (Note 17)	**¥ 695,665**	¥ 632,267	**$ 7,401**
Trade and other payables (Note 18)	**1,080,699**	1,102,326	**11,497**
Other financial liabilities	**60,187**	54,636	**640**
Income tax payables	**19,796**	27,773	**210**
Accrued expenses	**101,490**	91,726	**1,080**
Advances from customers	**157,408**	181,001	**1,674**
Provisions (Note 19)	**6,287**	8,376	**67**
Other current liabilities (Note 34)	**55,053**	74,865	**586**
Total current liabilities	**2,176,585**	2,172,970	**23,155**
Non-current liabilities:			
Bonds and borrowings (Note 17)	**3,165,737**	2,981,548	**33,678**
Trade and other payables (Note 18)	**105,854**	108,701	**1,126**
Other financial liabilities	**38,515**	36,785	**410**
Accrued pension and retirement benefits (Note 20)	**38,509**	25,635	**410**
Provisions (Note 19)	**38,027**	22,797	**405**
Deferred tax liabilities (Note 16)	**93,648**	77,145	**996**
Total non-current liabilities	**3,480,290**	3,252,611	**37,025**
Total liabilities	**5,656,875**	5,425,581	**60,180**
Equity:			
Common stock (Note 21)	**219,279**	219,279	**2,333**
Additional paid-in capital (Note 22)	**269,285**	282,407	**2,864**
Treasury stock	**(232)**	(1,034)	**(2)**
Other components of equity (Note 23)	**173,044**	(63,007)	**1,841**
Retained earnings (Note 22)	**1,391,440**	1,251,411	**14,802**
Equity attributable to owners of the parent	**2,052,816**	1,689,056	**21,838**
Non-controlling interests	**123,066**	112,132	**1,309**
Total equity	**2,175,882**	1,801,188	**23,147**
Total liabilities and equity	**¥7,832,757**	¥7,226,769	**$83,327**

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2013 and 2012

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Revenues:			
Sales of tangible products	**¥ 2,432,358**	¥ 2,557,022	**$ 25,876**
Sales of services and others	**583,891**	703,973	**6,212**
Total revenues (Notes 4, 14 and 29)	**3,016,249**	3,260,995	**32,088**
Cost:			
Cost of tangible products sold	**(2,003,583)**	(2,066,901)	**(21,315)**
Cost of services and others	**(185,704)**	(275,269)	**(1,976)**
Total cost (Notes 8, 14, 20 and 29)	**(2,189,287)**	(2,342,170)	**(23,291)**
Gross profit (Note 4)	**826,962**	918,825	**8,797**
Other income (expenses):			
Selling, general and administrative expenses (Note 28)	**(657,139)**	(686,404)	**(6,990)**
Impairment losses on long-lived assets (Notes 12, 13 and 14)	**(16,025)**	(13,342)	**(170)**
Gain (loss) on sale of property, plant and equipment, net	**10,250**	4,360	**109**
Other, net	**(1,567)**	(3,582)	**(17)**
Total other income (expenses)	**(664,481)**	(698,968)	**(7,068)**
Operating profit	**162,481**	219,857	**1,729**
Finance income (costs):			
Interest income	**13,339**	13,900	**142**
Interest expense	**(29,092)**	(28,956)	**(309)**
Dividends	**13,422**	11,194	**143**
Gain (loss) on securities and other investments, net	**51,516**	14,764	**547**
Finance income (costs), net (Note 29)	**49,185**	10,902	**523**
Share of profit of investments accounted for using the equity method (Note 11)	**107,355**	110,628	**1,142**
Profit before tax	**319,021**	341,387	**3,394**
Income tax expense (Note 30)	**(75,326)**	(77,715)	**(801)**
Profit for the year	**243,695**	263,672	**2,593**
Profit for the year attributable to:			
Owners of the parent (Note 4)	**¥ 232,451**	¥ 250,669	**$ 2,473**
Non-controlling interests	**11,244**	13,003	**120**
Other comprehensive income:			
Exchange differences on translating foreign operations	**182,585**	(67,465)	**1,942**
Financial assets measured at fair value through other comprehensive income	**32,621**	(1,352)	**347**
Cash-flow hedges	**(2,048)**	2,005	**(22)**
Actuarial gains (losses) on defined benefit pension plans	**(1,573)**	(12,045)	**(17)**
Share of other comprehensive income of investments accounted for using the equity method	**1,646**	4,782	**18**
Other comprehensive income, net of tax (Note 23)	**213,231**	(74,075)	**2,268**
Comprehensive income for the year	**456,926**	189,597	**4,861**
Comprehensive income for the year attributable to:			
Owners of the parent	**¥ 439,840**	¥ 180,033	**$ 4,679**
Non-controlling interests	**17,086**	9,564	**182**

	Yen		U.S. Dollars
Earnings per share (attributable to owners of the parent) (Note 31)**:**			
Basic	**¥ 185.92**	¥ 200.52	**$ 1.98**
Diluted	**185.79**	200.39	**1.98**

	Millions of Yen		Millions of U.S. Dollars
Total trading transactions	**¥ 7,502,724**	¥ 8,273,043	**$ 79,816**

* 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 the consolidated financial statements.

Consolidated Statement of Changes in Equity

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2013 and 2012

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Equity (Note 21)**:**			
Common stock:			
Balance, beginning of year	**¥ 219,279**	¥ 219,279	**$ 2,333**
Balance, end of year	**219,279**	219,279	**2,333**
Additional paid-in capital (Note 22)**:**			
Balance, beginning of year	**282,407**	288,868	**3,004**
Acquisition (disposal) of non-controlling interests, net	**(6,370)**	(5,426)	**(68)**
Equity transaction recognized at equity-accounted investees	**—**	(1,185)	**—**
Others	**(6,752)**	150	**(72)**
Balance, end of year	**269,285**	282,407	**2,864**
Treasury stock:			
Balance, beginning of year	**(1,034)**	(1,053)	**(11)**
Exercise of stock options and others (Note 25)	**802**	19	**9**
Balance, end of year	**(232)**	(1,034)	**(2)**
Other components of equity (Note 23)**:**			
Balance, beginning of year	**(63,007)**	(4,819)	**(670)**
Other comprehensive income for the year	**207,389**	(70,636)	**2,206**
Transfer to retained earnings	**28,662**	12,448	**305**
Balance, end of year	**173,044**	(63,007)	**1,841**
Retained earnings (Note 22)**:**			
Balance, beginning of year	**1,251,411**	1,068,193	**13,312**
Transfer from other components of equity	**(28,662)**	(12,448)	**(305)**
Profit for the year attributable to owners of the parent	**232,451**	250,669	**2,473**
Cash dividends (Note 24)	**(63,760)**	(55,003)	**(678)**
Balance, end of year	**1,391,440**	1,251,411	**14,802**
Equity attributable to owners of the parent	**¥2,052,816**	¥1,689,056	**$21,838**
Non-controlling interests:			
Balance, beginning of year	**112,132**	111,622	**1,193**
Cash dividends to non-controlling interests	**(3,715)**	(6,287)	**(40)**
Acquisition (disposal) of non-controlling interests and others, net	**(2,437)**	(2,767)	**(26)**
Profit for the year attributable to non-controlling interests	**11,244**	13,003	**120**
Other comprehensive income for the year (Note 23)	**5,842**	(3,439)	**62**
Balance, end of year	**123,066**	112,132	**1,309**
Total equity	**¥2,175,882**	¥1,801,188	**$23,147**
Comprehensive income for the year attributable to:			
Owners of the parent	**439,840**	180,033	**4,679**
Non-controlling interests	**17,086**	9,564	**182**
Total comprehensive income for the year	**¥ 456,926**	¥ 189,597	**$ 4,861**

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2013 and 2012

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Operating activities (Note 32):			
Profit for the year	¥ 243,695	¥ 263,672	$ 2,593
Adjustments to reconcile profit for the year to net cash from operating activities:			
Depreciation and amortization	94,117	155,126	1,001
Impairment losses on long-lived assets	16,025	13,342	170
Finance (income) costs, net	(49,185)	(10,902)	(523)
Share of profit of investments accounted for using the equity method	(107,355)	(110,628)	(1,142)
(Gain) loss on sale of property, plant and equipment, net	(10,250)	(4,360)	(109)
Income tax expense	75,326	77,715	801
Increase in inventories	(6,362)	(32,637)	(68)
Decrease (increase) in trade and other receivables	154,575	(81,534)	1,644
Increase in prepaid expenses	(20,025)	(3,523)	(213)
Decrease in trade and other payables	(108,091)	(5,814)	(1,150)
Other, net	20,626	(13,790)	220
Interest received	13,176	13,581	140
Dividends received	56,244	47,342	598
Interest paid	(28,249)	(30,776)	(300)
Income tax paid	(63,962)	(86,397)	(680)
Net cash from operating activities	280,305	190,417	2,982
Investing activities (Note 32):			
Proceeds from sale of property, plant and equipment	14,228	19,156	152
Proceeds from sale of investment property	29,826	24,245	317
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	82,577	53,450	878
Proceeds from sale of other investments	80,257	67,460	854
Collection of loan receivables	558,289	342,890	5,939
Purchase of property, plant and equipment	(183,576)	(87,340)	(1,953)
Purchase of investment property	(15,686)	(6,014)	(167)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(75,449)	28,397	(803)
Acquisition of other investments	(118,693)	(123,629)	(1,262)
Increase in loan receivables	(557,976)	(354,311)	(5,936)
Net cash used in investing activities	(186,203)	(35,696)	(1,981)
Financing activities (Note 32):			
Net increase in short-term debt	26,102	72,110	278
Proceeds from issuance of long-term debt	609,289	585,292	6,482
Repayment of long-term debt	(582,605)	(633,060)	(6,198)
Cash dividends paid	(63,760)	(55,003)	(678)
Capital contribution from non-controlling interests	761	848	8
Proceeds from sale of subsidiary’s interests to non-controlling interests	—	4,281	—
Payment for acquisition of subsidiary’s interests from non-controlling interests	(11,186)	(1,473)	(119)
Payment of dividends to non-controlling interests	(3,715)	(6,287)	(40)
Sales of treasury stock, net	447	19	5
Net cash used in financing activities	(24,667)	(33,273)	(262)
Net increase in cash and cash equivalents	69,435	121,448	739
Cash and cash equivalents at the beginning of year	821,915	704,313	8,744
Effect of exchange rate changes on cash and cash equivalents	33,163	(3,846)	352
Cash and cash equivalents at the end of year	¥ 924,513	¥ 821,915	$ 9,835

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2013 and 2012

1. REPORTING ENTITY

Sumitomo Corporation (the “Company”) is a company incorporated in Japan. The consolidated financial statements of the Company as at and for the year ended March 31, 2013 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 value 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 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.

2. BASIS OF PREPARATION

(1) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(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; and
- biological assets 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, 2013 is included solely for the convenience of readers and has been made at the rate of ¥94 = U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2013. 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:

- Notes 7 and 9—Revenue Recognition
- Note 8—Accounting for Arrangement containing a Lease
- Notes 26 and 29—Financial Instruments

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

- Notes 12, 13 and 14—Impairment of Non-financial Assets
- Note 16—Use of Tax Losses
- Note 20—Measurement of Defined Benefit Obligations
- Notes 19 and 35—Provisions and Contingencies

(5) Changes in Accounting Policies

The Companies have applied the Standards and Interpretations required to be adopted from the fiscal year ended March 31, 2013. These applications had no material effect on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of Consolidation

1. Business combinations

The Companies have applied International Financial Reporting Standard No. 3 *Business Combinations (as revised in 2008)* ("IFRS 3") and International Accounting Standard No. 27 *Consolidated and Separate Financial Statements (as revised in 2008)* to all business combinations.

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 consideration.

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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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 acquisition 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. Due to the requirement of local laws and regulations, it is impracticable to unify the closing dates with that of the Company. 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 IT environment for the accounting system. The difference between the end of the reporting period of subsidiaries and that of the Company does not exceed three months.

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 of the subsidiaries 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 and as a result, 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 combination, 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 between 20 % and 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 differences in 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 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 the beginning of the reporting period adjusted by effective interest 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 measured at 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 rate for the period.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income.

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 through 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, the 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 have early-applied International Financial Reporting Standard No. 9 *Financial Instruments (issued in November 2009, revised in October 2010)* (“IFRS 9”) to the accounting for financial instruments.

1. Non-derivative financial assets

The Companies recognize trade and other receivables on the date they are originated.

All other financial assets are recognized on the contract date 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;

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 in relation to amortized cost measurement 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.

2. 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.

3. Non-derivative financial liabilities

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 extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

The Companies classify 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.

4. Equity

Common stock

Proceeds from issuance 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 a deduction from equity. When the Companies sell treasury stocks, the consideration received is recognized as an increase in equity.

5. Derivatives including hedge accounting

The Companies utilize derivatives to manage interest rate risk, foreign currency risk and the risk of the price fluctuation of commodity inventories and trading commitments. 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 fair value 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 a 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 highly probable forecast transactions which could affect profit or loss, the effective portion of changes in the fair value of the 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 the hedged items affect profit or loss, in the same line items of the consolidated statement of comprehensive income as those of the 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.

6. Derivatives held for trading and others

The Companies hold 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.

7. 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 cost of items of property, plant and equipment comprises costs directly attributable to the acquisition, costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

When the useful life of each part of an item of property, plant and equipment varies, it is accounted for as a separate item of property, plant and equipment.

2. Depreciation

Depreciation is calculated based on the depreciable amount which 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 the 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, 2013 and 2012 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 (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 as 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 the 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, 2013 and 2012 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 in 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 transfers substantially all the risks and rewards of ownership 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 the accounting policies applicable 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

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 and 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, an 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.

2. Non-financial assets

At the end of each reporting period, the carrying amounts of non-financial assets, excluding inventories, biological assets and deferred tax assets, are assessed to determine 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.

The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its value in use and its fair value less costs 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, 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 an event occurs that changes 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 annually by qualified actuaries using the projected unit credit method.

When plan amendments are made, the change in defined benefit obligations related to past service by employees 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, the expense 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 immediately reclassify them from Other components of equity to Retained earnings.

2. Defined contribution plans

The employees of 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 make further contributions. The Obligations for contributions 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 regularly review the assumptions made and revise 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 recognized 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 recognized only to the extent of the expenses recognized that are recoverable.

The policies on revenue recognition, multiple-element transactions, 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 such as the execution of a transaction based on a 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 discounts 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 the sale of land, office buildings, and condominiums is recognized when all the following conditions are satisfied:

- the companies have transferred to the buyer the significant risks and rewards of ownership of the asset sold;
- the companies 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 estimates 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 and estimable pursuant to specific contract terms and conditions.

When costs incurred by the end of reporting period plus recognized profits (less recognized losses) exceed progress billings, the surplus is presented as receivables from customers. For contracts where progress billings exceed contract costs incurred by the end of the reporting period plus recognized profits (less recognized losses), the surplus is presented as payables 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” and some other assets.

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 and vessels, and (c) other service 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 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 reference to the proportion of contracts cost incurred for work performed to date. 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 and vessels

Revenue from loans is recognized using the effective interest method over the terms of the loans, which is the rate that exactly 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 aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any 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 vessels leased to shipping companies (Transportation & Construction Systems 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) the standalone value to the customer;
- there is objective and reliable evidence of the fair value of the undelivered element(s); and
- 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 in 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 on return;
- the Companies have latitude in establishing prices, either directly or indirectly; and
- 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; and
- 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 the 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 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 fees are accounted for as adjustments to 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, gains on sale of securities, changes in fair value of financial assets measured at FVTPL, gains on hedging instruments 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, losses on sale of securities, changes in fair value of financial assets measured at FVTPL, impairment loss on financial assets, losses on hedging instruments 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 the 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 their tax basis. 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 related to 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 and 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 and 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 stock outstanding during the reporting period, adjusted for the number of treasury stock 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 stock outstanding, adjusted for the number of treasury stock, are adjusted for the effects of all dilutive potential common stock. Potential common stock of the Company is related to the 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 management 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, 2013, are as follows. The Companies are currently evaluating the 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
IFRS 7	Financial Instruments: Disclosures	January 1, 2013	March 31, 2014	Disclosures of offsetting financial assets and financial liabilities
IFRS 10	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 IAS 27 and SIC 12*)
		January 1, 2014	March 31, 2015	Definition of an investment entity and exception to consolidation
IFRS 11	Joint Arrangements	January 1, 2013	March 31, 2014	Establishment of accounting for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (Replacement of IAS 31* and SIC 13*)
IFRS 12	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 IAS 27 and IAS 28*)
		January 1, 2014	March 31, 2015	Disclosure requirements for interests in unconsolidated subsidiaries of investment entities
IFRS 13	Fair Value Measurement	January 1, 2013	March 31, 2014	Establishment of a single framework when other IFRSs requires the measurement of fair values
IAS 1	Presentation of Financial Statements	July 1, 2012	March 31, 2014	Presentation of items of other comprehensive income
		January 1, 2013	March 31, 2014	Clarification of the requirements for comparative information
IAS 16	Property, Plant and Equipment	January 1, 2013	March 31, 2014	Classification of servicing equipment
IAS 19	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
IAS 27	Separate Financial Statements	January 1, 2014	March 31, 2015	Accounting for interests in separate financial statements of investment entities
IAS 32	Financial Instruments: Presentation	January 1, 2013	March 31, 2014	Accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction
		January 1, 2014	March 31, 2015	Presentation of offsetting financial assets and financial liabilities
IAS 36	Impairment of Assets	January 1, 2014	March 31, 2015	Recoverable amount disclosures for non-financial assets
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013	March 31, 2014	Accounting for stripping costs in the production phase of a surface mine
IFRIC 21	Levies	January 1, 2014	March 31, 2015	Accounting for a liability to pay a levy

* When IFRS 10, IFRS 11 and IFRS 12 are applied, IAS 31, SIC 12 and SIC 13 are superseded, while amended and retitled IAS 27 "Separate Financial Statements" and IAS 28 "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 precise needs. This segment consists of three Iron & Steel Divisions, the Tubular Products Division and the Non-Ferrous Products & Metals Division.

