Financial Section

Financial Section

Five-Year Financial Summary page 072
Management's Discussion and Analysis of Financial Condition and Results of Operations page 076
Consolidated Financial Statements and Notes page 090
Independent Auditors' Report page 161

Reference Information

Risk Factors page 162

Five-Year Financial Summary

For the years ended March 31

<IFRS>

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

1. Key Financial Indicators

	Billions of Yen				Millions of U.S. Dollars
	2012	2011	2010	2009	**2012**
Total assets	**¥7,226.8**	¥7,230.5	¥7,107.0	¥6,970.5	**$88,131**
Equity attributable to owners of the parent*[1]	**1,689.1**	1,570.5	1,533.3	1,285.5	**20,598**
Equity attributable to owners of the parent ratio (%)*[1]	**23.4**	21.7	21.6	18.4	**23.4**
Return on equity (%)	**15.4**	12.9	11.7	—	**15.4**
Return on assets (%)	**3.5**	2.8	2.3	—	**3.5**
Interest-bearing liabilities (gross)	**3,613.8**	3,767.4	3,611.6	3,715.0	**44,071**
Interest-bearing liabilities (net)	**2,786.7**	3,056.3	2,792.2	3,198.7	**33,984**
Debt-equity ratio (gross) (times)	**2.1**	2.4	2.4	2.9	**2.1**
Debt-equity ratio (net) (times)	**1.6**	1.9	1.8	2.5	**1.6**
Working capital	**1,317.3**	1,146.2	1,062.7	820.7	**16,065**

2. Consolidated Statements of Comprehensive Income

	Billions of Yen			Millions of U.S. Dollars
	2012	2011	2010	**2012**
Revenues:				
Sales of tangible products	**¥ 2,557.0**	¥ 2,525.5	¥ 2,326.1	**$ 31,183**
Sales of services and others	**704.0**	574.6	550.7	**8,585**
Total revenues	**3,261.0**	3,100.2	2,876.7	**39,768**
Cost:				
Cost of tangible products sold	**(2,066.9)**	(2,032.2)	(1,897.4)	**(25,206)**
Cost of services and others	**(275.3)**	(204.0)	(204.2)	**(3,357)**
Total cost	**(2,342.2)**	(2,236.2)	(2,101.7)	**(28,563)**
Gross profit	**918.8**	864.0	775.1	**11,205**
Other income (expenses):				
Selling, general and administrative expenses	**(686.4)**	(660.7)	(650.6)	**(8,371)**
Impairment losses on long-lived assets	**(13.3)**	(19.9)	(10.0)	**(163)**
Gain (loss) on sale of property, plant and equipment, net	**4.4**	2.2	9.4	**53**
Other, net	**(3.6)**	(2.2)	1.5	**(43)**
Total other income (expenses)	**(699.0)**	(680.5)	(649.7)	**(8,524)**
Operating profit	**219.9**	183.5	125.4	**2,681**
Finance income (costs):				
Interest income	**13.9**	13.9	15.8	**170**
Interest expense	**(29.0)**	(32.0)	(40.6)	**(353)**
Dividends	**11.2**	10.0	11.3	**137**
Gain (loss) on securities and other investments, net	**14.8**	9.5	35.7	**180**
Finance income (costs), net	**10.9**	1.4	22.2	**134**
Share of profit of investments accounted for using the equity method	**110.6**	95.6	74.4	**1,349**
Profit before tax	**341.4**	280.5	222.0	**4,164**
Income tax expense	**(77.7)**	(70.7)	(52.6)	**(948)**
Profit for the year	**263.7**	209.8	169.4	**3,216**
Profit for the year attributable to:				
Owners of the parent	**250.7**	200.2	165.4	**3,057**
Non-controlling interests	**13.0**	9.6	4.0	**159**
Other comprehensive income:				
Exchange differences on translating foreign operations	**(67.5)**	(87.7)	38.5	**(823)**
Available-for-sale securities	**—**	—	55.3	**—**
Financial assets measured at fair value through other comprehensive income	**(1.4)**	(39.5)	—	**(16)**
Cash-flow hedges	**2.0**	4.9	(1.7)	**24**
Actuarial gains (losses) on defined benefit pension plans	**(12.0)**	(13.9)	17.5	**(147)**
Share of other comprehensive income of investments accounted for using the equity method	**4.8**	(0.4)	7.0	**58**
Other comprehensive income, net of tax	**(74.1)**	(136.6)	116.6	**(904)**
Comprehensive income for the year	**¥ 189.6**	¥ 73.2	¥ 285.9	**$ 2,312**
Comprehensive income for the year attributable to:				
Owners of the parent	**180.0**	66.4	280.3	**2,196**
Non-controlling interests	**9.6**	6.8	5.6	**116**
Total trading transactions*[2]	**¥ 8,273.0**	¥ 8,349.4	¥ 7,757.4	**$100,891**

Note: The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥82 = U.S.$1, the approximate exchange rate on March 31, 2012.

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

*2 Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under IFRSs.

<U.S. GAAP>

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

1. Key Financial Indicators

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

2. Consolidated Statements of Income

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

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

*2 Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under accounting principles generally accepted in the United States of America ("U.S. GAAP").

3. Consolidated Statements of Comprehensive Income (Loss)

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

Note: For the fiscal year ended March 31, 2010, the Companies adopted ASC 810 "Consolidation" (formerly SFAS 160) and changed the certain presentation. The amounts for the years ended March 31, 2009 and 2008 are reclassified to conform to ASC 810.

<IFRS>
3. Consolidated Statements of Financial Position

	Billions of Yen				Millions of U.S. Dollars
	2012	2011	2010	2009	**2012**
ASSETS					
Current assets:					
Cash and cash equivalents	**¥ 821.9**	¥ 704.3	¥ 814.3	¥ 511.8	**$10,023**
Time deposits	**5.2**	6.8	5.1	4.5	**64**
Marketable securities	**20.5**	5.2	5.3	19.0	**250**
Trade and other receivables	**1,514.4**	1,511.4	1,512.7	1,622.6	**18,468**
Other financial assets	**48.2**	68.6	67.8	83.1	**588**
Inventories	**707.1**	698.8	670.2	832.2	**8,623**
Advance payments to suppliers	**217.7**	333.2	283.6	271.6	**2,655**
Other current assets	**155.3**	160.8	176.3	216.8	**1,894**
Total current assets	**3,490.3**	3,489.3	3,535.2	3,561.5	**42,565**
Non-current assets:					
Investments accounted for using the equity method	**1,246.7**	1,101.0	816.8	750.3	**15,203**
Other investments	**476.9**	446.3	522.0	449.6	**5,816**
Trade and other receivables	**645.7**	622.4	608.4	650.0	**7,875**
Other financial assets	**75.0**	53.5	53.7	62.6	**914**
Property, plant and equipment	**606.9**	813.4	838.3	808.4	**7,401**
Intangible assets	**331.6**	349.0	361.7	360.6	**4,044**
Investment property	**215.6**	237.7	244.3	220.0	**2,629**
Prepaid expenses	**36.1**	49.8	69.7	43.5	**440**
Deferred tax assets	**102.0**	68.1	56.9	64.0	**1,244**
Total non-current assets	**3,736.5**	3,741.2	3,571.8	3,409.0	**45,566**
Total assets	**¥7,226.8**	¥7,230.5	¥7,107.0	¥6,970.5	**$88,131**
LIABILITIES AND EQUITY					
Current liabilities:					
Bonds and borrowings	**¥ 632.3**	¥ 850.4	¥ 945.8	¥1,178.6	**$ 7,711**
Trade and other payables	**1,102.3**	1,026.2	1,045.8	971.5	**13,443**
Other financial liabilities	**54.6**	92.1	87.8	106.1	**666**
Income tax payables	**27.8**	33.5	30.6	27.9	**339**
Accrued expenses	**91.7**	88.2	86.4	81.9	**1,119**
Advances from customers	**181.0**	199.4	218.8	252.3	**2,207**
Provisions	**8.4**	5.9	3.9	4.2	**102**
Other current liabilities	**74.9**	47.2	53.4	118.4	**913**
Total current liabilities	**2,173.0**	2,343.1	2,472.5	2,740.8	**26,500**
Non-current liabilities:					
Bonds and borrowings	**2,981.5**	2,917.0	2,665.8	2,536.4	**36,360**
Trade and other payables	**108.7**	118.1	126.8	106.6	**1,326**
Other financial liabilities	**36.8**	34.0	52.4	67.1	**448**
Accrued pension and retirement benefits	**25.6**	18.8	20.1	21.3	**313**
Provisions	**22.8**	17.4	14.4	14.3	**278**
Deferred tax liabilities	**77.1**	100.1	117.8	96.6	**941**
Total non-current liabilities	**3,252.6**	3,205.3	2,997.3	2,842.2	**39,666**
Total liabilities	**5,425.6**	5,548.4	5,469.8	5,583.0	**66,166**
Equity:					
Common stock	**219.3**	219.3	219.3	219.3	**2,674**
Additional paid-in capital	**282.4**	288.9	289.1	291.8	**3,444**
Treasury stock	**(1.0)**	(1.1)	(1.1)	(1.1)	**(13)**
Other components of equity	**(63.0)**	(4.8)	109.9	12.0	**(768)**
Retained earnings	**1,251.4**	1,068.2	916.0	763.6	**15,261**
Equity attributable to owners of the parent	**1,689.1**	1,570.5	1,533.3	1,285.5	**20,598**
Non-controlling interests	**112.1**	111.6	104.0	101.9	**1,367**
Total equity	**1,801.2**	1,682.1	1,637.2	1,387.5	**21,965**
Total liabilities and equity	**¥7,226.8**	¥7,230.5	¥7,107.0	¥6,970.5	**$88,131**

<U.S. GAAP>

4. Consolidated Balance Sheets

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

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

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.

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, 2012. Accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance.

In April 2011 we launched our new medium-term (two-year) management plan for the fiscal years ended March 31, 2012 and 2013, called ƒ(x)*, and commenced initiatives aimed at achieving the objectives of this plan. Under ƒ(x) we are carrying on with the basic policies and measures adopted with a view to the next 10 years under our previous medium-term plan, FOCUS'10—whence the f—, executing—whence the x— business model innovation so as to meet the demands of the times on the basis of our Corporate Mission Statement, which identifies value creation as our corporate vision, and aiming to achieve growth together with all our partners across regional, generational, and organizational boundaries.