Transportation & Construction Systems—The Transportation & Construction Systems Business Unit segment engages in global transactions involving ships, 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 Global Power 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 service businesses, cell-phone related business and various internet related businesses. This segment also engages in retail businesses such as supermarkets, drugstores, various mail order businesses and fashion business. With these businesses, this segment focuses on enhancing the value of each business, as well as to improve synergy among them. This segment consists of the Media Division, the Network Division and the Lifestyle & Retail Business Division.

Mineral Resources, Energy, Chemical & Electronics—The Mineral Resources, Energy, Chemical & Electronics Business Unit segment 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 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 for 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—The 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 segments for the years ended March 31, 2013 and 2012 is summarized as follows:

2013	Millions of Yen			
Segment	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	**¥ 442,198**	**¥ 64,660**	**¥ 14,888**	**¥ 668,387**
Transportation & Construction Systems	**420,598**	**118,196**	**33,356**	**1,006,010**
Infrastructure	**97,791**	**34,560**	**12,093**	**526,487**
Media, Network & Lifestyle Retail	**592,848**	**186,508**	**52,262**	**988,697**
Mineral Resources, Energy, Chemical & Electronics	**249,755**	**79,577**	**46,191**	**1,337,518**
General Products & Real Estate	**340,197**	**100,474**	**16,389**	**794,441**
New Industry Development & Cross-function	**40,520**	**26,962**	**12,828**	**505,293**
Domestic Regional Business Units and Offices	**108,176**	**38,268**	**5,386**	**354,488**
Overseas Subsidiaries and Branches	**743,013**	**184,773**	**48,474**	**1,556,166**
Total	**3,035,096**	**833,978**	**241,867**	**7,737,487**
Corporate and Eliminations	**(18,847)**	**(7,016)**	**(9,416)**	**95,270**
Consolidated	**¥3,016,249**	**¥826,962**	**¥232,451**	**¥7,832,757**

2012	Millions of Yen			
Segment	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 452,199	¥ 66,826	¥ 15,363	¥ 638,428
Transportation & Construction Systems	615,678	147,104	29,609	900,810
Infrastructure	93,810	31,232	9,995	563,075
Media, Network & Lifestyle Retail	675,003	221,081	29,842	1,031,574
Mineral Resources, Energy, Chemical & Electronics	283,101	112,822	89,833	1,171,322
General Products & Real Estate	342,482	100,155	19,663	771,642
New Industry Development & Cross-function	40,375	27,836	14,572	549,652
Domestic Regional Business Units and Offices	69,319	37,660	4,998	419,557
Overseas Subsidiaries and Branches	708,203	178,958	48,923	1,151,957
Total	3,280,170	923,674	262,798	7,198,017
Corporate and Eliminations	(19,175)	(4,849)	(12,129)	28,752
Consolidated	¥3,260,995	¥918,825	¥250,669	¥7,226,769

2013	Millions of U.S. Dollars			
Segment	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	**$ 4,704**	**$ 688**	**$ 158**	**$ 7,111**
Transportation & Construction Systems	**4,475**	**1,257**	**355**	**10,702**
Infrastructure	**1,040**	**368**	**129**	**5,601**
Media, Network & Lifestyle Retail	**6,307**	**1,984**	**556**	**10,518**
Mineral Resources, Energy, Chemical & Electronics	**2,657**	**846**	**491**	**14,229**
General Products & Real Estate	**3,619**	**1,069**	**174**	**8,452**
New Industry Development & Cross-function	**431**	**287**	**137**	**5,375**
Domestic Regional Business Units and Offices	**1,151**	**407**	**57**	**3,771**
Overseas Subsidiaries and Branches	**7,904**	**1,966**	**516**	**16,555**
Total	**32,288**	**8,872**	**2,573**	**82,314**
Corporate and Eliminations	**(200)**	**(75)**	**(100)**	**1,013**
Consolidated	**$32,088**	**$8,797**	**$2,473**	**$83,327**

Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained by corporate headquarters that are not related to specific operating segments.

Profit for the year (attributable to owners of the parent) in Corporate and Eliminations includes certain profits and losses that are not allocated to operating segments and intersegment eliminations.

The certain profits and losses in Corporate and Eliminations are reallocated once the Company determines those attributable operating segments.

Transactions between segments are made on an arm's-length basis.

In the fiscal year ended March 31, 2013, the Company changed reportable segments for the part of the interest in certain subsidiaries that resulted in the decrease of the total assets of the Infrastructure segment by ¥78,805 million ($838 million), and the increase of the total assets of the Overseas Subsidiaries and Branches segment by the same amount.

Management regularly makes such a review that each business is conducted under appropriate business segment whereby the Company can make best allocation of its business resources and functions. Above change was the result of those review.

(2) Geographic Information

The Companies' revenue by geographical areas for the years ended March 31, 2013 and 2012 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Japan	**¥1,431,273**	¥1,714,583	**$15,226**
Asia	**278,440**	246,205	**2,962**
North America:			
U.S.	**657,436**	634,569	**6,994**
Others	**141,471**	144,427	**1,505**
Europe	**269,858**	300,137	**2,871**
Others	**237,771**	221,074	**2,530**
Total	**¥3,016,249**	¥3,260,995	**$32,088**

The carrying amount of non-current assets, excluding Financial assets and Deferred tax assets, by geographical areas as of March 31, 2013 and 2012 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Japan	**¥ 585,266**	¥ 683,409	**$ 6,226**
Asia	**49,572**	45,566	**527**
North America:			
U.S.	**341,042**	179,037	**3,628**
Others	**21,579**	16,487	**230**
Europe	**198,278**	134,279	**2,109**
Others	**228,033**	131,389	**2,426**
Total	**¥1,423,770**	¥1,190,167	**$15,146**

Breakdown by products and services are not available.

5. ACQUISITION OF SUBSIDIARIES

For the year ended March 31, 2013

Business combinations during the year ended March 31, 2013 mainly consist of an auto repair and maintenance services business in the U.S., a construction equipment rental business in the U.S. and a water only supply and distribution business in England. The aggregated acquisition-date fair value of the consideration transferred which consists of cash, the previously held equity interest, assets acquired and liabilities assumed, and non-controlling interests are as follows:

As the initial accounting for certain business combinations is incomplete as of the issuance date of the consolidated financial statements, the Companies report provisional amounts for the item for which the acquisition accounting is incomplete.

	Millions of Yen	Millions of U.S. Dollars
Fair value of the consideration transferred	**¥ 79,138**	**$ 842**
Fair value of the previously held equity interest	**6,765**	**72**
Total	**85,903**	**914**
Total assets	**143,161**	**1,523**
Total liabilities	**(95,527)**	**(1,016)**
Net assets	**47,634**	**507**
Non-controlling interests	**(3,550)**	**(38)**
Goodwill	**42,604**	**453**
Total	**¥ 86,688**	**$ 922**

Goodwill consists primarily of future economic benefits and synergies with existing operations. In certain business combinations, gains on bargain purchase of ¥785 million ($8 million) are recognized and are included in “Other, net” in the Consolidated statement of comprehensive income for the year ended March 31, 2013.

Non-controlling interests were measured at the ownership interests’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets.

For the year ended March 31, 2012

On April 18, 2011, the Company and Sumisho Computer Systems Corporation (“SCS”), a subsidiary of the Company, jointly undertook the tender offer for the purpose of acquiring common shares, the seventh series stock acquisition rights and the class F preferred shares of CSK Corporation (“CSK”) who operates BPO (business process outsourcing), IT management and other businesses and the Company acquired 54.17% of the voting rights. The Companies 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 Companies.

Effective October 1, 2011, CSK has been merged with SCS and renamed as SCSK Corporation.

The acquisition-date fair value of the consideration transferred which consists of cash, the previously held equity interest, assets acquired and liabilities assumed, and non-controlling interests are as follows:

	Millions of Yen
Fair value of the consideration transferred	¥ 19,698
Fair value of the previously held equity interest	15,064
Total	34,762
Cash and cash equivalents	51,672
Trade and other receivables	29,585
Other current assets	22,036
Property, plant and equipment	18,638
Intangible assets	26,915
Other non-current assets	89,581
Current liabilities	(123,570)
Non-current liabilities	(90,841)
Net assets	24,016
Non-controlling interests	(9,446)
Goodwill	20,192
Total	¥ 34,762

Goodwill consists primarily of future economic benefits and synergies with existing operations and is recognized in the Media, Network & Lifestyle Retail segment. Non-controlling interests were measured at the ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

The acquisition-related costs of ¥398 million are included in "Selling, general and administrative expenses" in the Consolidated statement of comprehensive income for the year ended March 31, 2012.

Business combinations other than CSK during the year ended March 31, 2012 mainly consist of integrated supply business of agricultural materials and consulting business in oil and gas development technology. The aggregated consideration transferred at the acquisition date for these business combinations was ¥3,915 million and was paid fully in cash. The aggregated fair value of assets acquired and liabilities assumed, and non-controlling interests were ¥6,823 million, ¥2,666 million and ¥224 million, respectively.

6. MARKETABLE SECURITIES AND OTHER INVESTMENTS

The amounts of "Marketable securities" and "Other investments" in the Consolidated statement of financial position are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Marketable securities:			
FVTPL	**¥ 28,543**	¥ 14,904	**$ 304**
Amortized cost	**1,110**	5,570	**12**
Total	**29,653**	20,474	**316**
Other investments:			
FVTPL	**45,134**	57,313	**480**
FVTOCI	**469,079**	413,777	**4,990**
Amortized cost	**6,749**	5,820	**72**
Total	**¥520,962**	¥476,910	**$5,542**

The fair values of "Marketable securities" and "Other investments" measured at amortized cost as of March 31, 2013 and 2012 are ¥7,859 million ($84 million) and ¥11,439 million, respectively.

The Companies classify investments as financial assets measured at FVTOCI when those investments are held for the objective of expanding the revenue base through maintenance and reinforcement of relationships with investees.

The fair value and dividends received from "Other investments" measured at FVTOCI held as of March 31, 2013 and 2012 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2013		2012		**2013**	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	**¥331,986**	**¥ 3,844**	**¥284,091**	**¥ 4,646**	**$3,532**	**$ 41**
Unlisted	**137,093**	**6,757**	**129,686**	**5,699**	**1,458**	**72**
Total	**¥469,079**	**¥10,601**	**¥413,777**	**¥10,345**	**$4,990**	**$113**

The fair values of "Other investments" measured at FVTOCI as of March 31, 2013 mainly consist of the following:

	Millions of Yen	Millions of U.S. Dollars
	2013	**2013**
NIPPON STEEL & SUMITOMO METAL CORPORATION	**¥85,215**	**$907**
SMFG PREFERRED CAPITAL JPY 2 LIMITED–preferred equity investment	**20,863**	**222**
Sumitomo Realty & Development Co., LTD.	**18,575**	**198**
TOYOTA MOTOR CORPORATION	**16,288**	**173**
Sumitomo Mitsui Trust Holdings, Inc.–preferred stock	**15,862**	**169**
Sumitomo Rubber Industries, Ltd.	**15,404**	**164**
Mazda Motor Corporation	**15,008**	**160**
YAMAZAKI BAKING CO., LTD.	**11,974**	**127**
Asahi Group Holdings, Ltd.	**11,047**	**118**
SKY Perfect JSAT Holdings Inc.	**9,849**	**105**
ISUZU MOTORS LIMITED	**9,477**	**101**
Sumitomo Metal Mining Co., Ltd.	**9,401**	**100**
MS&AD Insurance Group Holdings, Inc.	**8,667**	**92**
Honda Motor Co., Ltd.	**7,110**	**76**
YAMATO KOGYO CO., LTD.	**6,797**	**72**
NISSHIN SEIFUN GROUP INC.	**6,439**	**69**
KATO SANGYO CO., LTD.	**6,351**	**68**
Sumitomo Electric Industries, Ltd.	**5,814**	**62**
The Dai-ichi Life Insurance Company, Limited	**4,648**	**49**

The fair values of "Other investments" measured at FVTOCI as of March 31, 2012 mainly consist of the following:

	Millions of Yen
	2012
Sumitomo Metal Industries, Ltd.	¥76,540
SMFG PREFERRED CAPITAL JPY 2 LIMITED–preferred equity investment	21,502
Sumitomo Mitsui Trust Holdings, Inc.–preferred stock	16,122
TOYOTA MOTOR CORPORATION	11,965
YAMAZAKI BAKING CO., LTD.	11,095
Sumitomo Rubber Industries, Ltd.	10,561
Sumitomo Realty & Development Co., LTD.	10,308
Asahi Group Holdings, Ltd.	9,004
MS&AD Insurance Group Holdings, Inc.	8,690
ISUZU MOTORS LIMITED	8,282
Sumitomo Metal Mining Co., Ltd.	8,141
SKY Perfect JSAT Holdings Inc.	8,113
Mazda Motor Corporation	7,744
Honda Motor Co., Ltd.	6,290
YAMATO KOGYO CO., LTD.	5,943
NIPPON STEEL CORPORATION	5,845
Sumitomo Electric Industries, Ltd.	5,674
KATO SANGYO CO., LTD.	5,343
NISSHIN SEIFUN GROUP INC.	5,040
The Dai-ichi Life Insurance Company, Limited	4,199
Rengo Co., LTD.	3,590

"Other investments" measured at FVTOCI which were disposed of during the years ended March 31, 2013 and 2012 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2013			2012			**2013**		
Fair value at the date of sale	Cumulative gains or (losses)	Dividends	Fair value at the date of sale	Cumulative gains or (losses)	Dividends	Fair value at the date of sale	Cumulative gains or (losses)	Dividends
¥87,207	**¥(29,685)**	**¥600**	**¥26,081**	**¥2,521**	**¥363**	**$928**	**$(316)**	**$6**

The Companies sold or exchanged the investments mainly as a result of reviewing business relationships or as a result of business combinations in the investees. In connection with the disposal, the Companies reclassified cumulative losses (net of tax) of ¥18,879 million ($201 million) and gains (net of tax) of ¥1,651 million from Other components of equity to Retained earnings for the years ended March 31, 2013 and 2012, respectively.

For financial assets measured at FVTOCI of which the decline in fair value compared to its acquisition cost is significant and other than temporary, the Companies reclassified cumulative losses (net of tax) of ¥7,458 million ($79 million) and ¥2,035 million from Other components of equity to Retained earnings for the years ended March 31, 2013 and 2012, respectively.

7. TRADE AND OTHER RECEIVABLES

The components of Trade and other receivables as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Notes receivable	**¥ 95,261**	¥ 123,131	**$ 1,013**
Accounts receivable	**1,132,131**	1,142,320	**12,044**
Receivables due from equity-accounted investees	**192,761**	170,051	**2,051**
Loans receivable	**304,232**	286,489	**3,237**
Finance lease receivable	**352,904**	382,318	**3,754**
Other receivables	**92,152**	93,271	**980**
Less: Allowance for doubtful receivables	**(34,413)**	(37,488)	**(366)**
Trade and other receivables	**¥2,135,028**	¥2,160,092	**$22,713**

Financial assets measured at FVTPL of ¥37,994 million ($404 million) and ¥40,253 million were included in Accounts receivable, and ¥3,000 million ($32 million) and ¥3,000 million were included in Loans receivable as of March 31, 2013 and 2012, respectively.

The components of Trade and other receivables in the Consolidated statement of financial position as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Current assets	**¥1,470,942**	¥1,514,360	**$15,648**
Non-current assets	**664,086**	645,732	**7,065**
Total	**¥2,135,028**	¥2,160,092	**$22,713**

Trade and other receivables by operating segment as of March 31, 2013 and 2012 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Metal Products	**¥ 266,977**	¥ 285,438	**$ 2,840**
Transportation & Construction Systems	**377,465**	364,988	**4,016**
Infrastructure	**339,822**	424,912	**3,615**
Media, Network & Lifestyle Retail	**115,383**	123,367	**1,228**
Mineral Resources, Energy, Chemical & Electronics	**389,470**	348,259	**4,143**
General Products & Real Estate	**125,585**	134,481	**1,336**
New Industry Development & Cross-function	**77,626**	84,808	**826**
Others	**442,700**	393,839	**4,709**
Trade and other receivables	**¥2,135,028**	¥2,160,092	**$22,713**

Certain notes receivables 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 receivables of ¥3,514 million ($37 million) and ¥7,329 million as of March 31, 2013 and 2012, respectively, and these discounted notes are presented in "Trade and other receivables" in the Consolidated statement of financial position. The associated liabilities of ¥3,514 million ($37 million) and ¥7,329 million are presented in "Bonds and borrowings."

Allowance for doubtful receivables is recognized against the receivables based on estimated irrecoverable amounts determined by 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 Allowance for doubtful receivables for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Balance, beginning of year	**¥ 37,488**	¥ 43,128	**$ 399**
Impairment losses	**8,472**	10,207	**90**
Charge-off	**(14,450)**	(15,048)	**(154)**
Exchange differences on translating foreign operations	**2,903**	(799)	**31**
Balance, end of year	**¥ 34,413**	¥ 37,488	**$ 366**

As of March 31, 2013 and 2012, the total gross amount of impaired trade and other receivables was ¥40,658 million ($433 million) and ¥42,508 million, respectively and the cumulative impairment losses recognized as of March 31, 2013 and 2012 were ¥18,788 million ($200 million) and ¥22,044 million, respectively.

The age of trade and other receivables that are past due but not impaired as of March 31, 2013 and 2012 are as follows:

Receivables disclosed below include amounts considered recoverable through credit insurance and collateral and are not considered to be impaired as of March 31, 2013 and 2012.

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Past due within 90 days	**¥ 79,397**	¥68,362	**$ 845**
Past due over 90 days until 1 year	**13,163**	5,622	**140**
Past due over 1 year	**8,068**	6,524	**86**
Total	**¥100,628**	¥80,508	**$1,071**

8. LEASES

(1) As lessor

The Companies lease office buildings and other industrial machinery and equipment to third parties under arrangements which are classified as cancelable or non-cancelable operating leases. Costs of the leased properties as of March 31, 2013 and 2012 were ¥380,406 million ($4,047 million) and ¥351,960 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2013 and 2012 were ¥87,939 million ($936 million) and ¥94,309 million, respectively. These assets were included in "Property, plant and equipment," "Intangible assets," and "Investment property" in the Consolidated statement of financial position.

Future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Due in one year or less	**¥22,249**	¥27,468	**$237**
Due after one year through five years	**44,452**	55,671	**473**
Due after five years	**33,966**	27,739	**361**

The Companies lease vehicles, vessels, power stations, service equipment 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 a 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, 2013 and 2012 are as follows:

	Minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Due in one year or less	**¥ 55,755**	¥ 71,261	**$ 593**
Due after one year through five years	**213,716**	229,437	**2,274**
Due after five years	**243,127**	267,198	**2,586**
Unguaranteed residual value	**2,223**	3,774	**24**
Less: Future finance income	**(161,917)**	(189,352)	**(1,723)**
Present value of minimum lease payments receivable	**¥ 352,904**	¥ 382,318	**$3,754**

	Present value of minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Due in one year or less	**¥ 38,385**	¥ 40,371	**$ 408**
Due after one year through five years	**147,136**	137,382	**1,565**
Due after five years	**167,383**	204,565	**1,781**

Contingent rental income recognized in profit or loss for the years ended March 31, 2013 and 2012 were ¥55 million ($1 million) and ¥1,634 million, respectively.

(2) As lessee

The Companies lease office space and certain other assets under cancelable or non-cancelable operating leases. Total rental expenses under such leases for the years ended March 31, 2013 and 2012 were ¥65,783 million ($700 million) and ¥68,660 million, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Due in one year or less	**¥ 43,477**	¥ 44,381	**$ 463**
Due after one year through five years	**125,551**	136,105	**1,336**
Due after five years	**229,959**	216,289	**2,446**

The Companies also lease equipment and other assets under arrangements which are classified as finance leases under IAS 17. Costs of the leased properties as of March 31, 2013 and 2012 were ¥67,212 million ($715 million) and ¥63,270 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2013 and 2012 were ¥20,666 million ($220 million) and ¥23,004 million, respectively. These assets are included in "Property, plant and equipment" and "Intangible assets" in the Consolidated statement of financial position.

Future payments under finance leases as of March 31, 2013 and 2012 are as follows:

	Minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Due in one year or less	**¥ 10,073**	¥ 10,161	**$ 107**
Due after one year through five years	**32,908**	31,992	**350**
Due after five years	**63,033**	57,398	**671**
Less: Future finance cost	**(39,692)**	(39,969)	**(422)**
Present value of minimum lease payments	**¥ 66,322**	¥ 59,582	**$ 706**

	Present value of minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Due in one year or less	**¥ 5,808**	¥ 5,605	**$ 62**
Due after one year through five years	**18,390**	18,501	**196**
Due after five years	**42,124**	35,476	**448**

The total amount of lease payments included in “Cost” for the years ended March 31, 2013 and 2012 are ¥9,144 million ($97 million) and ¥8,813 million, respectively.

9. CONSTRUCTION CONTRACTS

(1) Long-term Construction Contracts

Amounts due from and due to customers under long-term construction contracts as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Contracts in progress			
Amounts due from customers under construction contracts, included in Trade and other receivables and others	**¥ 19,166**	¥ 14,298	**$ 204**
Amounts due to customers under construction contracts, included in Advances from customers and others	**(5,221)**	(5,908)	**(56)**
Construction costs incurred and profits recognized less losses recognized to date	**¥ 80,516**	¥ 56,824	**$ 856**
Less: progress billings	**(66,571)**	(48,434)	**(708)**
Amounts due from (to) customers	**¥ 13,945**	¥ 8,390	**$ 148**

Advances received from customers for contract work before the related work is performed as of March 31, 2013 and 2012 were ¥10,527 million ($112 million) and ¥656 million, respectively. There were no retentions held by customers for contract work as of March 31, 2013 and 2012.

Contract revenue for the years ended March 31, 2013 and 2012 were ¥87,595 million ($932 million) and ¥90,961 million, respectively.

(2) Real Estate Construction Contracts

There were no advances received from customers before the related work is performed as of March 31, 2013 and 2012.

There was no amount of revenue arising from agreements for the years ended March 31, 2013.

The amount of revenue arising from agreements for the years ended March 31, 2012 was ¥28,171 million.

10. INVENTORIES

The components of Inventories as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Real estate held for development and resale	**¥ 73,718**	¥ 75,790	**$ 784**
Commodities	**601,540**	557,474	**6,399**
Materials/work in progress	**95,192**	73,841	**1,013**
Inventories	**¥770,450**	¥707,105	**$8,196**

The carrying amounts of Inventories measured at fair value less costs to sell as of March 31, 2013 and 2012 were ¥65,590 million ($698 million) and ¥80,879 million, respectively.

The write-down of Inventories recognized as expense for the years ended March 31, 2013 and 2012 was ¥2,909 million ($31 million) and ¥6,680 million, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Summarized financial information of equity-accounted investees as of, and for the years ended, March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Total assets	**¥9,967,613**	¥8,367,786	**$106,039**
Total liabilities	**6,402,779**	5,359,385	**68,115**
Total equity	**3,564,834**	3,008,401	**37,924**

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Gross profit	**¥916,391**	¥913,250	**$9,749**
Profit for the year	**309,739**	349,304	**3,295**

The fair values of equity-accounted investees for which there are published price quotations as of March 31, 2013 and 2012 were ¥390,886 million ($4,158 million) and ¥264,583 million, respectively. The carrying amount of these investments as of March 31, 2013 and 2012 were ¥317,122 million ($3,374 million) and ¥303,004 million, respectively.

The Companies engage in various agency transactions between equity-accounted investees and third parties. Net fees earned on these transactions are not material.

Transactions with equity-accounted investees for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Management and secondment fees, received	**¥3,924**	¥3,489	**$42**
Interest income	**2,603**	920	**28**
Interest expense	**479**	438	**5**

Transactions with equity-accounted investees stated above are made on an arm's length basis.

Significant interests in jointly controlled entities are 50% equity interest of LNG Japan Corporation held by the Mineral Resources, Energy, Chemical & Electronics segment and 50% equity interest of Jupiter Shop Channel Co., Ltd. held by the Media, Network & Lifestyle Retail segment.

12. PROPERTY, PLANT AND EQUIPMENT

Cost and accumulated depreciation and impairment losses of property, plant and equipment as of March 31, 2013 and 2012 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, 2011	¥88,124	¥268,951	¥1,027,319	¥ 12,386	¥ 74,184	¥1,470,964
Acquisitions	1,683	7,435	125,167	29,247	12,099	175,631
Reclassification	129	8,781	12,268	(21,178)	—	—
Acquisitions through business combinations	8,014	8,391	8,118	—	—	24,523
Deconsolidation of subsidiaries	(2,244)	(18,615)	(522,227)	(640)	(313)	(544,039)
Disposals or reclassification to assets classified as held for sale	(7,008)	(11,251)	(86,612)	(218)	—	(105,089)
Exchange differences on translating foreign operations	(470)	(2,836)	(9,303)	(124)	(2,625)	(15,358)
Others	1,914	4,482	(1,301)	(446)	(1,636)	3,013
Balance as of March 31, 2012	90,142	265,338	553,429	19,027	81,709	1,009,645
Acquisitions	**3,593**	**10,019**	**55,563**	**32,049**	**97,210**	**198,434**
Reclassification	**121**	**6,989**	**18,503**	**(25,613)**	**—**	**—**
Acquisitions through business combinations	**5,182**	**28,419**	**35,255**	**2,863**	**—**	**71,719**
Deconsolidation of subsidiaries	**(1,257)**	**(7,633)**	**(62,831)**	**(622)**	**—**	**(72,343)**
Disposals	**(2,755)**	**(7,676)**	**(29,668)**	**(28)**	**(4,933)**	**(45,060)**
Exchange differences on translating foreign operations	**2,408**	**13,441**	**65,237**	**3,161**	**19,314**	**103,561**
Others	**414**	**2,298**	**253**	**(733)**	**150**	**2,382**
Balance as of March 31, 2013	**¥97,848**	**¥311,195**	**¥ 635,741**	**¥ 30,104**	**¥193,450**	**¥1,268,338**

	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, 2012	$ 959	$2,823	$5,888	$ 202	$ 869	$10,741
Acquisitions	**38**	**107**	**591**	**341**	**1,034**	**2,111**
Reclassification	**1**	**74**	**197**	**(272)**	**—**	**—**
Acquisitions through business combinations	**55**	**302**	**375**	**30**	**—**	**762**
Deconsolidation of subsidiaries	**(13)**	**(81)**	**(668)**	**(7)**	**—**	**(769)**
Disposals	**(29)**	**(82)**	**(316)**	**(0)**	**(52)**	**(479)**
Exchange differences on translating foreign operations	**26**	**143**	**694**	**34**	**205**	**1,102**
Others	**4**	**25**	**2**	**(8)**	**2**	**25**
Balance as of March 31, 2013	**$1,041**	**$3,311**	**$6,763**	**$ 320**	**$2,058**	**$13,493**

[Accumulated depreciation and impairment losses]

	Millions of Yen				
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of April 1, 2011	¥ (935)	¥(117,385)	¥(525,967)	¥(13,242)	¥(657,529)
Deconsolidation of subsidiaries	—	8,408	301,761	313	310,482
Disposals or reclassification to assets classified as held for sale	105	6,393	55,565	—	62,063
Depreciation expenses	—	(14,821)	(102,981)	(4,432)	(122,234)
Impairment losses	(463)	(2,236)	(327)	(587)	(3,613)
Exchange differences on translating foreign operations	(1)	888	2,915	394	4,196
Others	116	588	3,156	(15)	3,845
Balance as of March 31, 2012	(1,178)	(118,165)	(265,878)	(17,569)	(402,790)
Deconsolidation of subsidiaries	**—**	**3,868**	**27,849**	**—**	**31,717**
Disposals	**444**	**4,773**	**20,499**	**587**	**26,303**
Depreciation expenses	**—**	**(14,787)**	**(49,805)**	**(5,145)**	**(69,737)**
Impairment losses	**(2,317)**	**(1,938)**	**(1,158)**	**(1,062)**	**(6,475)**
Exchange differences on translating foreign operations	**(33)**	**(3,587)**	**(22,307)**	**(2,944)**	**(28,871)**
Others	**949**	**903**	**1,731**	**(87)**	**3,496**
Balance as of March 31, 2013	**¥(2,135)**	**¥(128,933)**	**¥(289,069)**	**¥(26,220)**	**¥(446,357)**

	Millions of U.S. Dollars				
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of March 31, 2012	$(13)	$(1,257)	$(2,828)	$(187)	$(4,285)
Deconsolidation of subsidiaries	**—**	**41**	**296**	**—**	**337**
Disposals	**5**	**51**	**218**	**6**	**280**
Depreciation expenses	**—**	**(157)**	**(530)**	**(55)**	**(742)**
Impairment losses	**(24)**	**(21)**	**(12)**	**(11)**	**(68)**
Exchange differences on translating foreign operations	**(1)**	**(38)**	**(237)**	**(31)**	**(307)**
Others	**10**	**9**	**18**	**(1)**	**36**
Balance as of March 31, 2013	**$(23)**	**$(1,372)**	**$(3,075)**	**$(279)**	**$(4,749)**

The Companies invested in tight oil development projects, which is operated by Devon Energy Corporation in the Permian Basin, Texas (“the Project”) for the year ended March 31, 2013.

The Companies own 30% interest in the Project and plan to invest approximately $2.0 billion for the mining rights and its share of development costs in stages over a period of around three years.

[Carrying amount]

	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2013 (Millions of Yen)	**¥95,713**	**¥182,262**	**¥346,672**	**¥30,104**	**¥167,230**	**¥821,981**
2012 (Millions of Yen)	¥88,964	¥147,173	¥287,551	¥19,027	¥ 64,140	¥606,855
2013 (Millions of U.S. Dollars)	**$1,018**	**$1,939**	**$3,688**	**$320**	**$1,779**	**$8,744**

The losses recognized from impairment are included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income.

These impairment losses by operating segment for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Metal Products	**¥(2,729)**	¥(1,199)	**$(29)**
Transportation & Construction Systems	**(68)**	(660)	**(1)**
Infrastructure	**—**	—	**—**
Media, Network & Lifestyle Retail	**(995)**	(796)	**(11)**
Mineral Resources, Energy, Chemical & Electronics	**(743)**	(843)	**(8)**
General Products & Real Estate	**(59)**	(11)	**(1)**
New Industry Development & Cross-function	**(236)**	(19)	**(2)**
Domestic Regional Business Units and Offices	**(39)**	(4)	**(0)**
Overseas Subsidiaries and Branches	**(291)**	(54)	**(3)**
Corporate and Eliminations	**(1,315)**	(27)	**(13)**
Total	**¥(6,475)**	¥(3,613)	**$(68)**

The carrying amounts of assets held under finance leases (net of accumulated depreciation expenses and impairment losses) included in “Property, plant and equipment” as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Buildings including leasehold improvements	**¥16,320**	¥13,012	**$173**
Machinery and equipment	**29,613**	26,156	**315**

Depreciation expenses for 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, 2013 and 2012 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Balance, beginning of year	**¥167,815**	¥185,729	**$1,785**
Acquisitions through business combinations	**42,604**	21,323	**453**
Deconsolidation of subsidiaries	**(68,100)**	(37,138)	**(724)**
Exchange differences on translating foreign operations	**12,608**	(1,463)	**134**
Others	**2,097**	(636)	**22**
Balance, end of year	**¥157,024**	¥167,815	**$1,670**

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Balance, beginning of year	**¥(10,383)**	¥(17,360)	**$(110)**
Impairment losses	**(8,234)**	(7,806)	**(87)**
Deconsolidation of subsidiaries	**495**	14,518	**5**
Exchange differences on translating foreign operations	**(250)**	133	**(3)**
Others	**(79)**	132	**(1)**
Balance, end of year	**¥(18,451)**	¥(10,383)	**$(196)**

Impairment losses recognized on goodwill for the years ended March 31, 2013 and 2012 were ¥8,234 million ($87 million) and ¥7,806 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 years ended March 31, 2013 and 2012 mainly relate to losses on a CGU including goodwill in the Corporate and Eliminations segment.

[Carrying amount]

	Carrying amount
2013 (Millions of Yen)	**¥138,573**
2012 (Millions of Yen)	¥157,432
2013 (Millions of U.S. Dollars)	**$1,474**

Goodwill is tested for impairment annually or more frequently when there are indicators of impairment.

The recoverable amount of goodwill for the impairment test is calculated based on value in use.