In order to achieve business model innovation with promptness, we are undertaking concerted action to implement four key actions:

(a) Make visible and share long-term ideal images on the front lines.

We will clarify short-term issues and strategies by starting discussions on long-term visions and will enhance the level, speed, and quality of execution by sharing growth strategies.

(b) Accelerate strategic resource management.

We will accelerate the strategic allocation of corporate resources to businesses with better prospects for growth and profitability. We will continue to reinforce soundness, including compliance, and efficiency as set forth under FOCUS'10.

(c) Enhance our integrated corporate strength on a global basis.

We will strengthen the foundations of our regional organizations and

reinforce business strategies on a global basis. We will also create new businesses by leveraging the strengths of our networks and partnerships established inside and outside the company.

(d) Strengthen human resources management on a company-wide level.

We will strengthen our recruitment and development of global talent and will conduct strategic placement of human resources on a company-wide level by pursuing human resources strategy in line with business strategy.

In quantitative terms, we are aiming to secure consolidated net income** of ¥220.0 billion in the fiscal year ended March 31, 2012 and ¥260.0 billion in the fiscal year ending March 31, 2013 and to achieve a risk-adjusted return of 15% or more in the fiscal year ending March 31, 2013. With consolidated net income of ¥250.7 billion in the fiscal year ended March 31, 2012, ƒ(x) is progressing smoothly.

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

** "Consolidated net income" presented above is equivalent to "profit attributable to owners of the parent" under the IFRS.

3. Economic Environment

During the period under review (fiscal 2011, i.e., April 1, 2011, through March 31, 2012), the global economy as a whole lost speed as a result of the increasing seriousness of the sovereign debt problem centering on Europe, accompanied by the emergence of effects from monetary tightening aimed at restraining inflation. On the international commodity markets, during the first half of the fiscal year, prices, particularly for precious metals like gold and silver, continued to trade in high ranges, but in the second half of the fiscal year, prices softened in the markets as slower growth in the global economy led to risk-aversion tendencies.

The Japanese economy, after temporarily dipping sharply after the Great East Japan Earthquake, picked up due to the recovery in production accompanying the restoration of supply chains. However, the employment picture continued to be bleak, and concerns about deflation persisted; under these conditions, in the second half of the fiscal year the ongoing appreciation of the yen and global economic slowdown contributed to a rise in uncertainty about prospects for the period to come.

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 aircraft; 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, 2012, sales of services and others accounted for 21.6% of our total revenues, but the gross profit from sales of services and others accounted for 46.7% of our gross profit.

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

Gain (Loss) on Sale of Property, Plant and Equipment, Net. As a result of strategic and aggressive replacement of our asset portfolio, we may at times recognize gains and losses on sales of some of our real estate assets.

Dividends. Dividends reflect dividends declared by companies in which we hold interests other than our consolidated subsidiaries or equity-accounted investees.

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 gains and losses arising from 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 a particular risk associated with recognized assets or liabilities or highly probable forecast transactions that 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, or (ii) from the provision of services and the other sales, from which revenue is recognized based on the delivery of services. Revenue recognition in these situations does not involve difficult, subjective or complex judgments or estimations.

Recognition of revenue using the percentage-of-completion method for certain long-term construction-type arrangements is based on the ratio that costs incurred bear to total estimated project costs and is dependent on our ability to estimate these costs reliably. The impact of revisions of profit estimates on fixed price contracts is recognized in the period in which the revisions are made; anticipated losses on fixed price contracts are charged to profit and loss when losses can be estimated; and provisions are made for contingencies in the period in which they become known and losses are estimable.

Revenue Presentation—Gross Versus Net

Acting as an intermediary in executing transactions with third parties is a distinctive role of an integrated trading company (sogo shosha). In recognizing revenue from transactions, we must determine whether we are acting as a “principal” in the transaction, and should report revenue on a gross basis based on the sales amount of the transaction, or acting as an “agent” in the transaction, and should recognize net fees or commissions earned. The evaluation of the relevant factors in making this determination is subject to significant subjective judgments. In certain situations, others might make a different determination. Similarly, if our risks and obligations in a certain type of transaction change, the determination of whether revenue should be recognized on a net or gross basis for that type of transaction may also change. Revenues related to a substantial portion of the trading transactions in all our business segments are recognized on a net basis. The amounts of gross profit and profit for the year attributable to owners of the parent are not affected by whether revenue is reported on a gross or net basis.

Factors that indicate that we are acting as a principal, and thus should recognize revenue on a gross basis include:

- the Companies have the primary responsibility for providing the goods or services to the customer or for fulfilling the orders;
- the Companies have inventory risk before or after the customer order, during shipping or 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 discounted future cash flow method, profitability and net assets of investees, and other valuation approaches.

Recoverability of Non-Financial Assets

We maintain significant non-financial assets in the operation of our global business. We review non-financial assets, such as real estate, aircraft and intangibles subject to amortization, for impairment whenever events or changes in circumstances suggest that the carrying amount of such assets may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining whether cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. We also review goodwill and other intangible assets with indefinite useful lives for impairment at least annually, or more often if events or circumstances, such as adverse changes in the business climate, indicate that there may be impairment. In turn, we estimate the recoverable amount at the impairment tests. 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 to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. We derive cash flow estimates from our historical experience and our internal business plans, and apply an appropriate rate. Changes in strategy or in market conditions could significantly affect these determinations.

Tax Asset Valuation

We 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, 2012 Compared to Fiscal Year Ended March 31, 2011

Total Revenues. Total revenues increased by ¥160.8 billion, or 5.2%, from ¥3,100.2 billion in the fiscal year ended March 31, 2011 to ¥3,261.0 billion in the fiscal year ended March 31, 2012. The increase was mainly due to making CSK Corporation ("CSK") a subsidiary.

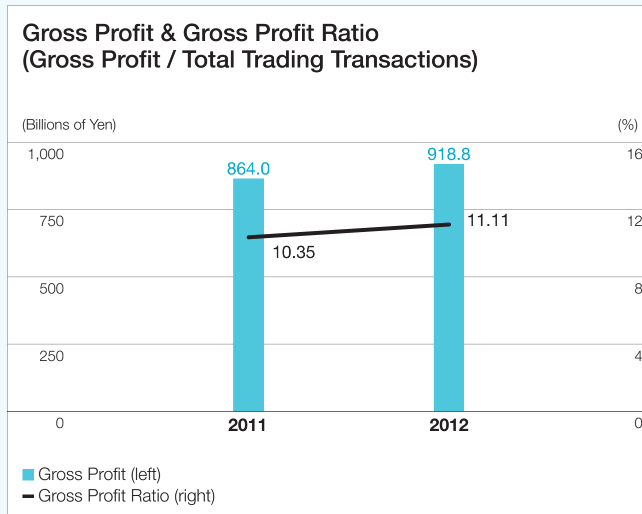
Gross Profit. Gross profit increased by ¥54.8 billion, or 6.3%, from ¥864.0 billion in the fiscal year ended March 31, 2011 to ¥918.8 billion in the fiscal year ended March 31, 2012. The increase was mainly due to strong performance in the San Cristobal silver-zinc-lead mining project in Bolivia and earnings increase in the IPP/IWPP businesses (Tanjung Jati B) in addition to making CSK a subsidiary.

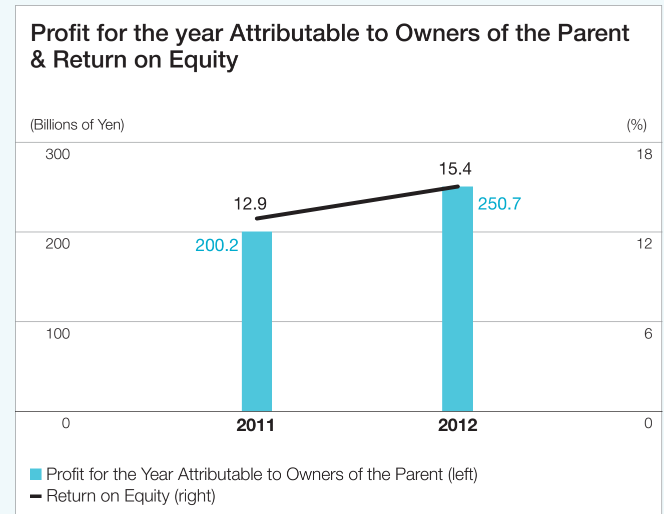
Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥25.7 billion, or 3.9%, from ¥660.7 billion in the fiscal year ended March 31, 2011 to ¥686.4 billion in the fiscal year ended March 31, 2012. The increase was mainly due to making CSK a subsidiary.

Share of profit of investments accounted for using the equity method. Share of profit of investments accounted for using the equity method increased by ¥15.0 billion, or 15.7%, from ¥95.6 billion in the fiscal year ended March 31, 2011 to ¥110.6 billion in the fiscal year ended March 31, 2012. The increase was mainly due to strong performance of the iron ore businesses.

Profit for the year attributable to owners of the parent. As a result of the factors discussed above, Profit for the year attributable to owners of the parent increased by ¥50.5 billion, or 25.2%, from ¥200.2 billion in the fiscal year ended March 31, 2011 to ¥250.7 billion in the fiscal year ended March 31, 2012.

Comprehensive income for the year attributable to owners of the parent. Comprehensive income for the year attributable to owners of the parent increased by ¥113.6 billion, or 171.1%, from ¥66.4 billion in the fiscal year ended March 31, 2011 to ¥180.0 billion in the fiscal year ended March 31, 2012. This was mainly due to the improvement of financial assets measured at fair value through other comprehensive income in addition to the increase in profit for the year attributable to owners of the parent.