Goodwill arising from business combinations 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, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Metal Products	**¥ 10,864**	¥ 4,249	**$ 116**
Transportation & Construction Systems	**8,574**	2,157	**91**
Infrastructure	**12,430**	—	**132**
Media, Network & Lifestyle Retail	**18,213**	94,407	**194**
Mineral Resources, Energy, Chemical & Electronics	**8,126**	7,363	**86**
General Products & Real Estate	**22,333**	15,634	**238**
New Industry Development & Cross-function	**—**	—	**—**
Domestic Regional Business Units and Offices	**—**	—	**—**
Overseas Subsidiaries and Branches	**58,033**	33,622	**617**
Total	**¥138,573**	¥157,432	**$1,474**

Significant portions of goodwill included above as of March 31, 2013 were related to that of TBC Corporation (General Products & Real Estate segment and Overseas Subsidiaries and Branches) of ¥52,433 million ($558 million), and as of March 31, 2012 were related to that of Jupiter Shop Channel Co., Ltd. (Media, Network & Lifestyle Retail business segment) of ¥68,100 million and TBC Corporation of ¥37,120 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 7% or less). The discount rate used is calculated based on the weighted average capital cost or capital cost of each CGU (domestic: approximately 5 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 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, 2013 and 2012 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2011	¥107,143	¥202,207	¥ 8,400	¥317,750
Acquisitions through business combinations	2,785	23,200	3,430	29,415
Separate acquisitions	10,863	—	302	11,165
Deconsolidation of subsidiaries	(9,232)	(25,350)	(192)	(34,774)
Disposals	(7,293)	(149)	(670)	(8,112)
Exchange differences on translating foreign operations	(292)	(1,699)	(140)	(2,131)
Others	(1,213)	(684)	(828)	(2,725)
Balance as of March 31, 2012	102,761	197,525	10,302	310,588
Acquisitions through business combinations	**426**	**34,616**	**386**	**35,428**
Separate acquisitions	**7,018**	**4,305**	**—**	**11,323**
Deconsolidation of subsidiaries	**(8,772)**	**(88,587)**	**(66)**	**(97,425)**
Disposals	**(2,212)**	**(92)**	**(212)**	**(2,516)**
Exchange differences on translating foreign operations	**1,674**	**12,690**	**722**	**15,086**
Others	**2,844**	**4,221**	**(2,630)**	**4,435**
Balance as of March 31, 2013	**¥103,739**	**¥164,678**	**¥ 8,502**	**¥276,919**

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2012	$1,093	$2,101	$110	$ 3,304
Acquisitions through business combinations	**5**	**368**	**4**	**377**
Separate acquisitions	**75**	**46**	**—**	**121**
Deconsolidation of subsidiaries	**(93)**	**(942)**	**(1)**	**(1,036)**
Disposals	**(24)**	**(1)**	**(2)**	**(27)**
Exchange differences on translating foreign operations	**18**	**135**	**7**	**160**
Others	**30**	**45**	**(28)**	**47**
Balance as of March 31, 2013	**$1,104**	**$1,752**	**$ 90**	**$ 2,946**

[Accumulated amortization and impairment]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2011	¥(78,095)	¥(56,165)	¥(2,866)	¥(137,126)
Disposals	6,713	—	446	7,159
Amortization expenses	(13,295)	(13,802)	(576)	(27,673)
Impairment losses	—	(1,216)	—	(1,216)
Deconsolidation of subsidiaries	5,557	14,143	22	19,722
Exchange differences on translating foreign operations	165	356	258	779
Others	753	1,046	154	1,953
Balance as of March 31, 2012	(78,202)	(55,638)	(2,562)	(136,402)
Disposals	**2,016**	**79**	**86**	**2,181**
Amortization expenses	**(9,900)**	**(9,795)**	**(250)**	**(19,945)**
Impairment losses	**—**	**(2,533)**	**(264)**	**(2,797)**
Deconsolidation of subsidiaries	**5,053**	**20,548**	**1**	**25,602**
Exchange differences on translating foreign operations	**(1,245)**	**(3,095)**	**(235)**	**(4,575)**
Others	**(656)**	**620**	**289**	**253**
Balance as of March 31, 2013	**¥(82,934)**	**¥(49,814)**	**¥(2,935)**	**¥(135,683)**

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2012	$(832)	$(592)	$(27)	$(1,451)
Disposals	**21**	**1**	**1**	**23**
Amortization expenses	**(105)**	**(104)**	**(3)**	**(212)**
Impairment losses	**—**	**(27)**	**(3)**	**(30)**
Deconsolidation of subsidiaries	**54**	**218**	**—**	**272**
Exchange differences on translating foreign operations	**(13)**	**(33)**	**(2)**	**(48)**
Others	**(7)**	**7**	**3**	**3**
Balance as of March 31, 2013	**$(882)**	**$(530)**	**$(31)**	**$(1,443)**

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2013 (Millions of Yen)	**¥20,805**	**¥114,864**	**¥5,567**	**¥141,236**
2012 (Millions of Yen)	¥24,559	¥141,887	¥7,740	¥174,186
2013 (Millions of U.S. Dollars)	**$222**	**$1,222**	**$59**	**$1,503**

Among sales licenses, trademarks and customer relationships, significant portions as of March 31, 2013 were related to TBC Corporation of ¥44,722 million ($476 million; average remaining amortization period of 20 years), and as of March 31, 2012 were related to Jupiter Shop Channel Co., Ltd. of ¥68,012 million and TBC Corporation of ¥26,328 million, respectively.

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.

Intangible assets with indefinite useful lives as of March 31, 2013 and 2012 included above were ¥6,062 million ($64 million) and ¥15,583 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 considers the useful lives for these as indefinite.

The carrying amount of Intangible assets leased under finance leases, net of accumulated amortization and impairment losses, as of March 31, 2013 and 2012 were ¥613 million ($7 million) and ¥1,098 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, 2013 and 2012 were ¥6,734 million ($72 million) and ¥9,301 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, 2013 and 2012 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Balance, beginning of year	**¥288,154**	¥311,737	**$3,065**
Acquisitions	**75,863**	6,014	**807**
Acquisitions through business combinations	**—**	1,746	**—**
Disposals	**(32,389)**	(28,672)	**(345)**
Exchange differences on translating foreign operations	**2,301**	(612)	**25**
Reclassification	**(1,608)**	(758)	**(17)**
Others	**(185)**	(1,301)	**(2)**
Balance, end of year	**¥332,136**	¥288,154	**$3,533**

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Balance, beginning of year	**¥(72,591)**	¥(74,069)	**$(772)**
Depreciation expenses	**(4,435)**	(5,219)	**(47)**
Impairment losses	**(988)**	(707)	**(11)**
Reversal of impairment losses	**2,469**	—	**26**
Disposals	**7,818**	5,552	**83**
Exchange differences on translating foreign operations	**(239)**	84	**(2)**
Reclassification	**(135)**	1,644	**(1)**
Others	**(53)**	124	**(1)**
Balance, end of year	**¥(68,154)**	¥(72,591)	**$(725)**

Impairment losses and reversal of impairment losses recognized for the year ended March 31, 2013 were ¥988 million ($11 million) and ¥2,469 million ($26 million), respectively. Impairment losses recognized for the year ended March 31, 2012 were ¥707 million. Impairment losses and reversal of impairment losses were included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income. Impairment losses for the year ended March 31, 2013 were recognized mainly in respect to the office buildings leased in Japan and those impairment losses were recognized in the General Products & Real Estate segment. Reversal of impairment losses for the year ended March 31, 2013 were recognized mainly in respect to the office buildings leased in the U.S. and those reversal of impairment losses were recognized in the Overseas Subsidiaries and Branches segment.

Impairment losses for the year ended March 31, 2012 were recognized mainly in respect to retail facilities leased in Japan, and those impairment losses were recognized in the General Products & Real Estate segment.

[Carrying amount and fair value]

	Carrying amount	Fair value
2013 (Millions of Yen)	**¥263,982**	**¥303,765**
2012 (Millions of Yen)	¥215,563	¥262,235
2013 (Millions of U.S. Dollars)	**$2,808**	**$3,232**

The fair value as of the end of each reporting period is based on a valuation conducted by independent valuation appraisers having current 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, 2013 and 2012 were ¥25,377 million ($270 million) and ¥27,336 million, respectively, and were reported in “Revenue” in the Consolidated statement of comprehensive income. Expenses directly attributable to generating rental income (including repairs and maintenance) for the years ended March 31, 2013 and 2012 were ¥16,574 million ($176 million) and ¥17,642 million, respectively, and were included mainly in “Cost.”

15. BIOLOGICAL ASSETS

Biological assets as of March 31, 2013 are as follows:

	Millions of Yen	Millions of U.S. Dollars
	2013	**2013**
Balance, beginning of year	**¥ —**	**$ —**
Acquisitions through business combinations	**11,259**	**120**
Balance, end of year	**¥11,259**	**$120**

The Companies own forest assets (mainly pines) in New Zealand. The assets are measured at fair value less estimated selling cost.

16. DEFERRED TAXES

The tax effects of temporary differences that give rise to significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets:			
Net operating loss carry forwards	**¥ 64,641**	¥ 55,892	**$ 688**
Securities and other investments	**28,884**	11,124	**307**
Inventories and long-lived assets	**57,327**	68,821	**610**
Allowance for doubtful receivables	**5,870**	14,738	**62**
Retirement benefit plans	**20,188**	15,282	**215**
Others	**41,396**	30,698	**440**
Deferred tax assets total	**¥ 218,306**	¥ 196,555	**$ 2,322**
Deferred tax liabilities:			
Investments accounted for using the equity method	**¥ (53,039)**	¥ (38,272)	**$(564)**
Securities and other investments	**(62,327)**	(28,207)	**(663)**
Long-lived assets	**(80,768)**	(80,779)	**(859)**
Others	**(26,392)**	(24,419)	**(281)**
Deferred tax liabilities total	**¥(222,526)**	¥(171,677)	**$(2,367)**

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets	**¥ 89,428**	¥102,023	**$ 951**
Deferred tax liabilities	**(93,648)**	(77,145)	**(996)**

Changes in deferred tax assets and liabilities for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Net deferred tax assets (liabilities):			
Balance, beginning of year	**¥ 24,878**	¥(32,030)	**$ 265**
Amount recognized in other comprehensive income:			
Exchange differences on translating foreign operations	**8,761**	2,175	**93**
Financial assets measured at FVTOCI	**(18,616)**	6,023	**(198)**
Cash-flow hedges	**686**	(1,625)	**7**
Actuarial (gains) losses on defined benefit pension plans	**411**	2,377	**4**
Share of other comprehensive income of investments accounted for using the equity method	**31**	(58)	**0**
Amount recognized in profit or loss	**(32,187)**	5,475	**(342)**
Effects of acquisitions and divestitures	**11,816**	42,541	**126**
Balance, end of year	**¥ (4,220)**	¥ 24,878	**$ (45)**

The amounts recognized in profit or loss for the years ended March 31, 2013 principally arose from investments accounted for using the equity method.

The Companies consider the probability that a portion of, or all 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 the 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 the assessment of the recoverability of deferred tax assets, the net change in deferred tax assets for the years ended March 31, 2013 and 2012 was a decrease of ¥202 million ($2 million) and an increase of ¥7,792 million, respectively.

Deferred tax assets were not recognized for certain tax losses and deductible temporary differences which relate principally to the net operating loss carry forwards 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 are recognized at certain domestic subsidiaries attributable to tax losses carry forwards and deductible temporary differences when it is not probable that future taxable profit will be available. The amounts of unused tax loss carry forwards and deductible temporary differences for which no deferred tax asset is recognized amounted to ¥165,124 million ($1,757 million) and ¥31,384 million ($334 million) as of March 31, 2013 and ¥154,976 million and ¥16,072 million as of March 31, 2012, respectively. The deductible temporary differences do not expire under current tax legislation.

In addition to the above, due to the enactment of the Minerals Resource Rent Tax (“MRRT”) in Australia, the Companies estimated the fair value of certain mining assets for tax purposes as at May 1, 2010 in accordance with the legislation, and deductible temporary differences arose during the year ended March 31, 2012, which allows the companies to claim tax deductions against mining profit. No deferred tax assets were recognized for these deductible temporary differences as it is not probable that sufficient future mining profit will be available against which they can be utilized. The total amount of deductible temporary differences for which no deferred tax assets are recognized are estimated to be approximately ¥93 billion ($1 billion) as of March 31, 2013 and ¥80 billion as of March 31, 2012, respectively. However, as the estimate has been made based on the best information that is currently available, the fair value of the mining assets for tax purposes and the deductible temporary differences are subject to change when further information becomes available.

The tax losses for which deferred tax assets were not recognized as of March 31, 2013 and 2012 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
1st year	**¥ 1,473**	¥ 1,215	**$ 16**
2nd year	**1,527**	1,110	**16**
3rd year	**3,371**	1,686	**36**
4th year	**690**	4,702	**7**
5th year and thereafter	**158,063**	146,263	**1,682**
Total	**¥165,124**	¥154,976	**$1,757**

As of March 31, 2013 and 2012, 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, 2013 and 2012 totaled to ¥823,924 million ($8,765 million) and ¥767,164 million, respectively.

Other current assets as of March 31, 2013 and 2012 included tax receivables of ¥30,470 million ($324 million) and ¥14,123 million, respectively.

17. BONDS AND BORROWINGS

(1) Bonds and Borrowings

Details of the bonds and borrowings (non-current), and interest rates as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Secured:			
Loans from banks and insurance companies, maturing serially through 2024, average interest rate 3.18%	**¥ 453,768**	¥ 395,323	**$ 4,827**
Bonds payable in U.S. dollars, maturing serially through 2016, fixed interest rate 12.00%	**17,026**	—	**181**
Bonds payable in G.B. pounds, maturing serially through 2031, fixed interest rate 2.87%	**19,189**	—	**204**
Bonds payable in Indonesian rupiah, maturing serially through 2014, average interest rate 9.87%	**16,415**	26,666	**175**
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2033, average interest rate 1.08%	**2,581,382**	2,508,372	**27,462**
Bonds payable in Japanese yen due,			
2012, fixed and floating rates 1.07% to 1.54%	**—**	20,027	**—**
2013, fixed and floating rates 1.15% to 1.52%	**20,000**	45,152	**213**
2014, fixed and floating rates 1.51% to 1.96%	**40,391**	40,672	**430**
2015, floating rate 0.82%	**15,000**	15,000	**160**
2016, fixed rates 0.26% to 2.12%	**57,531**	52,949	**612**
2017, fixed and floating rates 0.50% to 1.98%	**30,685**	20,773	**326**
2018, fixed and floating rates 0.34% to 2.05%	**30,791**	25,813	**327**
2019, fixed rates 0.76% to 2.21%	**37,040**	36,532	**394**
2020, fixed rates 1.01% to 1.46%	**21,012**	20,526	**223**
2022, fixed rates 0.88% to 1.71%	**88,240**	36,095	**939**
2030, fixed rate 2.26%	**11,263**	10,692	**120**
2031, fixed rate 2.19%	**10,982**	10,404	**117**
Bonds payable in Japanese yen due 2013 with detachable warrants, fixed rate 0.25%	**34,638**	33,928	**368**
Medium-term notes, maturing serially through 2020, average interest rate 0.67%	**53,974**	49,790	**574**
Various notes and bonds, maturing serially through 2012, average interest rate 0.88%	**—**	3,061	**—**
Subtotal	**3,539,327**	3,351,775	**37,652**
Less: Current maturities	**(373,590)**	(370,227)	**(3,974)**
Bonds and borrowings (non-current)	**¥3,165,737**	¥2,981,548	**$33,678**

Details of the bonds and borrowings (current) as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Short-term loans, principally from banks	**¥223,429**	¥163,430	**$2,377**
Commercial paper	**98,646**	98,610	**1,050**
Total	**¥322,075**	¥262,040	**$3,427**

The differences between the balances stated above and the balances presented as “Bonds and borrowings” under 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, 2013 and 2012 were 1.15% and 1.36%, respectively.

The weighted average interest rates for commercial paper for the years ended March 31, 2013 and 2012 were 0.33% and 0.53%, respectively.

The Companies have lines of credit agreements available for immediate borrowing with syndicates of domestic and foreign banks, in the amount of $1,200 million with foreign banks and ¥445,000 million ($4,734 million) with domestic banks. All these lines of credit were unused as of March 31, 2013.

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 the lender makes such a prepayment request. Certain agreements provide that the banks may require the borrower to obtain bank approval prior to presenting proposals for the payment of dividends and other appropriations of earnings at the general meeting of shareholders. The Companies have not been asked to make any prepayments for the years ended March 31, 2013 and 2012, 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, 2013 and 2012.

(2) Assets Pledged as Security

Assets pledged to secure bonds and debt including borrowings as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Cash and deposits	**¥ 61,505**	¥ 57,233	**$ 654**
Marketable securities and investments	**101,561**	86,001	**1,080**
Trade and other receivables	**502,132**	498,188	**5,342**
Inventories	**14,346**	8,064	**153**
Property, plant and equipment (Carrying amount)	**86,477**	70,659	**920**
Investment property (Carrying amount)	**13,603**	24,398	**145**
Total	**¥779,624**	¥744,543	**$8,294**

The corresponding liabilities as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Bonds, borrowings and others	**¥570,165**	¥579,528	**$6,066**

In addition to the above, marketable securities and investments of ¥8,124 million ($86 million) were pledged in lieu of a monetary deposit as of March 31, 2013.

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 sales 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.

18. TRADE AND OTHER PAYABLES

The components of Trade and other payables as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Notes payable	¥ 50,059	¥ 60,854	$ 532
Accounts payable	874,159	905,625	9,300
Payables to equity-accounted investees	44,544	36,602	474
Finance lease obligations	59,418	51,823	632
Other payables	158,373	156,123	1,685
Trade and other payables	¥1,186,553	¥1,211,027	$12,623

The amount of Trade and other payables above includes financial liabilities measured at FVTPL of ¥56,703 million ($603 million) and ¥62,847 million as of March 31, 2013 and 2012, respectively.

Payables to equity-accounted investees above include finance lease obligations of ¥6,904 million ($74 million) and ¥7,759 million as of March 31, 2013 and 2012, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Current liabilities	¥1,080,699	¥1,102,326	$11,497
Non-current liabilities	105,854	108,701	1,126
Total	¥1,186,553	¥1,211,027	$12,623

19. PROVISIONS

The changes in Provisions for the year ended March 31, 2013 is as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥16,050	¥1,561	¥13,562	¥31,173
Provisions made	3,320	2	7,580	10,902
Provisions used	(259)	—	(5,901)	(6,160)
Accretion expense	624	—	—	624
Others	2,666	(41)	5,150	7,775
Balance, end of year	¥22,401	¥1,522	¥20,391	¥44,314

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	¥ —	¥ —	¥ 6,287	¥ 6,287
Non-current	22,401	1,522	14,104	38,027
Total	¥22,401	¥1,522	¥20,391	¥44,314

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	$171	$17	$144	$332
Provisions made	35	0	81	116
Provisions used	(3)	—	(63)	(66)
Accretion expense	7	—	—	6
Others	28	(1)	56	84
Balance, end of year	$238	$16	$218	$472

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	**$ —**	**$—**	**$ 67**	**$ 67**
Non-current	**238**	**16**	**151**	**405**
Total	**$238**	**$16**	**$218**	**$472**

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 and cancellation.

20. EMPLOYEE BENEFITS

(1) Post-employment Benefit

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, a lump-sum retirement benefit based on 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, 2013 and 2012 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Defined contribution plans	**¥ (3,872)**	¥ (3,061)	**$ (41)**
Defined benefit plans	**(9,272)**	(9,147)	**(99)**
Total	**¥(13,144)**	¥(12,208)	**$(140)**

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 profit or loss in respect of the Companies' defined benefit plans for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Service cost	**¥(9,258)**	¥(8,874)	**$(98)**
Interest on obligation	**(5,030)**	(5,554)	**(54)**
Expected return on plan assets	**5,525**	5,733	**59**
Past service cost	**(3,728)**	(986)	**(40)**
Gain on settlements and curtailments	**3,219**	534	**34**
Total	**¥(9,272)**	¥(9,147)	**$(99)**

Of the total expense for the year ended March 31, 2013 and 2012, ¥(2,330) million ($(25) million) and ¥(2,496) million were included in "Cost" and ¥(6,942) million ($(74) million) and ¥(6,651) 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, 2013 and 2012 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 March 31, 2011	¥ 6,397	$ 68
Amounts recognized for the year ended March 31, 2012	(14,422)	(153)
Cumulative amount of actuarial gains (losses) as of March 31, 2012	(8,025)	(85)
Amounts recognized for the year ended March 31, 2013	**(1,984)**	**(21)**
Cumulative amount of actuarial gains (losses) as of March 31, 2013	**¥(10,009)**	**$(106)**

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, 2013 and 2012 are as follows:

[Changes in the defined benefit obligation]

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Balance, beginning of year	**¥(252,442)**	¥(216,135)	**$(2,686)**
Service cost	**(9,258)**	(8,874)	**(98)**
Interest on obligation	**(5,030)**	(5,554)	**(54)**
Plan amendments	**(3,728)**	(986)	**(40)**
Acquisitions and deconsolidation	**(23,345)**	(23,534)	**(248)**
Actuarial gains (losses)	**(25,527)**	(9,447)	**(271)**
Benefits paid	**11,502**	11,185	**122**
Exchange differences on translating foreign operations	**(4,778)**	358	**(50)**
Curtailments and settlements	**5,841**	545	**62**
Balance, end of year	**¥(306,765)**	¥(252,442)	**$(3,263)**

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Balance, beginning of year	**¥243,394**	¥220,320	**$2,589**
Expected return on plan assets	**5,525**	5,733	**59**
Actuarial gains (losses)	**23,543**	(4,975)	**250**
Acquisitions and deconsolidation	**15,660**	22,126	**167**
Contributions by the employer	**15,463**	10,223	**165**
Benefits paid	**(10,694)**	(9,931)	**(114)**
Exchange differences on translating foreign operations	**2,310**	(102)	**24**
Balance, end of year	**¥295,201**	¥243,394	**$3,140**

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, 2013 and 2012 are as follows:

	Millions of Yen				Millions of U.S. Dollars
	2013	2012	2011	2010	**2013**
Present value of defined benefit obligation [funded]	**¥(292,732)**	¥(244,467)	¥(208,698)	¥(187,726)	**$(3,114)**
Fair value of plan assets	**295,201**	243,394	220,320	217,969	**3,140**
Funded status	**2,469**	(1,073)	11,622	30,243	**26**
Present value of defined benefit obligation [unfunded]	**(14,033)**	(7,975)	(7,437)	(5,647)	**(149)**
Net asset (liability) arising from defined benefit obligation	**¥ (11,564)**	¥ (9,048)	¥ 4,185	¥ 24,596	**$ (123)**
Experience adjustments on defined benefit obligation	**¥ (25,527)**	¥ (9,447)	¥ (16,591)	¥ 3,894	**$ (271)**
Experience adjustments on plan assets	**¥ 23,543**	¥ (4,975)	¥ (6,901)	¥ 25,995	**$ 250**

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 cash to an employee retirement benefit trust for any funding deficits in benefit obligations at the fiscal year end.

The Companies' investment policies are designed to increase the value of plan assets within acceptable risk levels 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 a strategic asset mix which aims at an optimal portfolio on a long-term basis and supervise asset management by selecting investment managers, reviewing the 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 conditions 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 19% equity securities, 58% debt securities, and 23% others.

The major categories of plan assets as of March 31, 2013 and 2012 are as follows:

	%	
Categories of plan assets	**2013**	2012
Equity securities	**21**	31
Debt securities	**55**	45
Others*	**24**	24
Total	**100**	100

* Others include mainly cash, alternative investments and life insurance company general accounts.

Principal assumptions used in the actuarial valuations for the years ended March 31, 2013 and 2012 are as follows:

	%	
	2013	2012
Discount rates as of March 31	**1.4**	1.9
Expected long-term rates of return on plan assets as of April 1	**2.1**	2.4
The expected rate of salary increase	**2.8**	2.9

The Companies' expected long-term rate of return on plan assets assumption is derived from a detailed study that includes a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, risks and correlations for each of the asset classes that comprise the funds' asset mix. The actual return on plan assets for the years ended March 31, 2013 and 2012 were ¥29,068 million ($309 million) and ¥758 million, respectively.

The employer's contributions expected to be paid for the year ending March 31, 2014 are ¥14,798 million ($157 million).

In addition to lump-sum retirement benefit plans or retirement benefit pension plans, certain domestic subsidiaries participate in multi-employer defined benefit plans, and recognize the payments made during the fiscal year as an expense and contribution payable as a liability. The subsidiaries recognized an expense pertaining to these plans for the years ended March 31, 2013 and 2012, of ¥1,511 million ($16 million) and ¥1,519 million, respectively.

(2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the years ended March 31, 2013 and 2012, was ¥100,148 million ($1,065 million) and ¥97,366 million, respectively.

21. COMMON STOCK

The numbers of shares authorized and issued as of March 31, 2013 and 2012 are as follows:

	2013 **(Number of shares)**	2012 (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 shares of treasury stock as of March 31, 2013 and 2012 included in the number of shares issued shown above were 106,633 shares and 472,515 shares, respectively.

22. 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 Common stock. The remainder of the proceeds shall be credited to Additional paid-in capital. The Company Law permits, upon approval at the general meeting of shareholders, the transfer of amounts from Additional paid-in capital to Common stock.

"Others" within Additional paid-in capital in the Consolidated statement of changes in equity consist mainly of a decrease of ¥6,265 million ($67 million) related to put options granted to non-controlling shareholders.

"Grant of stock options and others", which was previously presented separately within Additional paid-in capital, is included in "Others" due to its immateriality.

"Grant of stock options and others" for the years ended March 31, 2013 and 2012 were ¥487 million ($5 million) (decrease) and ¥150 million (increase), respectively.

(2) Retained Earnings

The Company Law provides that a 10% dividend of retained earnings shall be appropriated as additional paid-in capital or as a legal reserve until the aggregate amount of the additional paid-in capital and the 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 at 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 ¥366,067 million ($3,894 million) and ¥344,683 million, shown by the Company's accounting records for the years ended March 31, 2013 and 2012, respectively, were not restricted by the limitations under the Company Law.

23. OTHER COMPONENTS OF EQUITY AND OTHER COMPREHENSIVE INCOME (LOSS)

The changes in Other components of equity for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Exchange differences on translating foreign operations			
Balance, beginning of year	**¥(112,052)**	¥ (47,608)	**$(1,192)**
Adjustment for the year	**177,360**	(64,444)	**1,887**
Balance, end of year	**¥ 65,308**	¥(112,052)	**$ 695**
Financial assets measured at FVTOCI			
Balance, beginning of year	**¥ 57,924**	¥ 53,747	**$ 616**
Adjustment for the year	**34,411**	3,793	**366**
Transfer to retained earnings	**26,337**	384	**280**
Balance, end of year	**¥ 118,672**	¥ 57,924	**$ 1,262**
Cash-flow hedges			
Balance, beginning of year	**¥ (8,879)**	¥ (10,958)	**$ (94)**
Adjustment for the year	**(2,057)**	2,079	**(22)**
Balance, end of year	**¥ (10,936)**	¥ (8,879)	**$ (116)**
Actuarial gains (losses) on defined benefit pension plans			
Balance, beginning of year	**¥ —**	¥ —	**$ —**
Adjustment for the year	**(2,325)**	(12,064)	**(25)**
Transfer to retained earnings	**2,325**	12,064	**25**
Balance, end of year	**¥ —**	¥ —	**$ —**
Other components of equity			
Balance, beginning of year	**¥ (63,007)**	¥ (4,819)	**$ (670)**
Adjustment for the year	**207,389**	(70,636)	**2,206**
Transfer to retained earnings	**28,662**	12,448	**305**
Balance, end of year	**¥ 173,044**	¥ (63,007)	**$ 1,841**

The following table provides each component of Other comprehensive income (loss) included in Non-controlling interests for the years ended March 31, 2013 and 2012.

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Exchange differences on translating foreign operations	**¥5,225**	¥(3,021)	**$55**
Financial assets measured at FVTOCI	**77**	(496)	**1**
Cash-flow hedges	**(8)**	78	**(0)**
Actuarial gains (losses) of defined benefit pension plans	**548**	—	**6**
Other comprehensive income (loss)	**¥5,842**	¥(3,439)	**$62**

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, 2013 and 2012.

	Millions of Yen		
2013	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	**¥165,153**	**¥ 8,936**	**¥174,089**
Reclassification to profit or loss for the year	**8,671**	**(175)**	**8,496**
Adjustment for the year	**173,824**	**8,761**	**182,585**
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	**51,237**	**(18,616)**	**32,621**
Adjustment for the year	**51,237**	**(18,616)**	**32,621**
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	**(11,752)**	**3,092**	**(8,660)**
Reclassification to profit or loss for the year	**9,018**	**(2,406)**	**6,612**
Adjustment for the year	**(2,734)**	**686**	**(2,048)**
Actuarial gains (losses) of defined benefit pension plans:			
Unrealized gains (losses) arising during the year	**(1,984)**	**411**	**(1,573)**
Adjustment for the year	**(1,984)**	**411**	**(1,573)**
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	**(361)**	**31**	**(330)**
Reclassification to profit or loss for the year	**1,976**	**—**	**1,976**
Adjustment for the year	**1,615**	**31**	**1,646**
Total other comprehensive income (loss)	**¥221,958**	**¥ (8,727)**	**¥213,231**

	Millions of Yen		
2012	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	¥(72,052)	¥ (772)	¥(72,824)
Reclassification to profit or loss for the year	2,412	2,947	5,359
Adjustment for the year	(69,640)	2,175	(67,465)
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	(7,375)	6,023	(1,352)
Adjustment for the year	(7,375)	6,023	(1,352)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(5,533)	949	(4,584)
Reclassification to profit or loss for the year	9,163	(2,574)	6,589
Adjustment for the year	3,630	(1,625)	2,005
Actuarial gains (losses) of defined benefit pension plans:			
Unrealized gains (losses) arising during the year	(14,422)	2,377	(12,045)
Adjustment for the year	(14,422)	2,377	(12,045)
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	(2,199)	(58)	(2,257)
Reclassification to profit or loss for the year	7,039	—	7,039
Adjustment for the year	4,840	(58)	4,782
Total other comprehensive income (loss)	¥(82,967)	¥8,892	¥(74,075)

2013	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	**$1,757**	**$ 95**	**$1,852**
Reclassification to profit or loss for the year	**92**	**(2)**	**90**
Adjustment for the year	**1,849**	**93**	**1,942**
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	**545**	**(198)**	**347**
Adjustment for the year	**545**	**(198)**	**347**
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	**(125)**	**33**	**(92)**
Reclassification to profit or loss for the year	**96**	**(26)**	**70**
Adjustment for the year	**(29)**	**7**	**(22)**
Actuarial gains (losses) of defined benefit pension plans:			
Unrealized gains (losses) arising during the year	**(21)**	**4**	**(17)**
Adjustment for the year	**(21)**	**4**	**(17)**
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	**(3)**	**0**	**(3)**
Reclassification to profit or loss for the year	**21**	**—**	**21**
Adjustment for the year	**18**	**0**	**18**
Total other comprehensive income (loss)	**$2,362**	**$ (94)**	**$2,268**

24. DIVIDENDS

(1) Dividends paid during the years ended March 31, 2013 and 2012 are as follows:

Resolution	Class of shares	Amount of dividends Millions of Yen (Millions of U.S. Dollars)	Dividends per share Yen (U.S. Dollars)	Record date	Effective date
Ordinary general meeting of shareholders held on June 24, 2011	Ordinary shares	¥25,001	¥20	March 31, 2011	June 27, 2011
Board of Directors' meeting held on November 2, 2011	Ordinary shares	¥30,002	¥24	September 30, 2011	December 1, 2011
Ordinary general meeting of shareholders held on June 22, 2012	Ordinary shares	¥32,503 ($346)	¥26 ($0.28)	March 31, 2012	June 25, 2012
Board of Directors' meeting held on October 31, 2012	Ordinary shares	¥31,257 ($333)	¥25 ($0.27)	September 30, 2012	December 3, 2012

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends Millions of Yen (Millions of U.S. Dollars)	Source of dividends	Dividends per share Yen (U.S. Dollars)	Record date	Effective date
Ordinary general meeting of shareholders held on June 21, 2013	Ordinary shares	¥26,260 ($279)	Retained earnings	¥21 ($0.22)	March 31, 2013	June 24, 2013

25. 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 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 that date, if there are no transactions on that date).

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 16, 2012, the Board of Directors, and on June 22, 2012, the ordinary general meeting of shareholders, authorized the issue of new stock options for up to 211,000 shares of common stock. The options for 211,000 shares were granted under these authorizations. On May 15, 2013, the Board of Directors, and on June 21, 2013 the ordinary general meeting of shareholders, authorized the issue of new stock options for up to 198,000 shares of common stock.

The Company's stock option activities for the years ended March 31, 2013 and 2012 are as follows:

	2013			2012	
		Weighted average exercise price			Weighted average exercise price
	Number of shares	Yen	U.S. Dollars	Number of shares	Yen
Outstanding, beginning of year	**655,000**	**¥1,327**	**$14**	731,000	¥1,430
Granted	**211,000**	**1,125**	**12**	200,000	1,109
Exercised	**73,000**	**1,027**	**11**	47,000	1,056
Cancelled or expired	**246,000**	**1,637**	**17**	229,000	1,521
Outstanding, end of year	**547,000**	**1,150**	**12**	655,000	1,327
Options exercisable, end of year	**348,000**	**¥1,164**	**$12**	456,000	¥1,422

Stock options outstanding and exercisable as of March 31, 2013 are as follows:

	2013						
	Outstanding				Exercisable		
Exercise price range		Weighted average exercise price		Weighted average remaining life		Weighted average exercise price	
Yen	Number of shares	Yen	U.S. Dollars	in years	Number of shares	Yen	U.S. Dollars
¥1,001–1,200	**478,000**	**¥1,094**	**$12**	**3.30**	**279,000**	**¥1,072**	**$11**
1,401–1,600	**69,000**	**1,537**	**16**	**0.25**	**69,000**	**1,537**	**16**
	547,000	**¥1,150**	**$12**	**2.91**	**348,000**	**¥1,164**	**$12**

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

	2013	2012
Expected life (year)	**4.5**	4.5
Risk-free rate (%)	**0.16**	0.31
Expected volatility (%)	**37.75**	39.74
Expected dividend yield (%)	**3.24**	2.52

The Company has stock-linked compensation plans for directors and executive officers. 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 ¥1 ($0.01) per share. Each stock option granted prior to 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% at the grant date. The options granted are exercisable beginning the day after leaving their positions as both director and executive officer of the Company. The options are exercisable for ten years from that date.