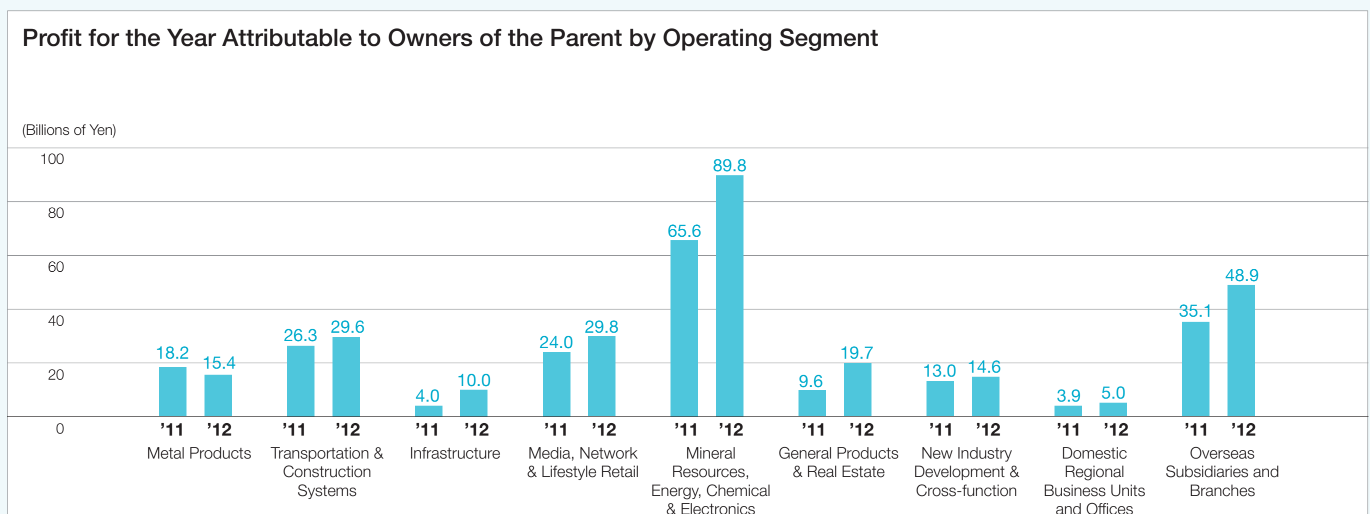


7. Operating Segment Analysis

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 segment for the fiscal years ended March 31, 2012 and 2011.

Breakdown of Gross Profit by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2012 and 2011	**2012**	2011	Increase/ decrease	Increase/ decrease	**2012**
Metal Products	**¥ 66.8**	¥ 66.1	¥ 0.7	1.1%	**$ 815**
Transportation & Construction Systems	**147.1**	145.7	1.4	1.0	**1,794**
Infrastructure	**31.2**	23.3	7.9	33.9	**381**
Media, Network & Lifestyle Retail	**221.1**	183.2	37.9	20.7	**2,696**
Mineral Resources, Energy, Chemical & Electronics	**112.8**	111.3	1.5	1.3	**1,376**
General Products & Real Estate	**100.2**	99.1	1.1	1.1	**1,221**
New Industry Development & Cross-function	**27.8**	30.4	(2.6)	(8.6)	**340**
Domestic Regional Business Units and Offices	**37.7**	38.8	(1.1)	(2.8)	**459**
Overseas Subsidiaries and Branches	**179.0**	176.4	2.6	1.5	**2,182**
Segment Total	**923.7**	874.3	49.4	5.7	**11,264**
Corporate and Eliminations	**(4.9)**	(10.3)	5.4	52.4	**(59)**
Consolidated	**¥918.8**	¥864.0	¥54.8	6.3%	**$11,205**

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, 2012 and 2011	**2012**	2011	Increase/ decrease	Increase/ decrease	**2012**
Metal Products	**¥ 15.4**	¥ 18.2	¥ (2.8)	(15.4)%	**$ 187**
Transportation & Construction Systems	**29.6**	26.3	3.3	12.5	**361**
Infrastructure	**10.0**	4.0	6.0	150.0	**122**
Media, Network & Lifestyle Retail	**29.8**	24.0	5.8	24.2	**364**
Mineral Resources, Energy, Chemical & Electronics	**89.8**	65.6	24.2	36.9	**1,095**
General Products & Real Estate	**19.7**	9.6	10.1	105.2	**240**
New Industry Development & Cross-function	**14.6**	13.0	1.6	12.3	**178**
Domestic Regional Business Units and Offices	**5.0**	3.9	1.1	28.2	**61**
Overseas Subsidiaries and Branches	**48.9**	35.1	13.8	39.3	**597**
Segment Total	**262.8**	199.7	63.1	31.6	**3,205**
Corporate and Eliminations	**(12.1)**	0.5	(12.6)	—	**(148)**
Consolidated	**¥250.7**	¥200.2	¥ 50.5	25.2%	**$3,057**

Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011

Metal Products

Gross profit increased by ¥0.7 billion, or 1.1%, from ¥66.1 billion in the fiscal year ended March 31, 2011 to ¥66.8 billion in the fiscal year ended March 31, 2012. Profit for the year attributable to owners of the parent decreased by ¥2.8 billion, or 15.4%, from ¥18.2 billion in the fiscal year ended March 31, 2011 to ¥15.4 billion in the fiscal year ended March 31, 2012. The decrease was mainly due to the earnings decrease in steel service center operations and recognition of temporary losses this year.

Transportation & Construction Systems

Gross profit increased by ¥1.4 billion, or 1.0%, from ¥145.7 billion in the fiscal year ended March 31, 2011 to ¥147.1 billion in the fiscal year ended March 31, 2012. Profit for the year attributable to owners of the parent increased by ¥3.3 billion, or 12.5%, from ¥26.3 billion in the fiscal year ended March 31, 2011 to ¥29.6 billion in the fiscal year ended March 31, 2012. The increase was mainly due to stable performance in the automobile and construction businesses.

Infrastructure

Gross profit increased by ¥7.9 billion, or 33.9%, from ¥23.3 billion in the fiscal year ended March 31, 2011 to ¥31.2 billion in the

fiscal year ended March 31, 2012. The increase was mainly due to the earnings increase in the IPP/IWPP businesses (Tanjung Jati B). Profit for the year attributable to owners of the parent increased by ¥6.0 billion, or 150.0%, from ¥4.0 billion in the fiscal year ended March 31, 2011 to ¥10.0 billion in the fiscal year ended March 31, 2012.

Media, Network & Lifestyle Retail

Gross profit increased by ¥37.9 billion, or 20.7%, from ¥183.2 billion in the fiscal year ended March 31, 2011 to ¥221.1 billion in the fiscal year ended March 31, 2012. The increase was mainly due to the stable performance of Jupiter Shop Channel Co., Ltd. in addition to making CSK a subsidiary. Profit for the year attributable to owners of the parent increased by ¥5.8 billion, or 24.2%, from ¥24.0 billion in the fiscal year ended March 31, 2011 to ¥29.8 billion in the fiscal year ended March 31, 2012. The increase was mainly due to the stable performance of Jupiter Telecommunications Co., Ltd. in addition to the increase of gross profit as stated above.

Mineral Resources, Energy, Chemical & Electronics

Gross profit increased by ¥1.5 billion, or 1.3%, from ¥111.3 billion in the fiscal year ended March 31, 2011 to ¥112.8 billion in the fiscal year ended March 31, 2012. Profit for the year attributable to owners of the parent increased by ¥24.2 billion, or 36.9%, from ¥65.6 billion in the fiscal year ended March 31, 2011 to ¥89.8 billion in the fiscal year ended March 31, 2012. The increase was mainly due to reversal of deferred tax liability resulted from business reorganization in addition to strong performance in the San Cristobal silver-zinc-lead mining project in Bolivia and iron ore mining businesses.

General Products & Real Estate

Gross profit increased by ¥1.1 billion, or 1.1%, from ¥99.1 billion in the fiscal year ended March 31, 2011 to ¥100.2 billion in the fiscal year ended March 31, 2012. Profit for the year attributable to owners of the parent increased by ¥10.1 billion, or 105.2%, from ¥9.6 billion in the fiscal year ended March 31, 2011 to ¥19.7 billion in the fiscal year ended March 31, 2012. The increase was mainly due to recognition of temporary losses in the previous year in addition to strong performance in the condo sales business.

New Industry Development & Cross-function

Gross profit decreased by ¥2.6 billion, or 8.6%, from ¥30.4 billion in the fiscal year ended March 31, 2011 to ¥27.8 billion in the fiscal year ended March 31, 2012. The decrease was mainly due to the earnings decrease in solar business. Profit for the year attributable to owners of the parent increased by ¥1.6 billion, or 12.3%, from ¥13.0 billion in the fiscal year ended March 31, 2011 to ¥14.6 billion in the fiscal year ended March 31, 2012. The increase was mainly due to the stable performance of Sumitomo Mitsui Finance and Leasing Co., Ltd. and valuation gain due to IPO of a company we invested in.

Domestic Regional Business Units and Offices

Gross profit decreased by ¥1.1 billion, or 2.8%, from ¥38.8 billion in the fiscal year ended March 31, 2011 to ¥37.7 billion in the fiscal year ended March 31, 2012. Profit for the year attributable to owners of the parent increased by ¥1.1 billion, or 28.2%, from ¥3.9 billion in the fiscal year ended March 31, 2011 to ¥5.0 billion in the fiscal year ended March 31, 2012. The increase was mainly due to stable performance in the metal products businesses.

Overseas Subsidiaries and Branches

Gross profit increased by ¥2.6 billion, or 1.5%, from ¥176.4 billion in the fiscal year ended March 31, 2011 to ¥179.0 billion in the fiscal year ended March 31, 2012. The increase was mainly due to stable performance in the metal products businesses. Profit for the year attributable to owners of the parent increased by ¥13.8 billion, or 39.3%, from ¥35.1 billion in the fiscal year ended March 31, 2011 to ¥48.9 billion in the fiscal year ended March 31, 2012. The increase was mainly due to recognition of temporary gains this year in addition to the increase in gross profit as stated above.

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, 2012, we had ¥3,613.8 billion of bonds and borrowings. Our short-term debt, excluding current maturities of long-term debt was ¥262.0 billion, a decrease of ¥58.0 billion from the previous year. Our short-term debt consisted of ¥163.4 billion of loans, principally from banks, and ¥98.6 billion of commercial paper.

As of March 31, 2012, we had bonds and long-term debt of ¥3,351.8 billion, a decrease of ¥95.6 billion from the previous year, including current maturities of ¥370.2 billion. As of March 31, 2012, the balance of our borrowings from banks and insurance companies was ¥2,903.7 billion, a decrease of ¥98.6 billion from the previous year, and the balance of notes and bonds was ¥448.1 billion, an increase of ¥3.0 billion from the previous year.