On May 16, 2012, the Board of Directors, and June 22, 2012, the ordinary general meeting of shareholders, authorized the issue of new stock options under these stock-linked compensation plans for up to 340,000 shares of common stock. Options for 205,300 shares were granted under these authorizations. On May 15, 2013, the Board of Directors, and June 21, 2013, the ordinary general meeting of shareholders, authorized the issue of new stock options for up to 260,000 shares of common stock based on the plans.

The Company's stock-linked compensation plans for the years ended March 31, 2013 and 2012 are as follows:

	2013	2012
	Number of shares	Number of shares
Outstanding, beginning of year	**851,400**	670,400
Granted	**205,300**	202,400
Exercised	**296,800**	21,400
Cancelled or expired	**—**	—
Outstanding, end of year	**759,900**	851,400
Options exercisable, end of year	**151,200**	150,300

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

	2013	2012
Expected life (year)	**3.31**	2.45
Risk-free rate (%)	**0.10**	0.17
Expected volatility (%)	**28.36**	30.33
Expected dividend yield (%)	**3.35**	3.03

Compensation expense incurred on the stock option plans and the stock-linked compensation plans for the years ended March 31, 2013 and 2012 was ¥259 million ($3 million) and ¥256 million, respectively.

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Capital Management

The fundamental principles of the Companies' capital management are to maintain an appropriate level of capital and debt and equity balance to manage business risk for the purpose of maintaining management soundness and efficiency and to promote continuous growth.

The key metrics used for capital management are as follows:

- balance between risk-adjusted assets *1 and equity; and
- times of interest-bearing liabilities (net) *2 to equity (Debt-equity ratio (net))

Management monitors the strategies for profits and investments and the metrics at the time of planning and reviewing the medium-term management plan.

As "Equity attributable to owners of the parent" is directly affected by the market conditions of foreign exchange rates and stock prices, the Company hedges against the exchange rate risks of major investments denominated in foreign currencies and reviews stock holdings in a timely manner, in order to minimize the influence of changes in foreign exchange rates and stock prices upon "Equity attributable to owners of the parent."

The Company is not subject to any externally imposed capital requirements (except for general requirements, such as those in the Company Law).

*1 Risk-adjusted assets refers to the maximum loss exposure and is calculated by assigning assets including Trade and other receivables, Inventories, Fixed Assets and Investments risk weights, which the Companies have determined individually based on the potential risk of loss, and adding derivatives and the loss exposure related to Commitments and contingent liabilities. The maximum loss exposure is measured statistically under the variability of the market values of the assets for each related business and are 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.

(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 futures 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 counterparty will fail to meet its 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, after considering the net effect of offsetting foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments.

The net exposures to foreign currency risk as of March 31, 2013 and 2012 are as follows:

	2013					
	U.S. Dollars	G.B. Pounds	Chinese Yuan	Euro	Others	Total
Recurring positions:						
Millions of Yen	**892**	**2,603**	**7,802**	**698**	**9,452**	**21,447**
Thousands of local currency	**9,482**	**18,185**	**514,651**	**5,785**	**—**	**—**
Non-recurring positions:						
Millions of Yen	**16,723**	**584**	**4,356**	**1,848**	**28,008**	**51,519**
Thousands of local currency	**177,814**	**4,082**	**287,318**	**15,307**	**—**	**—**

	2012					
	U.S. Dollars	G.B. Pounds	Chinese Yuan	Euro	Others	Total
Recurring positions:						
Millions of Yen	3,367	719	9,213	(1,046)	15,435	27,688
Thousands of local currency	40,967	5,474	705,442	(9,524)	—	—
Non-recurring positions:						
Millions of Yen	7,007	499	2,391	750	20,165	30,812
Thousands of local currency	85,250	3,798	183,110	6,826	—	—

*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 sale 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 (excluding investments in foreign operations) 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 foreign currency risk exposures. The analysis shows the hypothetical impact on profit before tax in the Consolidated statement of comprehensive income that would result from a 1% appreciation of the 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 the outstanding balance and interest rates are constant.

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Profit before tax	**¥(214)**	¥(277)	**$(2)**

b) Forward foreign exchange contracts

Forward foreign exchange contracts outstanding as of March 31, 2013 and 2012 are mainly as follows:

	Average exchange rate	Foreign currency	Notional amount	Fair value
2013	Yen	Thousands of local currency	Millions of Yen	Millions of Yen
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	**¥87.07**	**$2,277,264**	**¥198,279**	**¥15,806**
Due after one year	**80.70**	**303,117**	**24,460**	**3,564**
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	**90.78**	**3,001,700**	**272,486**	**(9,898)**
Due after one year	**84.99**	**239,739**	**20,375**	**(1,760)**

	Average exchange rate	Foreign currency	Notional amount	Fair value
2012	Yen	Thousands of local currency	Millions of Yen	Millions of Yen
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	¥81.19	$3,743,220	¥303,900	¥ 3,396
Due after one year	82.09	343,100	28,165	(555)
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	80.39	3,548,169	285,227	(6,135)
Due after one year	79.13	242,642	19,201	(480)

c) Currency swap agreements

Currency swap agreements outstanding as of March 31, 2013 and 2012 are mainly as follows:

	Average exchange rate	Foreign currency	Notional amount	Fair value
2013	Yen	Thousands of local currency	Millions of Yen	Millions of Yen
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	**¥ 89.88**	**$1,883,426**	**¥169,281**	**¥ (7,855)**
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	**119.52**	**8,367**	**1,000**	**10**
Due after one year	**79.50**	**1,544,850**	**122,811**	**22,483**

	Average exchange rate	Foreign currency	Notional amount	Fair value
2012	Yen	Thousands of local currency	Millions of Yen	Millions of Yen
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	¥ 80.29	$1,906,765	¥153,087	¥(3,630)
Buy Japanese Yen/Sell U.S. Dollar				
Due in one year or less	104.21	84,703	8,827	1,253
Due after one year	79.25	1,203,367	95,371	3,868

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 borrowing costs because a major portion 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 is partially offset by returns on certain assets which are also 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 monitor 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 swaps to manage the fluctuation in profits or losses due to drastic fluctuations in interest rates.

Interest rate sensitivity analysis

The following table represents the hypothetical impact on the Companies' profit before tax that is attributable to financial instruments which are exposed to the risk of fluctuations in interest rates in the case where the interest rate increases by 1%. The analysis is calculated by multiplying the net amounts of floating rate interest bearing financial assets and liabilities as of March 31, 2013 and 2012 by 1%, without considering future changes in the balance, currency exchange fluctuations and dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate, and is based on the assumption that all other variable factors are held constant.

The sensitivity analysis is performed for instruments that are exposed to fluctuations in market interest rates including: floating interest rate bearing debts and loans; fixed interest rate bearing debts and loans which are converted to floating rates with interest rate swap contracts and are in substance floating interest rate bearing debts and loans; cash and cash equivalents; time deposits; and receivables and payables which have not been settled at the end of the period.

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Profit before tax	**¥(12,391)**	¥(12,589)	**$(132)**

3. Credit risk management

The Companies are exposed to credit risk as a result of providing credit to our customers in the form of accounts receivable, advances, loans, guarantees and other instruments. The Companies use an original credit rating model, the Sumisho Credit Rating ("SCR"), to assess customers' credit risk. The authority level for extending credit to customers depends on the nine assigned credit ratings. In addition, the Companies regularly review the customers' credit limits and appropriately manage the credit exposure under those limits. At the same time, the Companies continuously perform credit evaluations on the financial conditions of customers, and based on such evaluations, obtain collateral to secure the receivables if necessary.

The Companies' receivables are from a large number of customers, spreading across diverse industries and geographical areas, therefore 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 financing commitments, and the carrying amount of financial assets recorded in the Consolidated statement of financial position, 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 of commodities, or by 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 and a confidence level of 99%) as of the end of each month for the years ended March 31, 2013 and 2012:

The Companies use the VaR for the purpose of risk management by each organization and do not eliminate intra-group transactions.

	Millions of Yen			
	2013			
	At year-end	High	Low	Average
VaR	**¥3,861**	**¥5,618**	**¥3,861**	**¥4,694**

	Millions of Yen			
	2012			
	At year-end	High	Low	Average
VaR	¥4,647	¥6,005	¥3,879	¥4,882

	Millions of U.S. Dollars			
	2013			
	At year-end	High	Low	Average
VaR	**$41**	**$60**	**$41**	**$50**

The Companies estimate VaR mainly using the historical simulation method. As VaR is measured by estimating statistically gains and losses on the current portfolio during the defined periods by applying the fluctuations in market rates and prices in the past, 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, 2012 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, by 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 with highly creditable financial institutions which are generally given high credit ratings by credit rating agencies.

The Companies have an unused long-term committed line of credit and several unused short-term committed lines of credit 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, 2013 and 2012 are as follows:

	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years	Total
2013				
Bonds and borrowings	**¥ 695,665**	**¥1,840,308**	**¥1,325,429**	**¥3,861,402**
Trade and other payables	**1,053,866**	**35,540**	**29,925**	**1,119,331**
Financial guarantee contracts	**146,151**	**39,752**	**39,156**	**225,059**
2012				
Bonds and borrowings	¥ 632,267	¥1,768,061	¥1,213,487	¥3,613,815
Trade and other payables	1,084,065	26,209	39,605	1,149,879
Financial guarantee contracts	60,001	104,619	33,908	198,528

	Millions of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years	Total
2013				
Bonds and borrowings	**$ 7,401**	**$19,578**	**$14,100**	**$41,079**
Trade and other payables	**11,211**	**378**	**319**	**11,908**
Financial guarantee contracts	**1,555**	**423**	**416**	**2,394**

The Companies' liquidity analysis for derivatives as of March 31, 2013 and 2012 is summarized in the table below. The table is based on the contractual future cash inflows and outflows of derivative instruments. The net contractual cash inflows and outflows of gross-settled derivative instruments are presented as net cash flows on a transaction-by-transaction basis. 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
2013					
Interest rate contracts	cash receipt	**¥ 10,505**	**¥ 34,053**	**¥16,415**	**¥ 60,973**
	/ (payment)	**(2,080)**	**(4,724)**	**(3,170)**	**(9,974)**
Foreign exchange contracts	cash receipt	**22,391**	**24,773**	**4,969**	**52,133**
	/ (payment)	**(25,512)**	**(4,840)**	**(291)**	**(30,643)**
Commodity contracts	cash receipt	**40,258**	**10,916**	**1,239**	**52,413**
	/ (payment)	**(42,731)**	**(18,707)**	**(2,153)**	**(63,591)**
2012					
Interest rate contracts	cash receipt	¥ 9,102	¥ 30,931	¥11,933	¥ 51,966
	/ (payment)	(1,944)	(4,806)	(3,351)	(10,101)
Foreign exchange contracts	cash receipt	12,735	8,911	439	22,085
	/ (payment)	(17,390)	(2,578)	(162)	(20,130)
Commodity contracts	cash receipt	43,343	8,130	5,435	56,908
	/ (payment)	(41,731)	(21,652)	(4,141)	(67,524)

		Millions of U.S. Dollars			
		Due in one year or less	Due after one year through five years	Due after five years	Total
2013					
Interest rate contracts	cash receipt	**$ 112**	**$ 362**	**$175**	**$ 649**
	/ (payment)	**(22)**	**(50)**	**(34)**	**(106)**
Foreign exchange contracts	cash receipt	**239**	**264**	**53**	**556**
	/ (payment)	**(271)**	**(52)**	**(3)**	**(326)**
Commodity contracts	cash receipt	**428**	**116**	**13**	**557**
	/ (payment)	**(455)**	**(199)**	**(23)**	**(677)**

(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 of such financial instruments are measured by using appropriate measurement techniques such as 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. 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 using 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 using 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 receivable from guarantors in 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 and 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 mainly 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, 2013 and 2012 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	
	2013	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	**¥2,094,034**	**¥2,096,365**
Financial liabilities measured at amortized cost:		
Bonds and borrowings	**3,861,402**	**3,884,529**
Trade and other payables	**1,129,850**	**1,129,921**

	Millions of Yen	
	2012	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥2,116,839	¥2,122,129
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,613,815	3,637,626
Trade and other payables	1,148,180	1,148,194

	Millions of U.S. Dollars	
	2013	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	**$22,277**	**$22,302**
Financial liabilities measured at amortized cost:		
Bonds and borrowings	**41,079**	**41,325**
Trade and other payables	**12,020**	**12,020**

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 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; and

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 by fair value hierarchy as of March 31, 2013 and 2012 are as follows:

	Millions of Yen			
2013	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	**¥ 42,760**	**¥ 54**	**¥ 30,863**	**¥ 73,677**
Financial assets measured at FVTOCI	**331,986**	**44,825**	**92,268**	**469,079**
Trade and other receivables measured at FVTPL	**—**	**40,994**	**—**	**40,994**
Other financial assets (derivatives)				
Derivatives designated as hedges	**—**	**68,792**	**—**	**68,792**
Derivatives not designated as hedges	**3,428**	**92,345**	**—**	**95,773**
Total	**¥378,174**	**¥ 247,010**	**¥123,131**	**¥748,315**
Liabilities:				
Trade and other payables measured at FVTPL	**¥ —**	**¥ (56,703)**	**¥ —**	**¥ (56,703)**
Other financial liabilities (derivatives)				
Derivatives designated as hedges	**—**	**(23,398)**	**—**	**(23,398)**
Derivatives not designated as hedges	**(4,381)**	**(65,612)**	**(10,629)**	**(80,622)**
Total	**¥ (4,381)**	**¥(145,713)**	**¥ (10,629)**	**¥(160,723)**

	Millions of Yen			
2012	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 41,212	¥ 53	¥ 30,952	¥ 72,217
Financial assets measured at FVTOCI	284,091	44,884	84,802	413,777
Trade and other receivables measured at FVTPL	—	43,253	—	43,253
Other financial assets (derivatives)				
Derivatives designated as hedges	—	55,917	—	55,917
Derivatives not designated as hedges	5,498	68,444	—	73,942
Total	¥330,801	¥ 212,551	¥115,754	¥ 659,106
Liabilities:				
Trade and other payables measured at FVTPL	¥ —	¥ (62,847)	¥ —	¥ (62,847)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(14,725)	—	(14,725)
Derivatives not designated as hedges	(3,683)	(65,314)	(13,730)	(82,727)
Total	¥ (3,683)	¥(142,886)	¥ (13,730)	¥(160,299)

	Millions of U.S. Dollars			
2013	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments				
Financial assets measured at FVTPL	$ 455	$ 1	$ 328	$ 784
Financial assets measured at FVTOCI	3,532	476	982	4,990
Trade and other receivables measured at FVTPL	—	436	—	436
Other financial assets (derivatives)				
Derivatives designated as hedges	—	732	—	732
Derivatives not designated as hedges	36	983	—	1,019
Total	$4,023	$ 2,628	$1,310	$ 7,961
Liabilities:				
Trade and other payables measured at FVTPL	$ —	$ (603)	$ —	$ (603)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(249)	—	(249)
Derivatives not designated as hedges	(47)	(698)	(113)	(858)
Total	$ (47)	$(1,550)	$ (113)	$(1,710)

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, 2013 is as follows:

	Millions of Yen		
2013	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	¥30,952	¥84,802	¥(13,730)
Purchases	10,434	4,884	—
Comprehensive income			
Profit or loss for the year	(325)	—	(1,904)
Other comprehensive income	—	6,185	—
Disposals	(8,249)	(1,796)	—
Settlements	(1,949)	(1,807)	5,005
Balance, end of year	¥30,863	¥92,268	¥(10,629)
Profit or loss for the year included in earnings relating to financial instruments still held at the end of year	¥ (4,379)	¥ —	¥ (2,099)

	Millions of U.S. Dollars		
2013	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	$329	$902	$(146)
Purchases	111	52	—
Comprehensive income			
Profit or loss for the year	(3)	—	(20)
Other comprehensive income	—	66	—
Disposals	(88)	(19)	—
Settlements	(21)	(19)	53
Balance, end of year	$328	$982	$(113)
Profit or loss for the year included in earnings relating to financial instruments still held at the end of year	$ (47)	$ —	$ (22)

The above profits or losses for the year were included in "Sales of tangible products," "Cost of tangible products sold" and "Gain (loss) on securities and other investments, net" 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 futures 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 the hedge is effective. For the years ended March 31, 2013 and 2012, net gains or losses for hedged items were net losses of ¥12,224 million ($130 million) and net losses of ¥11,261 million, respectively, and net gains or losses for hedging instruments were net gains of ¥12,224 million ($130 million) and net gains of ¥11,261 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 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, 2013 and 2012, 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 net losses of ¥2,061 million ($22 million) and net losses of ¥2,019 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 in Other components of equity to the extent the hedge is effective.