Most of our loans from banks contain covenant provisions customary in Japan. We do not believe those provisions materially limit our operating or financial flexibility. However, some credit agreements require us to obtain prior approval for any dividend payments or other distributions to shareholders. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Under some agreements, principally with government-owned financial institutions, we may be required to make early repayments of an outstanding amount if the lender concludes that we are able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and makes such 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, 2012, 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, 2012, 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:

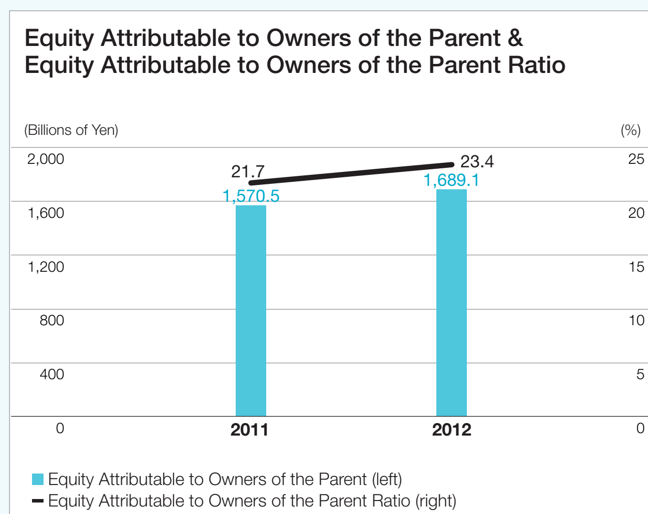
- ¥200 billion Japanese shelf registration for primary debt offerings; and
- ¥1.0 trillion commercial paper program in Japan;
- $1,500 million commercial paper program, established by our U.S. subsidiary, Sumitomo Corporation of America;
- U.S. $3,000 million Euro Medium Term Note program jointly established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

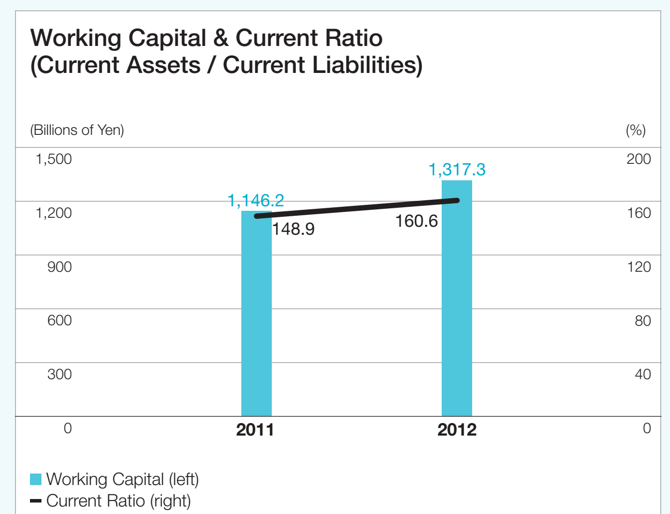
As of March 31, 2012, our total assets were ¥7,226.8 billion yen, decreased by ¥3.7 billion from March 31, 2011. There was decrease due to Sumitomo Mitsui Auto Services Company Limited becoming an associated company, while there was increase due to making CSK a subsidiary and cash and deposits increased.

As of March 31, 2012, our equity attributable to owners of the parent increased by ¥118.6 billion to ¥1,689.1 billion. Although exchange differences on translating foreign operations decreased due to yen appreciation, retained earnings increased. Our ratio of equity attributable to owners of the parent to total assets was 23.4%. Our interest-bearing liabilities (net) were ¥2,786.7 billion, a decrease of ¥269.6 billion. As a result, our net debt-to-equity ratio was 1.6 as of March 31, 2012.

Liquidity and Capital Resources

As of March 31, 2012 and 2011	Billions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Short-term	**¥ 262.0**	¥ 320.0	**$ 3,196**
Loans, principally from banks	**163.4**	178.7	**1,993**
Commercial paper	**98.6**	141.3	**1,203**
Long-term, including current maturities of long-term debt	**3,351.8**	3,447.4	**40,875**
Secured long-term debt			
Loans	**395.3**	368.0	**4,821**
Bonds	**26.7**	38.6	**325**
Unsecured long-term debt			
Loans	**2,508.4**	2,634.3	**30,590**
Bonds and notes	**421.4**	406.5	**5,139**
Interest-bearing liabilities (gross)	**3,613.8**	3,767.4	**44,071**
Cash and cash equivalents & time deposits	**827.2**	711.1	**10,087**
Interest-bearing liabilities (net)	**2,786.6**	3,056.3	**33,984**
Total assets	**7,226.8**	7,230.5	**88,131**
Equity attributable to owners of the parent	**1,689.1**	1,570.5	**20,598**
Equity attributable to owners of the parent ratio (%)	**23.4**	21.7	**23.4**
Debt-Equity Ratio (gross) (times)	**2.1**	2.4	
Debt-Equity Ratio (net) (times)	**1.6**	1.9	





The following table sets forth our cash flow information for the fiscal years ended March 31, 2012, and 2011:

Summary Statements of Consolidated Cash Flows

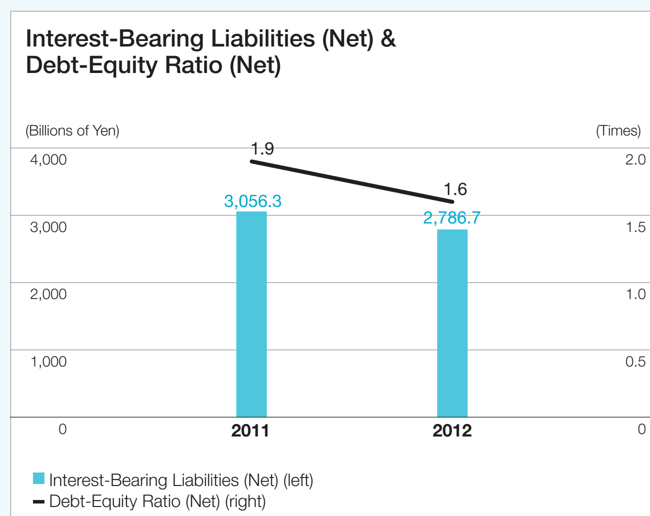
	Billions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2012 and 2011	**2012**	2011	**2012**
Net cash from operating activities	**¥190.4**	¥ 219.5	**$ 2,322**
Net cash used in investing activities	**(35.7)**	(469.4)	**(435)**
Free cash flow	**154.7**	(249.9)	**1,887**
Net cash from (used in) financing activities	**(33.3)**	155.9	**(406)**
Net (decrease) increase in cash and cash equivalents	**121.4**	(94.0)	**1,481**
Cash and cash equivalents at the beginning of year	**704.3**	814.3	**8,589**
Effect of exchange rate changes on cash and cash equivalents	**(3.8)**	(16.0)	**(47)**
Cash and cash equivalents at the end of year	**¥821.9**	¥ 704.3	**$10,023**

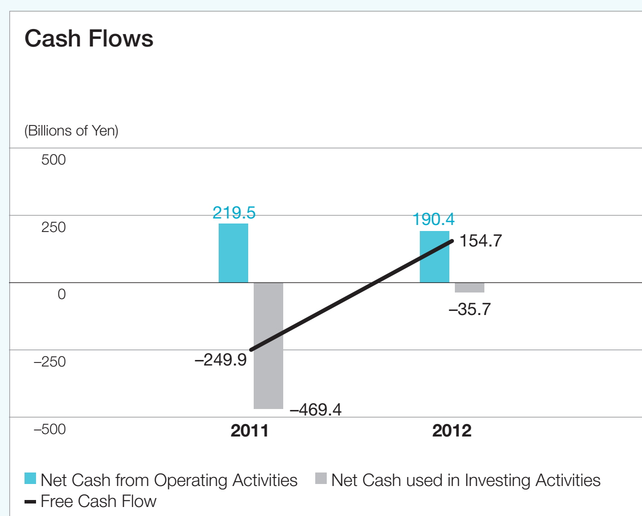
Net cash from operating activities was ¥190.4 billion for the fiscal year ended March 31, 2012 since our core business steadily generated cash.

Net cash used in investing activities was ¥35.7 billion for the fiscal year ended March 31, 2012. While we actively collected cash through asset sales, we made new investments including a copper mine development project in Chile.

As a result, free cash flow, calculated as net cash from operating activities plus net cash used in investing activities, was ¥154.7 billion cash in for the fiscal year ended March 31, 2012.

Net cash used in financing activities was ¥33.3 billion for the fiscal year ended March 31, 2012. As a result of the factors discussed above, cash and cash equivalents increased by ¥117.6 billion from the fiscal year ended March 31, 2011 to ¥821.9 billion.





As of March 31, 2012, 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	¥ 632.3	¥ 44.4
1–2 years	393.2	40.5
2–3 years	437.9	38.8
3–4 years	466.4	30.4
4–5 years	470.5	26.4
More than 5 years	1,213.5	216.3
Total	¥3,613.8	¥396.8

As of March 31, 2012, we had financing commitments in the aggregate amount of ¥76.9 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 ¥458.9 billion as of March 31, 2012. Scheduled deliveries are at various dates through 2025.

As of March 31, 2012, 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 ¥87.3 billion in property, plant and equipment and made ¥123.6 billion of other investments in the fiscal year ended March 31, 2012. 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, 2012, we were contingently liable for guarantees (continuing through 2037) in the aggregate amount of ¥198.5 billion, including ¥105.7 billion relating to our associated companies and ¥1.5 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 2015 in the aggregate amount of ¥7.4 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, 2012.

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 2012 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.

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

11. New 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, 2012, are as follows. The Companies are currently evaluating potential impacts that application of these will have on the consolidated financial statements.

IFRSs	Title	Reporting periods on or after which the applications are required	Reporting periods of the application by the Companies (The reporting period ended)	Summaries of new IFRSs and amendments
IFRS 7	Financial Instruments: Disclosures	July 1, 2011	March 31, 2013	Disclosures of transfer transactions of financial assets
		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*)
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*)
IFRS 13	Fair Value Measurements	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 12	Income Taxes	January 1, 2012	March 31, 2013	Exemption to the measurement principle relating to the deferred tax on investment properties measured at fair value
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 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
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

* 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, 2012, we had fair value exposure on our marketable equity securities in the aggregate amount of ¥284.1 billion.

Risk Management Structure

Any business department wishing to enter into a derivative transaction or any other type of transaction exposing us to market risk must obtain approval from the President or General Manager, depending on the magnitude of the transaction, before entering into the transaction. The President or General Manager, as the case may be, reviews requests with the assistance of staff members who have expertise in derivative contracts. The request must identify the counterparty, the applicable market and credit risks and state the objectives of the transaction, the trading limit, and the loss limit amount.

The Financial Resources Management Group provides the following with respect to the execution and monitoring of transactions:

- back office support services for financial and derivative commodity transactions, such as opening accounts, confirming the execution of contracts, processing settlement and delivery of funds, and maintaining accounting records for the transactions;
- confirmation of balances of each transaction position; and
- monitoring of the status of positions and analyzing and calculating the risks of related transactions on a company-wide basis, and issuing periodic reports to our senior management, including semi-annual reports to our Board of Directors.

Our subsidiaries are required to comply with the risk management structure described above when they execute commodity market transactions.

VaR (Value-at-Risk)

VaR is a statistical measure of the potential maximum loss in the fair value of a portfolio that may result from adverse market movements in underlying risk factors, which is calculated over a defined period and within a certain confidence level. We use the VaR method to measure the market risk for certain market-sensitive commodity transactions, including transactions associated with precious metals, non-ferrous metals, fuels, and agricultural products, and certain financial transactions. See "Notes to the Consolidated Financial Statements—25. Financial Instruments and Related Disclosures—(2) Financial Risk Management Policy—4. Commodity price risk management."

Consolidated Statement of Financial Position

Sumitomo Corporation and Subsidiaries
As of March 31, 2012 and 2011

	Millions of Yen		Millions of U.S. Dollars
ASSETS	**2012**	2011	**2012**
Current assets:			
Cash and cash equivalents	**¥ 821,915**	¥ 704,313	**$10,023**
Time deposits	**5,245**	6,829	**64**
Marketable securities (Note 6)	**20,474**	5,239	**250**
Trade and other receivables (Note 7)	**1,514,360**	1,511,442	**18,468**
Other financial assets	**48,239**	68,641	**588**
Inventories (Note 10)	**707,105**	698,810	**8,623**
Advance payments to suppliers	**217,697**	333,200	**2,655**
Other current assets (Notes 15 and 33)	**155,271**	160,832	**1,894**
Total current assets	**3,490,306**	3,489,306	**42,565**
Non-current assets:			
Investments accounted for using the equity method (Note 11)	**1,246,666**	1,100,966	**15,203**
Other investments (Note 6)	**476,910**	446,319	**5,816**
Trade and other receivables (Note 7)	**645,732**	622,414	**7,875**
Other financial assets	**74,965**	53,507	**914**
Property, plant and equipment (Note 12)	**606,855**	813,435	**7,401**
Intangible assets (Note 13)	**331,618**	348,993	**4,044**
Investment property (Note 14)	**215,563**	237,668	**2,629**
Prepaid expenses	**36,131**	49,807	**440**
Deferred tax assets (Note 15)	**102,023**	68,087	**1,244**
Total non-current assets	**3,736,463**	3,741,196	**45,566**
Total assets (Note 4)	**¥7,226,769**	¥7,230,502	**$88,131**

LIABILITIES AND EQUITY	Millions of Yen 2012	Millions of Yen 2011	Millions of U.S. Dollars 2012
Current liabilities:			
Bonds and borrowings (Note 16)	**¥ 632,267**	¥ 850,435	**$ 7,711**
Trade and other payables (Note 17)	**1,102,326**	1,026,160	**13,443**
Other financial liabilities	**54,636**	92,136	**666**
Income tax payables	**27,773**	33,528	**339**
Accrued expenses	**91,726**	88,222	**1,119**
Advances from customers	**181,001**	199,437	**2,207**
Provisions (Note 18)	**8,376**	5,925	**102**
Other current liabilities (Note 33)	**74,865**	47,233	**913**
Total current liabilities	**2,172,970**	2,343,076	**26,500**
Non-current liabilities:			
Bonds and borrowings (Note 16)	**2,981,548**	2,916,963	**36,360**
Trade and other payables (Note 17)	**108,701**	118,073	**1,326**
Other financial liabilities	**36,785**	33,998	**448**
Accrued pension and retirement benefits (Note 19)	**25,635**	18,811	**313**
Provisions (Note 18)	**22,797**	17,374	**278**
Deferred tax liabilities (Note 15)	**77,145**	100,117	**941**
Total non-current liabilities	**3,252,611**	3,205,336	**39,666**
Total liabilities	**5,425,581**	5,548,412	**66,166**
Equity:			
Common stock (Note 20)	**219,279**	219,279	**2,674**
Additional paid-in capital (Note 21)	**282,407**	288,868	**3,444**
Treasury stock	**(1,034)**	(1,053)	**(13)**
Other components of equity (Note 22)	**(63,007)**	(4,819)	**(768)**
Retained earnings (Note 21)	**1,251,411**	1,068,193	**15,261**
Equity attributable to owners of the parent	**1,689,056**	1,570,468	**20,598**
Non-controlling interests	**112,132**	111,622	**1,367**
Total equity	**1,801,188**	1,682,090	**21,965**
Total liabilities and equity	**¥7,226,769**	¥7,230,502	**$88,131**

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Revenues:			
Sales of tangible products	**¥ 2,557,022**	¥ 2,525,543	**$ 31,183**
Sales of services and others	**703,973**	574,642	**8,585**
Total revenues (Notes 4,14 and 28)	**3,260,995**	3,100,185	**39,768**
Cost:			
Cost of tangible products sold	**(2,066,901)**	(2,032,208)	**(25,206)**
Cost of services and others	**(275,269)**	(203,983)	**(3,357)**
Total cost (Notes 8,14,19 and 28)	**(2,342,170)**	(2,236,191)	**(28,563)**
Gross profit (Note 4)	**918,825**	863,994	**11,205**
Other income (expenses):			
Selling, general and administrative expenses (Note 27)	**(686,404)**	(660,690)	**(8,371)**
Impairment losses on long-lived assets (Notes 12,13 and 14)	**(13,342)**	(19,889)	**(163)**
Gain (loss) on sale of property, plant and equipment, net	**4,360**	2,248	**53**
Other, net	**(3,582)**	(2,178)	**(43)**
Total other income (expenses)	**(698,968)**	(680,509)	**(8,524)**
Operating profit	**219,857**	183,485	**2,681**
Finance income (costs)*[1]:			
Interest income	**13,900**	13,919	**170**
Interest expense	**(28,956)**	(32,009)	**(353)**
Dividends	**11,194**	10,011	**137**
Gain (loss) on securities and other investments, net*[2]	**14,764**	9,477	**180**
Finance income (costs), net (Note 28)	**10,902**	1,398	**134**
Share of profit of investments accounted for using the equity method (Note 11)	**110,628**	95,580	**1,349**
Profit before tax	**341,387**	280,463	**4,164**
Income tax expense (Note 29)	**(77,715)**	(70,671)	**(948)**
Profit for the year	**263,672**	209,792	**3,216**
Profit for the year attributable to:			
Owners of the parent (Note 4)	**¥ 250,669**	¥ 200,222	**$ 3,057**
Non-controlling interests	**13,003**	9,570	**159**
Other comprehensive income:			
Exchange differences on translating foreign operations	**(67,465)**	(87,677)	**(823)**
Financial assets measured at fair value through other comprehensive income	**(1,352)**	(39,465)	**(16)**
Cash-flow hedges	**2,005**	4,901	**24**
Actuarial gains (losses) on defined benefit pension plans	**(12,045)**	(13,926)	**(147)**
Share of other comprehensive income of investments accounted for using the equity method	**4,782**	(412)	**58**
Other comprehensive income, net of tax (Note 22)	**(74,075)**	(136,579)	**(904)**
Comprehensive income for the year	**189,597**	73,213	**2,312**
Comprehensive income for the year attributable to:			
Owners of the parent	**¥ 180,033**	¥ 66,388	**$ 2,196**
Non-controlling interests	**9,564**	6,825	**116**

	Yen		U.S. Dollars
Earnings per share (attributable to owners of the parent) (Note 30)**:**			
Basic	**¥ 200.52**	¥ 160.17	**$ 2.45**
Diluted	**200.39**	160.09	**2.44**

	Millions of Yen		Millions of U.S. Dollars
Total trading transactions*[3]	**¥8,273,043**	¥ 8,349,371	**$100,891**

*1 For comparison purposes, "Finance income" and "Finance costs," which were previously presented separately, are categorized and presented as "Finance income (costs)."
*2 For comparison purposes, "Gain (loss) on revaluation of securities and other investments, net" and "Gain (loss) on sale of securities and other investments, net," which were previously presented separately, are presented net as "Gain (loss) on securities and other investments, net."
*3 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, 2012 and 2011

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Equity (Note 20):			
Common stock:			
Balance, beginning of year	**¥ 219,279**	¥ 219,279	**$ 2,674**
Balance, end of year	**219,279**	219,279	**2,674**
Additional paid-in capital (Note 21):			
Balance, beginning of year	**288,868**	289,117	**3,523**
Acquisition (disposal) of non-controlling interests	**(5,426)**	(519)	**(66)**
Equity transaction recognized at equity-accounted investees	**(1,185)**	—	**(15)**
Grant of stock options and others (Note 24)	**150**	270	**2**
Balance, end of year	**282,407**	288,868	**3,444**
Treasury stock:			
Balance, beginning of year	**(1,053)**	(1,083)	**(13)**
Exercise of stock options and others (Note 24)	**19**	30	**0**
Balance, end of year	**(1,034)**	(1,053)	**(13)**
Other components of equity (Note 22):			
Balance, beginning of year	**(4,819)**	109,929	**(59)**
Cumulative effect of applying a new accounting policy	**—**	8,254	**—**
Other comprehensive income for the year	**(70,636)**	(133,834)	**(861)**
Transfer to retained earnings	**12,448**	10,832	**152**
Balance, end of year	**(63,007)**	(4,819)	**(768)**
Retained earnings (Note 21):			
Balance, beginning of year	**1,068,193**	916,013	**13,027**
Cumulative effect of applying a new accounting policy	**—**	1,542	**—**
Transfer from other components of equity	**(12,448)**	(10,832)	**(152)**
Profit for the year attributable to owners of the parent	**250,669**	200,222	**3,057**
Cash dividends (Note 23)	**(55,003)**	(38,752)	**(671)**
Balance, end of year	**1,251,411**	1,068,193	**15,261**
Equity attributable to owners of the parent	**¥1,689,056**	¥1,570,468	**$20,598**
Non-controlling interests:			
Balance, beginning of year	**111,622**	103,967	**1,361**
Cash dividends to non-controlling interests	**(6,287)**	(3,505)	**(76)**
Acquisition (disposal) of non-controlling interests and others	**(2,767)**	4,335	**(34)**
Profit for the year attributable to non-controlling interests	**13,003**	9,570	**159**
Other comprehensive income for the year (Note 22)	**(3,439)**	(2,745)	**(43)**
Balance, end of year	**112,132**	111,622	**1,367**
Total equity	**¥1,801,188**	¥1,682,090	**$21,965**
Comprehensive income for the year attributable to:			
Owners of the parent	**180,033**	66,388	**2,196**
Non-controlling interests	**9,564**	6,825	**116**
Total comprehensive income for the year	**¥ 189,597**	¥ 73,213	**$ 2,312**