Derivatives not designated as hedges

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, 2013 and 2012 are as follows:

	Millions of Yen				
2013	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	**¥57,181**	**¥ 257**	**¥ —**	**¥ 2,581**	**¥ 60,019**
Foreign exchange contracts	**45**	**6,855**	**291**	**44,942**	**52,133**
Commodity contracts	**—**	**4,163**	**—**	**48,250**	**52,413**
Total	**¥57,226**	**¥11,275**	**¥ 291**	**¥ 95,773**	**¥164,565**
Other financial assets (current)					**55,718**
Other financial assets (non-current)					**97,090**
Total					**¥152,808**
[Derivative liabilities]					
Interest rate contracts	**¥ (1,819)**	**¥ (5,528)**	**¥ —**	**¥ (2,439)**	**¥ (9,786)**
Foreign exchange contracts	**—**	**(6,088)**	**(6,304)**	**(18,251)**	**(30,643)**
Commodity contracts	**—**	**(3,659)**	**—**	**(59,932)**	**(63,591)**
Total	**¥ (1,819)**	**¥(15,275)**	**¥(6,304)**	**¥(80,622)**	**¥(104,020)**
Other financial liabilities (current)					**(60,187)**
Other financial liabilities (non-current)					**(38,515)**
Total					**¥ (98,702)**

Other than the above, the Companies have foreign currency borrowings of ¥112,021 million ($1,192 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 were resulted from a financial liability for the put option granted to the non-controlling shareholder and offsetting derivative assets and derivative liabilities with deposits.

	Millions of Yen				
2012	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥44,271	¥ 3,089	¥ —	¥ 3,506	¥ 50,866
Foreign exchange contracts	1,091	5,578	279	15,137	22,085
Commodity contracts	192	1,417	—	55,299	56,908
Total	¥45,554	¥10,084	¥ 279	¥ 73,942	¥129,859
Other financial assets (current)					48,239
Other financial assets (non-current)					74,965
Total					¥123,204
[Derivative liabilities]					
Interest rate contracts	¥ (2,008)	¥ (4,461)	¥ —	¥ (3,329)	¥ (9,798)
Foreign exchange contracts	(8)	(2,045)	(3,691)	(14,386)	(20,130)
Commodity contracts	(221)	(2,291)	—	(65,012)	(67,524)
Total	¥ (2,237)	¥ (8,797)	¥(3,691)	¥(82,727)	¥ (97,452)
Other financial liabilities (current)					(54,636)
Other financial liabilities (non-current)					(36,785)
Total					¥ (91,421)

Other than the above, the Companies have foreign currency borrowings of ¥21,018 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 were resulted from offsetting derivative assets and derivative liabilities with deposits.

	Millions of U.S. Dollars				
2013	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	**$608**	**$ 3**	**$ —**	**$ 27**	**$ 638**
Foreign exchange contracts	**1**	**73**	**3**	**479**	**556**
Commodity contracts	**—**	**44**	**—**	**513**	**557**
Total	**$609**	**$ 120**	**$ 3**	**$1,019**	**$ 1,751**
Other financial assets (current)					**593**
Other financial assets (non-current)					**1,033**
Total					**$ 1,626**
[Derivative liabilities]					
Interest rate contracts	**$ (19)**	**$ (59)**	**$ —**	**$ (26)**	**$ (104)**
Foreign exchange contracts	**—**	**(65)**	**(67)**	**(194)**	**(326)**
Commodity contracts	**—**	**(39)**	**—**	**(638)**	**(677)**
Total	**$ (19)**	**$(163)**	**$(67)**	**$ (858)**	**$(1,107)**
Other financial liabilities (current)					**(640)**
Other financial liabilities (non-current)					**(410)**
Total					**$(1,050)**

27. 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 ¥5,945 million ($63 million) and ¥4,206 million were included in the Consolidated statement of comprehensive income for the years ended March 31, 2013 and 2012, respectively.

28. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The components of Selling, general and administrative expenses for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Employee benefits expenses	**¥337,071**	¥351,016	**$3,586**
Equipment expenses	**108,417**	112,628	**1,153**
Travel and transportation expenses	**24,885**	24,904	**265**
Outsourcing expenses	**52,186**	53,009	**555**
Advertising expenses	**28,824**	28,789	**306**
Amortization expenses	**17,297**	23,233	**184**
Impairment losses on receivables	**8,472**	10,207	**90**
Others	**79,987**	82,618	**851**
Selling, general and administrative expenses	**¥657,139**	¥686,404	**$6,990**

Equipment expenses disclosed above mainly include rental expenses and depreciation of property, plant and equipment.

29. FINANCE INCOME AND COSTS

The components of Finance income and costs for the years ended March 31, 2013 and 2012 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Interest income:			
Financial assets measured at FVTPL	**¥ 88**	¥ 89	**$ 1**
Financial assets measured at amortized cost	**10,782**	12,907	**115**
Derivatives	**2,469**	904	**26**
Total	**13,339**	13,900	**142**
Interest expense:			
Financial liabilities measured at amortized cost	**(41,806)**	(36,535)	**(444)**
Derivatives	**12,714**	7,579	**135**
Total	**(29,092)**	(28,956)	**(309)**
Dividends:			
Financial assets measured at FVTPL	**2,221**	486	**24**
Financial assets measured at FVTOCI	**11,201**	10,708	**119**
Total	**13,422**	11,194	**143**
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	**1,187**	5,298	**12**
Others	**50,329**	9,466	**535**
Total	**¥ 51,516**	¥ 14,764	**$ 547**

Others of “Gain (loss) on securities and other investments” are mainly gains and losses on investments of subsidiaries and associates, which includes gains of ¥49,589 million ($528 million), including gains of ¥23,542 million ($250 million) on retained interests, on deconsolidation of subsidiaries for the year ended March 31, 2013 and gains of ¥8,844 million on previously held interests for the year ended March 31, 2012.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2013 and 2012 were losses of ¥12,926 million ($138 million) and gains of ¥8,168 million in “Revenues” and “Cost,” and gains of ¥6,327 million ($67 million) and ¥7,755 million in “Other, net”, respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2013 and 2012 were ¥80,165 million ($853 million) and ¥70,218 million in “Revenues”, and interest expense from financial liabilities measured at amortized cost were ¥26,560 million ($283 million) and ¥27,108 million in “Cost”, respectively.

30. INCOME TAX EXPENSE

Income tax expense for the years ended March 31, 2013 and 2012 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Current tax	**¥43,139**	¥83,190	**$459**
Deferred tax	**32,187**	(5,475)	**342**
Total	**¥75,326**	¥77,715	**$801**

The Company is subject to mainly national corporate tax, inhabitant tax and deductible business tax, which in aggregate resulted in an applicable income tax rate of 38% and 41% for the years ended March 31, 2013 and 2012, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

In Japan, following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structure” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), effective from fiscal years beginning on and after April 1, 2012, corporate income tax rate has been reduced and a special temporary recovery tax has been imposed. This resulted in changes in the applicable income tax rate of the fiscal year.

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, 2013 and 2012 are as follows:

	%	
	2013	2012
The applicable income tax rate in Japan	**38.0**	41.0
Tax effect on equity-accounted investees	**(12.6)**	(13.3)
Tax effect on expenses not deductible for tax purposes	**0.6**	0.6
Difference in applicable tax rate of foreign subsidiaries	**(5.2)**	(7.3)
Reassessment of the recoverability of deferred tax assets	**(0.2)**	(2.3)
Others—net	**3.0**	4.1
The Companies’ average effective income tax rate	**23.6**	22.8

31. 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, 2013 and 2012 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Profit for the year attributable to owners of the parent	**¥232,451**	¥250,669	**$2,473**

	Number of shares	
	2013	2012
Weighted-average shares—basic	**1,250,270,539**	1,250,089,967
Dilutive effect of: Stock options	**898,581**	793,438
Weighted-average shares—diluted	**1,251,169,120**	1,250,883,405

	Yen		U.S. Dollars
	2013	2012	**2013**
Earnings per share (attributable to owners of the parent):			
Basic	**¥185.92**	¥200.52	**$1.98**
Diluted	**185.79**	200.39	**1.98**

32. CASH FLOW INFORMATION

Supplemental disclosure of cash flow information for the years ended March 31, 2013 and 2012 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
Non-cash investing and financing activities:			
Finance lease obligations incurred	**¥ 7,913**	¥ 2,781	**$ 84**
Acquisition of subsidiaries:			
Total consideration paid	**(79,138)**	(23,613)	**(842)**
Cash and cash equivalents included in assets acquired	**3,689**	52,010	**39**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**¥(75,449)**	¥ 28,397	**$(803)**

Refer to Note 5 for fair value of assets and liabilities as of the acquisition date.

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2013 was ¥97,010 million ($1,032 million). Each major class of assets and liabilities at the point of sale is as follows:

	Millions of Yen	Millions of U.S. Dollars
Cash and cash equivalents	**¥ 14,433**	**$ 154**
Trade and other receivables	**25,575**	**272**
Property, plant and equipment	**48,198**	**513**
Intangible assets	**139,121**	**1,480**
Other assets	**19,097**	**203**
Current liabilities	**(59,137)**	**(629)**
Non-current liabilities	**(47,021)**	**(500)**

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2012 was ¥66,103 million. Each major class of assets and liabilities at the point of sale is as follows:

	Millions of Yen
Cash and cash equivalents	¥ 12,653
Trade and other receivables	156,160
Property, plant and equipment	222,908
Other assets	169,403
Current liabilities	(287,438)
Non-current liabilities	(106,476)

One of the major subsidiaries disposed of during the year ended March 31, 2012 was Sumitomo Mitsui Auto Service Company, Limited ("SMAS"). On February 29, 2012, the Company transferred a portion of its common shares of SMAS to Hitachi Capital Corporation. This resulted in a loss of control of SMAS and it became an equity-accounted investee.

33. RELATED PARTY TRANSACTIONS

Compensation for directors

The remuneration for directors for the years ended March 31, 2013 and 2012 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	**2013**
1. Monthly remuneration	**¥ 788**	¥ 837	**$ 8**
2. Bonuses resolved at the 144th ordinary general meeting of shareholders	**—**	301	**—**
3. Bonuses resolved at the 145th ordinary general meeting of shareholders	**244**	—	**3**
4. Expenses recognized for the grant of the 11th of stock option issued on July 31, 2012	**15**	—	**0**
5. Expenses recognized for the grant of the 10th of stock option issued on July 31, 2011	**—**	20	**—**
6. Expenses recognized for the grant of the 7th of stock option (stock-linked compensation plan) issued on July 31, 2012	**91**	—	**1**
7. Expenses recognized for the grant of the 6th of stock option (stock-linked compensation plan) issued on July 31, 2011	**17**	90	**0**
8. Expenses recognized for the grant of the 5th of stock option (stock-linked compensation plan) issued on July 31, 2010	**—**	26	**—**
Total	**¥1,155**	¥1,274	**$12**

34. SUBSIDIARIES

The Companies' subsidiaries as of March 31, 2013 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 (47 Companies)		

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Transportation & Construction Systems	KIRIU Corporation	Ashikaga, Tochigi	100.00 (0.24)
	P.T. Summit Oto Finance	Jakarta, Indonesia	100.00 (15.00)
	SMS Construction and Mining Systems Inc.	Acheson, Canada	100.00 (34.75)
	Tecnologia para La Construccion y Mineria S.L.	Madrid, Spain	100.00 (30.00)
	P.T. Oto Multiartha	Jakarta, Indonesia	100.00 (15.00)
	SMS International Corporation	Plant City, U.S.	100.00 (100.00)
	Triton Navigation B.V.	Amsterdam, Netherlands	100.00 (100.00)
	Toyota Ukraine	Kiev, Ukraine	100.00
	Sumitec International, Ltd.	Moscow, Russia	100.00 (20.00)
	SC Construction Machinery (Shanghai) Corporation	Shanghai, China	100.00 (10.00)
	Summit Investment Australia Pty. Limited	Rydalmere, Australia	100.00 (15.00)
	Others (88 Companies)		
Infrastructure	Sumisho Machinery Trade Corporation	Chuo-ku, Tokyo	100.00
	Sumitomo Shoji Machinex Co., Ltd.	Chuo-ku, Tokyo	100.00
	Summit Energy Corporation	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 (100.00)
	Summit Southern Cross Power Holdings Pty. Ltd.	Sydney, Australia	100.00 (20.00)
	Summit Water Limited	London, England	100.00 (30.00)
	Others (39 Companies)		
Media, Network & Lifestyle Retail	SCSK Corporation	Koto-ku, Tokyo	51.44
	Summit, Inc.	Suginami-ku, Tokyo	100.00
	Sumisho Brand Management Corporation	Chiyoda-ku, Tokyo	100.00 (0.92)
	Others (37 Companies)		
Mineral Resources, Energy, Chemical & Electronics	Sumitomo Shoji Chemicals Co., Ltd.	Chuo-ku, Tokyo	100.00
	Sumitronics Corporation	Chuo-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)
	Interacid Trading S.A.	Lausanne, Switzerland	100.00 (30.00)
	Minera San Cristobal S.A.	La Paz, Bolivia	100.00 (100.00)
	Sumisho Coal Australia Pty. Ltd.	Sydney, Australia	100.00
	SC Minerals America, Inc.	Denver, U.S.	100.00 (15.25)
	Summit Petroleum Limited	London, England	100.00 (15.00)
	Petro Summit Pte. Ltd.	Singapore	100.00 (20.00)

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
	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)
	Inversiones SC Sierra Gorda Limitada	Santiago, Chile	100.00 (0.06)
	Comercial Metales Blancos AB	Stockholm, Sweden	100.00
	Summit Shale International Corporation	New York, U.S.	100.00
	Others (69 Companies)		
General Products & Real Estate	SEVEN INDUSTRIES CO., LTD.	Minokamo, Gifu	50.60
	Sumifru Corporation	Shibuya-ku, Tokyo	100.00
	IG Kogyo Co., Ltd.	Higashine, Yamagata	65.68
	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)
	Summit Grain Investment (Australia) Pty Ltd	Sydney, Australia	100.00 (30.00)
	Others (42 Companies)		
New Industry Development & Cross-function	Sumisho Global Logistics Co., Ltd.	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 (32.67)
	Others (35 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 (9 Companies)		
Overseas Subsidiaries and Branches	Sumitomo Corporation of America	New York, U.S.	100.00 (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)
	Sumitomo Corporation (Central Eurasia) LLC	Moscow, Russia	100.00
	Others (127 Companies)		
Others	Sumitomo Shoji Financial Management Co., Ltd.	Chuo-ku, Tokyo	100.00
	Yasato Kosan Co., Ltd.	Chuo-ku, Tokyo	100.00
	Others (1 Company)		

*1 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.

*2 In relation to subsidiaries to be sold within one year, ¥20,715 million of assets held for sale and ¥7,920 million of associated liabilities are presented as “Other current assets” and “Other current liabilities,” respectively, as of March 31, 2012.

35. 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 ¥893,613 million ($9,507 million) as of March 31, 2013. Scheduled deliveries are at various dates through 2025. The Companies also had financing commitments of ¥234,894 million ($2,499 million) as of March 31, 2013 for loans and investments in equity capital.

For finance and operating lease commitments to 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, 2013:

	Millions of Yen	Millions of U.S. Dollars
	2013	**2013**
Guarantees of indebtedness to:		
Equity-accounted investees	**¥116,090**	**$1,235**
Third parties	**100,965**	**1,074**
Employees	**1,189**	**13**
Residual value guarantees for leases	**6,815**	**72**
Total	**¥225,059**	**$2,394**

The Company conducted a tender offer for all the issued common shares and share options of Jupiter Telecommunications Co., Ltd. (“J:COM”), which is an associate of the Company, through NJ Corporation (“NJ”) which was jointly managed with KDDI Corporation, so that J:COM will be delisted.

In relation to the above, the Company entered into guarantee agreements for NJ’s borrowings from banks on March 6, 2013 and the guarantee aggregated to ¥34,200 million ($364 million) as of April 16, 2013.

1. Guarantees for Indebtedness of Equity-accounted investees

The Companies provide guarantees on certain equity-accounted investees’ borrowings from banks, payables to suppliers and other indebtedness. These guarantees mature through 2030. Guarantees with third party guarantee aggregated to ¥11,549 million ($123 million) as of March 31, 2013. The Companies would be obliged to reimburse the banks for losses, if any, if an equity-accounted investee defaults on a guaranteed loan.

2. Guarantees for Indebtedness of Third Parties

The Companies also provide guarantees for indebtedness of third parties. These guarantees are arranged mainly with suppliers and customers and mature through 2024. The Companies must pay if a guaranteed party defaults on a guaranteed indebtedness. Guarantees with third party guarantee aggregated to ¥4 million ($0 million) as of March 31, 2013. Some of these guarantees are also collateralized by borrower assets.

3. Guarantees for Indebtedness of 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 obliged 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 provides residual value guarantees to owners of transportation equipment leased by third parties under operating leases to compensate for the differential between fixed prices and actual disposal proceeds on dates specified in these contracts. These guarantees mature through 2022. 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 to the extent 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, 2013.

Management does not expect to incur losses on the above commitments and guarantees in excess of established allowances.

(3) Litigation and Others

On December 30, 2011, Minera San Cristobal S.A. (“MSC”), which is a consolidated subsidiary of the Company, in Plurinational State of Bolivia received a correction notice, relating to its withholding tax returns, from Bolivian Tax Authority. During 2013 MSC is in legal proceedings to dispute the resolution. The Company does not disclose the detail because it is to prejudice seriously the position of the entity in a dispute with other party on the subject matter of the contingent liability.