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2012 and 2011

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Operating activities (Note 31):			
Profit for the year	**¥ 263,672**	¥ 209,792	**$ 3,216**
Adjustments to reconcile profit for the year to net cash from operating activities:			
Depreciation and amortization	**155,126**	160,553	**1,892**
Impairment losses on long-lived assets	**13,342**	19,889	**163**
Finance (income) costs, net	**(10,902)**	(1,398)	**(134)**
Share of profit of investments accounted for using the equity method	**(110,628)**	(95,580)	**(1,349)**
(Gain) loss on sale of property, plant and equipment, net	**(4,360)**	(2,248)	**(53)**
Income tax expense	**77,715**	70,671	**948**
Increase in inventories	**(32,637)**	(72,141)	**(398)**
Increase in trade and other receivables	**(81,534)**	(46,618)	**(994)**
Increase in prepaid expenses	**(3,523)**	(10,747)	**(43)**
Decrease in trade and other payables	**(5,814)**	(2,670)	**(71)**
Other, net	**(13,790)**	23,736	**(168)**
Interest received	**13,581**	13,668	**165**
Dividends received	**47,342**	70,349	**577**
Interest paid	**(30,776)**	(31,448)	**(375)**
Income tax paid	**(86,397)**	(86,306)	**(1,054)**
Net cash from operating activities	**190,417**	219,502	**2,322**
Investing activities (Note 31):			
Proceeds from sale of property, plant and equipment	**19,156**	6,386	**233**
Proceeds from sale of investment property	**24,245**	2,975	**296**
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	**53,450**	3,772	**652**
Proceeds from sale of other investments	**67,460**	49,048	**823**
Collection of loan receivables	**342,890**	331,576	**4,182**
Purchase of property, plant and equipment	**(87,340)**	(74,413)	**(1,065)**
Purchase of investment property	**(6,014)**	(8,556)	**(73)**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**28,397**	(14,762)	**346**
Acquisition of other investments	**(123,629)**	(315,854)	**(1,508)**
Increase in loan receivables	**(354,311)**	(449,550)	**(4,321)**
Net cash used in investing activities	**(35,696)**	(469,378)	**(435)**
Financing activities (Note 31):			
Net increase (decrease) in short-term debt	**72,110**	(110,961)	**880**
Proceeds from issuance of long-term debt	**585,292**	849,512	**7,137**
Repayment of long-term debt	**(633,060)**	(539,716)	**(7,720)**
Cash dividends paid	**(55,003)**	(38,752)	**(671)**
Capital contribution from non-controlling interests	**848**	250	**10**
Proceeds from sale of subsidiary's interests to non-controlling interests	**4,281**	—	**52**
Payment for acquisition of subsidiary's interests from non-controlling interests	**(1,473)**	(979)	**(18)**
Payment of dividends to non-controlling interests	**(6,287)**	(3,505)	**(76)**
Sales of treasury stock, net	**19**	30	**0**
Net cash (used in) from financing activities	**(33,273)**	155,879	**(406)**
Net increase (decrease) in cash and cash equivalents	**121,448**	(93,997)	**1,481**
Cash and cash equivalents at the beginning of year	**704,313**	814,288	**8,589**
Effect of exchange rate changes on cash and cash equivalents	**(3,846)**	(15,978)	**(47)**
Cash and cash equivalents at the end of year	**¥ 821,915**	¥ 704,313	**$10,023**

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, 2012 and 2011

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, 2012 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 biotechnology to communications; developing natural resources; manufacturing and processing products such as steel products and textiles; developing and managing real estate; and operating retail stores.

2. Basis of Preparation

(1) 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; and
- inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell.

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency. All financial information presented in Japanese yen has been rounded to the nearest million. The translation of Japanese yen amounts into United States dollars for the year ended March 31, 2012 is included solely for the convenience of readers and has been made at the rate of ¥82=U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2012. 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 25 and 28—Financial Instruments

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

- Notes 12,13 and 14—Impairment of Non-financial Assets
- Note 15—Use of Tax Losses
- Note 19—Measurement of Defined Benefit Obligations
- Notes 18 and 34—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, 2012. 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. The difference between the end of the reporting period of subsidiaries and that of the Company does not exceed three months.

One of the major subsidiaries for which the fiscal year end is different is Minera San Cristobal S.A. (“MSC”), which operates a silver, zinc, and lead mining project in Bolivia. Local laws and regulations do not allow MSC to change its fiscal year end. Furthermore, it is impracticable to prepare additional financial statements at the end of the Company’s reporting period because the mining site that manages cost accounting and inventory control is located far from MSC’s head office and appropriate cost accounting based on the information from the mining site cannot be completed in a timely manner. The end of the reporting period of MSC included in the consolidated financial statements is the end of December.

For some other subsidiaries, due to the requirement of local laws and regulations, it is impracticable to unify the closing dates with that of the Company. 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 end of the reporting period of these subsidiaries is mainly the end of December or February.

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

(2) Foreign Currencies

1. Foreign currency transactions

Foreign currency transactions are translated into functional currencies of individual companies using the spot exchange rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into functional currencies using the spot exchange rate at the reporting date. Exchange differences on monetary items are the differences between the amortized costs denominated in functional currencies at 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, 2012 and 2011 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, 2012 and 2011 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 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, vessels, and aircrafts, 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, vessels, and aircrafts

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 automobiles leased to consumers, vessels leased to shipping companies, aircraft leased to airlines (Transportation & Construction Systems business unit segment and New Industry Development & Cross-function business unit segment), and rental of commercial real estate (General Products & Real Estate business unit segment).

(c) Other service arrangements to suppliers and customers such as arranging finance and coordinating logistics in connection with trading activities

Revenue from other service arrangements includes transactions in which the Companies act between customer and supplier as an agent or broker to provide such services as arranging finance or coordinating logistics in connection with trading activities. Such revenue is recognized when the contracted services are rendered.

3. Multiple-element arrangements

The Companies enter into multiple-element transactions related revenue arrangements, which may include any combination of products, equipment, software, installation services and/or financing.

A multiple-element arrangement is separated into more than one unit of accounting if all of the following criteria are met:

- the delivered element(s) has (have) 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, gain 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, loss 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 Chief Executive Officer of the Companies in order to determine the allocation of resources to the segment and assess its performance.

(20) New Standards and Interpretations Not Yet Applied

The new standards, interpretations, and amendments that have been issued as of the date of the approval for the consolidated financial statements which the Companies have not yet applied as of March 31, 2012, are as follows. The Companies are currently evaluating potential impacts that application of these will have on the consolidated financial statements.

IFRSs	Title	Reporting periods on or after which the applications are required	Reporting periods of the application by the Companies (The reporting period ending)	Summaries of new IFRSs and amendments
IFRS 7	Financial Instruments: Disclosures	July 1, 2011	March 31, 2013	Disclosures of transfer transactions of financial assets
		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*)
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*)
IFRS 13	Fair Value Measurements	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 12	Income Taxes	January 1, 2012	March 31, 2013	Exemption to the measurement principle relating to the deferred tax on investment properties measured at fair value
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 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
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

* 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 needs precisely. This segment consists of three Iron & Steel Divisions, the Tubular Products Division and the Non-Ferrous Products & Metals Division.

Transportation & Construction Systems—The Transportation & Construction Systems Business Unit segment engages in global transactions involving ships, aircrafts, transportation systems, motor vehicles, construction equipment and related components and parts. Activities of this segment range from trading, leasing and financing to designing and arranging the construction of public transportation systems. This segment consists of the Ship, Aerospace & Transportation Systems Division, two Automotive Divisions, and the Construction & Mining Systems Division.

Infrastructure—The Infrastructure Business Unit segment engages in a wide range of large-scale infrastructure development projects relating to, power generation, telecommunications facilities, water and sewage facilities. This segment also engages in constructing, investing and financing of infrastructure projects overseas and in supplying manufacturing equipment and systems, and electric power projects for various domestic industries. This segment also engages in trading and investing in businesses of telecommunications facilities, renewable energy such as wind power generation. This segment consists of the Telecommunication, Environment & Industrial Infrastructure Business Division and the 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 business, cell-phone related business and internet various related businesses. This segment also engages in retail businesses such as supermarket, drugstore, various mail order business and fashion business. With these businesses, this segment focuses on enhancing the value of each business, as well as to expand synergy amongst them. This segment consists of the Media Division, the Network Division and the Lifestyle & Retail Business Division.

Mineral Resources, Energy, Chemical & Electronics—The Mineral Resources, Energy, Chemical & Electronics Business Unit segment engages in the development and trading of mineral and energy resources including coal, iron ore, manganese, uranium, non-ferrous metals, precious metals, petroleum, natural gas and liquefied natural gas (LNG). This segment also trades petroleum products, liquefied petroleum gas (LPG), storage batteries, carbon products, plastics, organic and inorganic chemicals, silicon wafers, LEDs, pharmaceuticals, agricultural chemicals, household insecticide and pet supplies and is also involved and invests in those businesses. This segment also operates electronics manufacturing services (EMS) mainly in Asia. This segment consists of 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 segment for the years ended March 31, 2012 and 2011 is summarized as follows:

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**

2011	Millions of Yen			
Segment	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 494,984	¥ 66,128	¥ 18,200	¥ 635,120
Transportation & Construction Systems	581,970	145,663	26,315	1,310,925
Infrastructure	127,228	23,321	4,015	544,853
Media, Network & Lifestyle Retail	529,347	183,158	23,968	777,720
Mineral Resources, Energy, Chemical & Electronics	290,663	111,336	65,610	1,150,384
General Products & Real Estate	331,581	99,131	9,620	696,464
New Industry Development & Cross-function	59,806	30,407	13,013	597,304
Domestic Regional Business Units and Offices	66,337	38,751	3,912	354,519
Overseas Subsidiaries and Branches	636,441	176,399	35,027	1,155,500
Total	3,118,357	874,294	199,680	7,222,789
Corporate and Eliminations	(18,172)	(10,300)	542	7,713
Consolidated	¥3,100,185	¥863,994	¥200,222	¥7,230,502

2012	Millions of U.S. Dollars			
Segment	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	**$ 5,515**	**$ 815**	**$ 187**	**$ 7,786**
Transportation & Construction Systems	**7,508**	**1,794**	**361**	**10,986**
Infrastructure	**1,144**	**381**	**122**	**6,867**
Media, Network & Lifestyle Retail	**8,232**	**2,696**	**364**	**12,580**
Mineral Resources, Energy, Chemical & Electronics	**3,452**	**1,376**	**1,095**	**14,284**
General Products & Real Estate	**4,177**	**1,221**	**240**	**9,410**
New Industry Development & Cross-function	**492**	**340**	**178**	**6,703**
Domestic Regional Business Units and Offices	**845**	**459**	**61**	**5,117**
Overseas Subsidiaries and Branches	**8,637**	**2,182**	**597**	**14,048**
Total	**40,002**	**11,264**	**3,205**	**87,781**
Corporate and Eliminations	**(234)**	**(59)**	**(148)**	**350**
Consolidated	**$39,768**	**$11,205**	**$3,057**	**$88,131**

Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained by corporate headquarters that is not relate to operating segment.

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.

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

(2) Geographic Information

The Companies' revenue by geographical areas for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Japan	**¥1,714,583**	¥1,736,904	**$20,910**
Asia	**246,205**	248,871	**3,002**
North America:			
U.S.	**634,569**	606,767	**7,739**
Others	**144,427**	116,634	**1,761**
Europe	**300,137**	257,117	**3,660**
Others	**221,074**	133,892	**2,696**
Total	**¥3,260,995**	¥3,100,185	**$39,768**

The carrying amount of non-current assets, excluding Financial assets and Deferred tax assets, by geographical areas as of March 31, 2012 and 2011 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Japan	**¥ 683,409**	¥ 910,137	**$ 8,334**
Asia	**45,566**	48,126	**556**
North America:			
U.S.	**179,037**	205,893	**2,183**
Others	**16,487**	15,466	**201**
Europe	**134,279**	139,430	**1,638**
Others	**131,389**	130,851	**1,602**
Total	**¥1,190,167**	¥1,449,903	**$14,514**

Breakdown by products and services are not available.

5. Acquisition of Subsidiaries

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	Millions of U.S. Dollars
Fair value of the consideration transferred	**¥ 19,698**	**$ 240**
Fair value of the previously held equity interest	**15,064**	**184**
Total	**34,762**	**424**
Cash and cash equivalents	**51,672**	**630**
Trade and other receivables	**29,585**	**361**
Other current assets	**22,036**	**269**
Property, plant and equipment	**18,638**	**227**
Intangible assets	**26,915**	**328**
Other non-current assets	**89,581**	**1,093**
Current liabilities	**(123,570)**	**(1,507)**
Non-current liabilities	**(90,841)**	**(1,108)**
Net assets	**24,016**	**293**
Non-controlling interests	**(9,446)**	**(115)**
Goodwill	**20,192**	**246**
Total	**¥ 34,762**	**$ 424**

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

The acquisition-related costs of ¥398 million ($5 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 ($48 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 ($83 million), ¥2,666 million ($33 million) and ¥224 ($3 million), respectively.

For the year ended March 31, 2011

During the year ended March 31, 2011, the Companies made material business acquisitions with an aggregate purchase price of ¥15,235 million, which was paid fully in cash, including Oil Country Tubular Goods ("OCTG") premium threading/trading business in South East Asia, grain storage and handling business in Australia, tire business in the Americas, and other businesses.

In connection with these business combinations, ¥38,572 million, ¥15,370 million and ¥3,369 million were recognized as assets acquired, liabilities assumed, and non-controlling interests on a fair value basis, respectively. ¥6,964 million and ¥6,280 million included in the figures above were recognized in other intangible assets and goodwill, respectively. The intangible assets subject to amortization consist primarily of customer relationships.

The goodwill arising from business combinations during the year ended March 31, 2011 consists primarily of future economic benefits and synergies with existing operations.

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
	2012	2011	**2012**
Marketable securities:			
FVTPL	**¥ 14,904**	¥ 5,239	**$ 182**
Amortised cost	**5,570**	—	**68**
Total	**20,474**	5,239	**250**
Other investments:			
FVTPL	**57,313**	26,542	**699**
FVTOCI	**413,777**	411,450	**5,046**
Amortised cost	**5,820**	8,327	**71**
Total	**¥476,910**	¥446,319	**$5,816**

The fair values of "Marketable securities" and "Other investments" measured at amortized cost as of March 31, 2012 and 2011 are ¥11,439 million ($140 million) and ¥8,452 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, 2012 and 2011 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2012		2011		**2012**	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	**¥284,091**	**¥ 4,646**	**¥285,839**	**¥5,722**	**$3,465**	**$ 57**
Unlisted	**129,686**	**5,699**	**125,611**	**3,215**	**1,581**	**69**
Total	**¥413,777**	**¥10,345**	**¥411,450**	**¥8,937**	**$5,046**	**$126**

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

	Millions of Yen	Millions of U.S. Dollars
	2012	**2012**
Sumitomo Metal Industries, Ltd.	**¥76,540**	**$933**
SMFG PREFERRED CAPITAL JPY 2 LIMITED–preferred equity investment	**21,502**	**262**
Sumitomo Mitsui Trust Holdings, Inc.–preferred stock	**16,122**	**197**
TOYOTA MOTOR CORPORATION	**11,965**	**146**
YAMAZAKI BAKING CO., LTD.	**11,095**	**135**
Sumitomo Rubber Industries, Ltd.	**10,561**	**129**
Sumitomo Realty & Development Co., LTD.	**10,308**	**126**
Asahi Group Holdings, Ltd.	**9,004**	**110**
MS&AD Insurance Group Holdings, Inc.	**8,690**	**106**
ISUZU MOTORS LIMITED	**8,282**	**101**
Sumitomo Metal Mining Co., Ltd.	**8,141**	**99**
SKY Perfect JSAT Holdings Inc.	**8,113**	**99**
Mazda Motor Corporation	**7,744**	**94**
Honda Motor Co., Ltd.	**6,290**	**77**
YAMATO KOGYO CO., LTD.	**5,943**	**72**
NIPPON STEEL CORPORATION	**5,845**	**71**
Sumitomo Electric Industries, Ltd.	**5,674**	**69**
KATO SANGYO CO., LTD.	**5,343**	**65**
NISSHIN SEIFUN GROUP INC.	**5,040**	**61**
The Dai-ichi Life Insurance Company, Limited	**4,199**	**51**
Rengo Co., LTD.	**3,590**	**44**

The fair values of "Other investments" measured at FVTOCI as of March 31, 2011 mainly consist of the followings:

	Millions of Yen
	2011
Sumitomo Metal Industries, Ltd.	¥85,249
SMFG PREFERRED CAPITAL JPY 2 LIMITED–preferred equity investment	21,936
The Sumitomo Trust and Banking Co., Ltd.–preferred stock	16,581
TOYOTA MOTOR CORPORATION	11,228
Sumitomo Metal Mining Co., Ltd.	10,017
Mazda Motor Corporation	9,774
MS&AD Insurance Group Holdings, Inc.	9,688
YAMAZAKI BAKING CO., LTD.	9,065
Sumitomo Rubber Industries, Ltd.	8,168
NIPPON STEEL CORPORATION	6,849
YAMATO KOGYO CO., LTD.	6,817
ASAHI BREWERIES, LTD.	6,793
SKY Perfect JSAT Holdings Inc.	6,544
Honda Motor Co., Ltd.	6,250
Sumitomo Electric Industries, Ltd.	5,764
ISUZU MOTORS LIMITED	5,618
OSAKA Titanium technologies Co., Ltd.	4,959
SUMITOMO CHEMICAL COMPANY, LIMITED	4,942
NISSHIN SEIFUN GROUP INC.	4,828
KATO SANGYO CO., LTD.	4,693
The Dai-ichi Life Insurance Company, Limited	4,611

"Other investments" measured at FVTOCI which were disposed of during the years ended March 31, 2012 and 2011 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2012			2011			**2012**		
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
¥26,081	**¥2,521**	**¥363**	**¥34,287**	**¥14,074**	**¥342**	**$318**	**$31**	**$4**

The Companies sold the investments mainly as a result of reviewing the business relationships. In connection with the disposal, the Companies reclassified the cumulative gains (net of tax) on sales of ¥1,651 million ($20 million) and ¥8,542 million from Other components of equity to Retained earnings for the years ended March 31, 2012 and 2011, 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 the cumulative losses (net of tax) of ¥2,035 million ($25 million) and ¥5,549 million from Other components of equity to Retained earnings for the years ended March 31, 2012 and 2011, respectively.

7. Trade and Other Receivables

The components of Trade and other receivables as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Notes receivable	**¥ 123,131**	¥ 109,892	**$ 1,502**
Accounts receivable	**1,142,320**	1,131,897	**13,931**
Receivables due from equity-accounted investees	**170,051**	143,144	**2,074**
Loans receivable	**286,489**	346,062	**3,494**
Finance lease receivable	**382,318**	344,514	**4,662**
Other receivables	**93,271**	101,475	**1,137**
Less: Allowance for doubtful receivables	**(37,488)**	(43,128)	**(457)**
Trade and other receivables	**¥2,160,092**	¥2,133,856	**$26,343**

Financial assets measured at FVTPL of ¥40,253 million ($491 million) and ¥44,462 million were included in Accounts receivable, and ¥3,000 million ($37 million) and ¥3,000 million were included in Loans receivable as of March 31, 2012 and 2011, respectively.