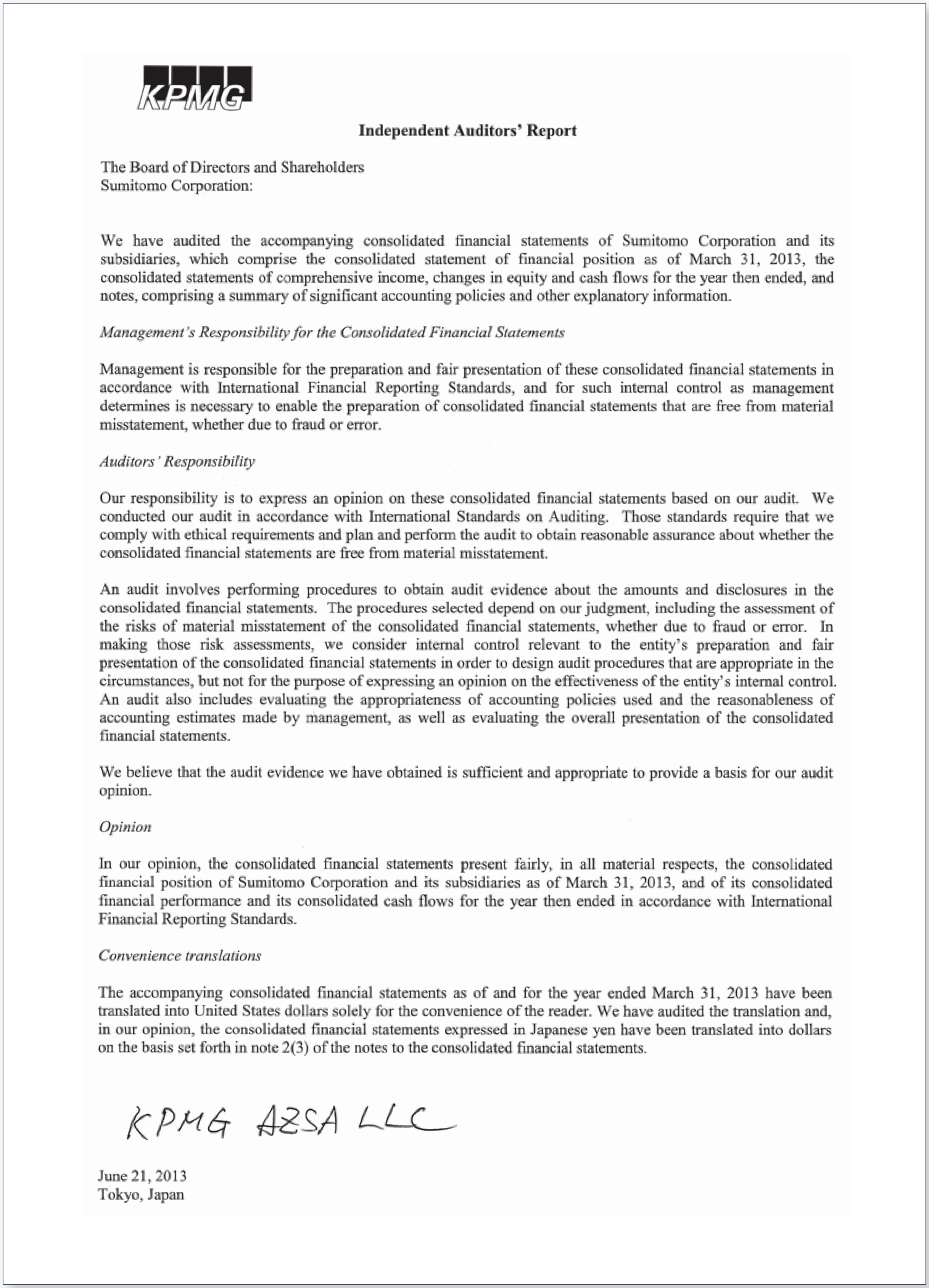
In addition to the above, the Companies are also involved in certain legal actions and claims incidental to its business. In the opinion of management, none of these actions or claims will have a material adverse effect on the financial position or results of operations of the Companies.

36. SUBSEQUENT EVENTS

There are no subsequent events to be disclosed as of June 21, 2013, the date the Annual Security Report was filed.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated financial statements were approved by Kuniharu Nakamura, CEO, and Hiroyuki Inohara, CFO, on June 21, 2013.



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, 2013, 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, 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience translations

The accompanying consolidated financial statements as of and for the year ended March 31, 2013 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 21, 2013
Tokyo, Japan

Reference Information [Risk factors]

Sumitomo Corporation and Subsidiaries

The factors described below may conceivably materially affect investors' decisions as risks relating to us. Unless otherwise specified, information concerning the future presented herein are forecasts based on our decisions, targets, certain premises or assumptions as of the last day (March 31, 2013) of the consolidated fiscal year and may differ materially from the actual results.

RISKS RELATED TO OUR BUSINESS

The risk of our revenues and profitability fluctuating from period to period unexpectedly

Our results of operations for any quarter, half year or year are not necessarily indicative of results to be expected in future periods. Our operating results have historically been, and we expect they will continue to be, subject to quarterly, half yearly and yearly fluctuations as a result of a number of factors, including:

- changes in prevailing economic and other conditions relating to our businesses;
- variations in costs, sales prices and volume of our products and services, and the mix of products and services we offer;
- changes in customer demand and/or our supply chains, which in turn will often depend upon market conditions for the relevant products, the success of our customers' or suppliers' businesses, industry trends, and other factors;
- changes in the level of performance of our strategic investments, which in turn will affect our gains and losses on sales of such investments or may result in the write-off or impairment of such investments;
- changes in our asset prices, including equity, real estate and other assets, which in turn will affect our gains and losses on sales of such assets or may result in the write-off or impairment of such assets;
- changes in the financial and commodity markets; and
- changes in the credit quality of our customers.

As such, you should not rely on comparisons of our historical results of operations as an indication of our future performance.

The risk that we may not be able to achieve the managerial targets set forth in our medium-term business plans

As part of our efforts to strengthen our position as a leading global business enterprise, we intend to increase our profitability and our earnings base and to improve our financial strength and the efficiency and effectiveness of our operations. As part of these continuing efforts, we set and implement a medium-term business plan every two years. In the medium-term business plan, we set certain quantitative and qualitative targets and undertake efforts to achieve such targets while monitoring the status of progress. The targets are set based on the gathering and analysis of information deemed appropriate at the time of such target-setting. However, since we may not be able to always gather all the necessary information, we may not be able to achieve the targets due to changes in the operating environment and other factors.

In our business plan, we use two key management measures that we call "risk-adjusted assets" and "risk-adjusted return ratio," which are targets set for each of our industry-based business units and for our company as a whole. These targets involve a certain statistical confidence level, estimates and assumptions. Since they are different from return on assets or any other measure of performance calculated based on the financial statements, they may not be useful to all investors in making investment decisions.

The risk that economic conditions may change adversely for our business

We undertake operations through our offices in over 60 countries, including Japan. Since we are engaged in business activities and other transactions in a broad range of industrial sectors in Japan and abroad, we are affected by not only general Japanese economic conditions but also the economic conditions of the relevant countries in which we operate and the world economy as a whole.

As a result of the financial crisis that occurred in many major economies, some countries in which we operate have experienced, or are currently experiencing, deflation, currency depreciation, and liquidity crises, and these conditions may continue or reoccur in the future.

Moreover, economic conditions in key countries for our operations have been adversely impacted by events such as the continued fear of future terrorist attacks and political instability.

These changes in economic conditions in key countries for our operations may adversely affect our results of operations and financial condition.

Risks associated with intense competition

The markets for many of the industries in which we are involved are intensely competitive. For many of our businesses, we are involved at all levels of the supply chain and compete with companies that are engaged in certain of the same businesses as we are, but that are more concentrated in individual business segments. We also compete with other integrated trading companies in Japan which often establish and pursue similar strategic business plans as ours. Our competitors may have stronger relationships and associations with our current or potential customers, suppliers, counterparties and business partners. Our competitors may also have greater financial, technical, marketing, distribution, information, human and other resources than we do and may be stronger in certain of the market segments in which we operate.

In this intensely competitive environment, our results of operations will be adversely affected if we are unable to:

- anticipate and meet market trends to timely satisfy our customers’ changing needs;
- maintain relationships with our customers and suppliers;
- maintain our global and regional network of associated companies and business partners;
- obtain financing to carry out our business plans on reasonable terms or at all; and
- adapt our cost structure to constantly changing market conditions so as to maintain our cost competitiveness.

Credit risk arising from customers and counterparties

Our business is exposed to credit risks as we extend credit to our customers in the forms of accounts receivable, advances, loans, guarantees and other instruments. Our customers include companies in which we hold equity interest. For such customers, we are exposed to both credit risk as well as investment risk. We also enter into various swaps and other derivative transactions primarily for hedging purposes and have counterparty risk in relation to such contracts. Our business, results of operations and financial conditions may be adversely affected if our customers or counterparties fail to meet their financial or contractual obligations to us.

We undertake efforts to manage credit risk by carrying out credit checks on customers based on our internal credit rating system, obtaining collateral or guarantees, and having a diversified customer base. We make allowances for doubtful receivables based on certain assumptions, estimates and assessments about the credit worthiness of our customers, the value of collateral we hold and other items.

However, such efforts may not be sufficient to avoid loss that may arise from credit risk. Furthermore, these assumptions, estimates and assessments might not be correct. In addition, if general economic conditions deteriorate, if other factors which were the basis for our assumptions, estimates and assessments change, or if we are adversely affected by other factors to an extent worse than anticipated, our actual losses could materially exceed our allowances.

Risks related to investment activities and our strategic business alliances

In connection with our corporate strategy and the development of our business opportunities, we have acquired or made investments in newly established or existing companies and intend to continue to do so in the future. We sometimes extend credit, through such as credit sales, loans, and guaranties, to the companies in which we invest. As our business investments sometimes require the commitment of substantial capital resources, in some instances, we may be required to contribute additional funds. We may not be able to achieve the benefits we expect from such investments. In addition, since a substantial portion of our business investments is illiquid, we may not be able to exit from such investments at the time or in the manner we would like.

We sometimes enter into partnerships, joint ventures or strategic business alliances with various third parties. In some cases, we cannot control the operations and assets of the companies in which we invest nor can we make major decisions in relation to such investments without the consent of other shareholders or participants, or cannot do the same at all. Our business could be adversely affected in such cases, or if we are unable to continue with one or more of our partnerships, joint ventures or strategic business alliances.

In order to mitigate these risks, we in principle invest only in projects that meet the specified hurdle rate at inception of investment. At the same time, as for large, important projects that could have a major impact on the entire company, the Corporate Group has a restraining function on business segments through the Loan and Investment Committee, which analyzes project risks from a specialist view point and assesses whether or not to proceed with them prior to the investment. Also, the Corporate Group is responsible for post-closing monitoring of the investment, which is a fundamental part of investment risk control, through tracking of results of investments comparison of business plans.

Fluctuations of interest rates, foreign currency exchange rates, and commodity prices

We rely on debt financing in the form of loans from financial institutions or the issuance of corporate bonds and commercial paper to finance our operations. We also often extend credit to our customers and suppliers in the form of loans, guarantees, advances and other financing means. For example, through several subsidiaries, we are engaged in motor vehicle financing and leasing businesses in Japan and other countries. Revenues and expenses and the fair price of our assets and liabilities arising from such business transactions, in some cases, are affected by interest rate fluctuations.

Foreign currency exchange rate fluctuations can affect the yen value of our investments denominated in foreign currencies as well as revenues and expenses and our foreign currency-denominated assets and liabilities arising from business transactions and investments denominated in foreign currencies. Exchange rate fluctuations can also affect the yen value of the foreign currency financial statements of our foreign subsidiaries. Although we attempt to reduce such interest rate fluctuations and foreign currency exchange risks, primarily by using various derivative instruments, we are not able to fully insulate ourselves from the effects of interest rate fluctuations and exchange rate fluctuations.

As a major participant in the global commodities markets, we trade in a variety of commodities, including mineral, metal, chemical, energy and agricultural products and invest in natural resource development projects. As such, we may be adversely affected by the fluctuations in the prices of the relevant commodities. Although we attempt to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing derivative instruments for hedging purposes, we are not able to fully insulate ourselves from the effects of commodity price movements.

Risks related to declines in real estate market or impairment loss on fixed assets, etc.

Our real estate business involves developing, renting and managing of and providing services to office buildings and commercial and residential properties in Japan and abroad. If the real estate market deteriorates, our results of operations and financial condition could be materially adversely affected.

Also, if land prices and rental values decline, we may be forced to write down the value of our properties as well as the value of land and buildings held for lease and land held for development. Not only real estate but also our property holdings are exposed to impairment risk. As such, our business, operating results and financial condition could be adversely affected.

Risks related to continued volatility of equity markets in Japan and elsewhere

A significant portion of our investments consists of marketable equity securities, particularly those of Japanese issuers. Our results of operation and financial conditions may be adversely affected if the Japanese equity market declines in the future because we would incur impairment losses for equity securities.

Risks regarding uncertainty about retirement benefit obligation

Declines in the Japanese and foreign stock market would reduce the value of our plan assets, and could necessitate additional funding of the plan by us. This could adversely affect our results of operations and financial condition.

Concentration of risk exposure in specific fields

Some parts of our operations and businesses are concentrated in a few particular markets, entities, and regions. As a result, if these operations and businesses do not perform as we expect or if the economic conditions in these markets and regions deteriorate unexpectedly, it could have a disproportionately negative effect on our businesses and results of operations. For example, we are involved in a large copper and gold mine project, a large power plant project, the automobile lease and finance business, liquefied natural gas projects and other business activities in Indonesia. As such, risk exposure is concentrated there.

Risks stemming from restrictions on access to liquidity and capital

We rely on debt financing in the form of loans from financial institutions or the issuance of corporate bonds and commercial paper etc. to finance our operations. If financial markets are in turmoil and financial institutions reduce their lendings to us and there is a significant downgrade of our credit ratings by one or more credit rating agencies, we may not be able to access funds when we need them on acceptable terms, our access to debt capital markets may become more restricted or the cost of financing our operations through indebtedness may increase. This could adversely affect our results of operations and financial condition.

Risks regarding laws and regulations

Our operations are subject to extensive laws and regulations covering a wide range of fields in Japan and many other countries. These laws and regulations govern, among other things, tariffs and other taxation, repatriation of profits, business and investment approvals, import and export activities (including restrictions based on national security interests), antitrust and competition, commercial activities, currency exchange, distributor protection, consumer protection and environmental protection. In some of the countries in which we operate, our operations may subject us to additional or future relevant laws and regulations. Also particularly in developing countries with relatively nascent legal systems, our burden of compliance may further increase due to factors such as the lack of laws and regulations, unexpected interpretations of existing laws and regulations and changing practices of regulatory, judicial and administrative bodies. Failure to comply with current or future laws and regulations could lead to penalties and fines against us and restrictions in our operations or damage to our reputation. If that occurs, our business, results of operations and financial condition could be materially adversely affected.

Risks related to legal actions, etc.

We are party to a number of legal actions and other disputes in Japan and abroad. In performing our business, lawsuits arising incidentally and claims that do not develop into lawsuits may be brought against us.

Due to the inherent uncertainty of litigation, it is not possible to predict the ultimate outcome of the actions in which we are involved at this time. There can be no assurance that we will prevail in any action or that we will not be materially adversely affected by such action in the future.

Risks regarding noncompliance by officers and employees with applicable laws and regulations and internal policies and regarding management of our information and communications systems

Due to our size, as well as the diversity and geographic breadth of our activities, our day-to-day operations are necessarily decentralized. The nature of our operations requires extensive internal controls and management oversight to ensure compliance by our employees with applicable laws and regulations and our internal policies. There can be no assurance that we will succeed in preventing misconduct by our employees through our internal control and compliance systems. Employee misconduct could have a material adverse effect on our results of operations, expose us to legal and financial risks and compromise our reputation.

We are dependent on the proper functioning of our information and communications systems to maintain our global operations. System malfunction may result in disruptions of our operations.

There is no assurance that our risk management systems will effectively minimize various types of risks in our operations to appropriate levels.

Our extensive and diverse businesses expose us to various types of risks. We conduct our business through industry-based business units and regional operations, domestic and overseas. At the same time, we are expanding our business activities into new areas. Accordingly, in addition to the risks and uncertainties that we face as a whole as an integrated trading company, each of our industry-based business units and regional operations may be subject to risks inherent in or relating to each industry, market and/or geographic focus.

Our existing risk management systems, which consist of various elements from risk measurement methodology and information system to internal rule and organization structure, may not work satisfactorily with respect to various risks. Furthermore, we may have no experience or only limited experience with the risks relating to our new business activities, products and services.

In such cases, our new business activities, products and services may require the introduction of more complex management systems and additional management resources, such as human resources.

Moreover, a shortage of management resources, such as human resources, may lead to a restriction of business operation.

Natural Disasters and other risks

Natural disasters, such as an earthquake, tsunami, heavy rain or flood, or infectious diseases, such as the new influenza occur in the region or the countries where we operate may adversely affect our operations and results. We have implemented measures such as developing disaster contingency manual, creating Business Continuity Plan (BCP), introducing a safety confirmation system of employees, reinforcing earthquake resistance, and conducting emergency drills. However, despite of these measures, there is no assurance that damage from disasters can be completely avoided.