The components of Trade and other receivables in the Consolidated statement of financial position as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Current assets	**¥1,514,360**	¥1,511,442	**$18,468**
Non-current assets	**645,732**	622,414	**7,875**
Total	**¥2,160,092**	¥2,133,856	**$26,343**

Trade and other receivables by operating segment as of March 31, 2012 and 2011 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Metal Products	**¥ 285,438**	¥ 290,702	**$ 3,481**
Transportation & Construction Systems	**364,988**	586,729	**4,451**
Infrastructure	**424,912**	240,322	**5,182**
Media, Network & Lifestyle Retail	**123,367**	89,833	**1,504**
Mineral Resources, Energy, Chemical & Electronics	**348,259**	417,905	**4,247**
General Products & Real Estate	**134,481**	119,035	**1,640**
New Industry Development & Cross-function	**84,808**	113,851	**1,034**
Others	**393,839**	275,479	**4,804**
Trade and other receivables	**¥2,160,092**	¥2,133,856	**$26,343**

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 ¥7,329 million ($89 million) and ¥10,481 million as of March 31, 2012 and 2011, respectively, and these discounted notes are presented in "Trade and other receivables" in the Consolidated statement of financial position. The associated liabilities of ¥7,329 million ($89 million) and ¥10,481 million are presented in "Bonds and borrowings."

Allowance for doubtful receivables is recognized against the receivables based on estimated irrecoverable amounts determined considering individual customers' risk factors such as historical performance, recent developments, changes in original terms, internal risk-ratings, industry trends, and other specific factors as well as general risk factors, including sovereign risk of the country where the customer resides. Credit insurance and collateral obtained are also considered in the estimation of irrecoverable amounts.

Movements in the Allowance for doubtful receivables for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Balance, beginning of year	**¥43,128**	¥ 49,539	**$ 526**
Impairment losses	**10,207**	16,446	**125**
Charge-off	**(15,048)**	(20,731)	**(184)**
Exchange differences on translating foreign operations	**(799)**	(2,126)	**(10)**
Balance, end of year	**¥37,488**	¥ 43,128	**$ 457**

As of March 31, 2012 and 2011, the total gross amount of impaired trade and other receivables was ¥42,508 million ($518 million) and ¥21,555 million, respectively and the cumulative impairment losses recognized as of March 31, 2012 and 2011 were ¥22,044 million ($269 million) and ¥17,115 million, respectively.

The age of trade and other receivables that are past due but not impaired as of March 31, 2012 and 2011 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, 2012 and 2011.

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Past due within 90 days	**¥68,362**	¥ 73,456	**$833**
Past due over 90 days until 1 year	**5,622**	15,600	**69**
Past due over 1 year	**6,524**	17,730	**80**
Total	**¥80,508**	¥106,786	**$982**

8. Leases

(1) As lessor

The Companies lease aircraft, vehicles, office buildings and other industrial machinery and equipment to third parties under arrangements which are classified as cancelable and non-cancelable operating leases. Costs of the leased properties as of March 31, 2012 and 2011 were ¥351,960 million ($4,292 million) and ¥848,879 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2012 and 2011 were ¥94,309 million ($1,150 million) and ¥341,640 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, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Due in one year or less	**¥27,468**	¥124,294	**$335**
Due after one year through five years	**55,671**	194,906	**679**
Due after five years	**27,739**	36,458	**338**

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 the power station which 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, 2012 and 2011 are as follows:

	Minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Due in one year or less	**¥ 71,261**	¥101,812	**$ 869**
Due after one year through five years	**229,437**	203,449	**2,798**
Due after five years	**267,198**	93,434	**3,258**
Unguaranteed residual value	**3,774**	11,437	**46**
Less: Future finance income	**(189,352)**	(65,618)	**(2,309)**
Present value of minimum lease payments receivable	**¥ 382,318**	¥344,514	**$ 4,662**

	Present value of minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Due in one year or less	**¥ 40,371**	¥ 86,742	**$ 492**
Due after one year through five years	**137,382**	173,110	**1,675**
Due after five years	**204,565**	84,662	**2,495**

Contingent rental income recognized in profit or loss for the years ended March 31, 2012 and 2011 were ¥1,634 million ($20 million) and ¥126 million, respectively.

(2) As lessee

The Companies lease office space and certain other assets under cancelable and non-cancelable operating leases. Total rental expenses under such leases for the years ended March 31, 2012 and 2011 were ¥68,660 million ($837 million) and ¥67,734 million, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Due in one year or less	**¥ 44,381**	¥39,744	**$ 541**
Due after one year through five years	**136,105**	129,407	**1,660**
Due after five years	**216,289**	233,271	**2,638**

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, 2012 and 2011 were ¥63,270 million ($772 million) and ¥69,180 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2012 and 2011 were ¥23,004 million ($281 million) and ¥22,730 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, 2012 and 2011 are as follows:

	Minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Due in one year or less	**¥ 10,161**	¥13,600	**$ 124**
Due after one year through five years	**31,992**	36,677	**390**
Due after five years	**57,398**	62,198	**700**
Less: Future finance cost	**(39,969)**	(46,517)	**(487)**
Present value of lease obligations	**¥ 59,582**	¥65,958	**$ 727**

	Present value of minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Due in one year or less	**¥ 5,605**	¥ 8,923	**$ 68**
Due after one year through five years	**18,501**	20,906	**226**
Due after five years	**35,476**	36,129	**433**

The total amount of lease payments included in "Cost" for the years ended March 31, 2012 and 2011 are ¥8,813 million ($107 million) and ¥12,290 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, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Contracts in progress			
Amounts due from customers under construction contracts, included in Trade and other receivables and others	**¥ 14,298**	¥154,559	**$ 174**
Amounts due to customers under construction contracts, included in Advances from customers and others	**(5,908)**	(2,394)	**(72)**
Construction costs incurred and profits recognized less losses recognized to date	**¥ 56,824**	¥197,921	**$ 693**
Less: progress billings	**(48,434)**	(45,756)	**(591)**
Due from (to) customers	**¥ 8,390**	¥152,165	**$ 102**

Advances received from customers for contract work before the related work is performed as of March 31, 2012 and 2011 were ¥656 million ($8 million) and ¥1,422 million, respectively. There were no retentions held by customers for contract work as of March 31, 2012 and 2011.

Contract revenue for the years ended March 31, 2012 and 2011 were ¥43,309 million ($528 million) and ¥85,751 million, respectively.

(2) Real Estate Construction Contracts

The total amount of construction costs incurred and profits recognized under real estate construction contracts in progress for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Contracts in progress			
Construction costs incurred and profits recognized to date	**—**	¥12,393	**—**

There were no advances received from customers before the related work is performed as of March 31, 2012 and 2011.

The amount of revenue arising from agreements for the years ended March 31, 2012 and 2011 were ¥28,171 million ($344 million) and ¥12,393 million, respectively.

10. Inventories

The components of Inventories as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Real estate held for development and resale	**¥ 75,790**	¥ 77,662	**$ 924**
Commodities	**557,474**	543,326	**6,798**
Materials/work in progress	**73,841**	77,822	**901**
Inventories	**¥707,105**	¥698,810	**$8,623**

The carrying amounts of Inventories measured at fair value less costs to sell as of March 31, 2012 and 2011 were ¥80,879 million ($986 million) and ¥65,269 million, respectively.

The write-down of Inventories recognized as an expense for the years ended March 31, 2012 and 2011 was ¥6,680 million ($81 million) and ¥13,038 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, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Total assets	**¥8,367,786**	¥7,439,705	**$102,046**
Total liabilities	**5,359,385**	4,798,173	**65,358**
Total equity	**3,008,401**	2,641,532	**36,688**

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Gross profit	**¥913,250**	¥953,975	**$11,137**
Profit for the year	**349,304**	369,537	**4,260**

The fair values of equity-accounted investees for which there are published price quotations as of March 31, 2012 and 2011 were ¥264,583 million ($3,227 million) and ¥265,983 million, respectively. The carrying amount of these investments as of March 31, 2012 and 2011 were ¥303,004 million ($3,695 million) and ¥290,180 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, 2012 and 2011 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Management and secondment fees, received	¥3,489	¥3,008	$43
Interest income	920	625	11
Interest expense	438	520	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 Mineral Resources, Energy, Chemical & Electronics segment.

12. Property, Plant and Equipment

Cost and accumulated depreciation and impairment losses of property, plant and equipment as of March 31, 2012 and 2011 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, 2010	¥85,643	¥262,117	¥1,009,905	¥ 10,144	¥58,354	¥1,426,163
Acquisitions	3,274	9,057	104,093	24,689	20,576	161,689
Reclassification	—	6,047	15,312	(21,359)	—	—
Acquisitions through business combinations	1,592	1,136	7,892	527	—	11,147
Disposals	(2,017)	(4,366)	(70,065)	(1,611)	—	(78,059)
Exchange differences on translating foreign operations	(1,392)	(8,002)	(33,540)	(744)	(4,912)	(48,590)
Others	1,024	2,962	(6,278)	740	166	(1,386)
Balance as of March 31, 2011	88,124	268,951	1,027,319	12,386	74,184	1,470,964
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**

	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, 2011	$1,075	$3,280	$12,528	$ 151	$905	$17,939
Acquisitions	**20**	**91**	**1,526**	**357**	**148**	**2,142**
Reclassification	**1**	**107**	**150**	**(258)**	**—**	**—**
Acquisitions through business combinations	**98**	**102**	**99**	**—**	**—**	**299**
Deconsolidation of subsidiaries	**(27)**	**(227)**	**(6,369)**	**(8)**	**(4)**	**(6,635)**
Disposals or reclassification to assets classified as held for sale	**(85)**	**(137)**	**(1,057)**	**(3)**	**—**	**(1,282)**
Exchange differences on translating foreign operations	**(6)**	**(35)**	**(113)**	**(2)**	**(32)**	**(188)**
Others	**23**	**55**	**(15)**	**(5)**	**(21)**	**37**
Balance as of March 31, 2012	**$1,099**	**$3,236**	**$ 6,749**	**$ 232**	**$996**	**$12,312**

[Accumulated depreciation and impairment losses]

	Millions of Yen					
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
Balance as of April 1, 2010	¥ (338)	¥(106,690)	¥(474,017)	¥(61)	¥ (6,785)	¥(587,891)
Disposals	—	2,928	47,681	—	—	50,609
Depreciation expenses	—	(17,329)	(108,548)	—	(5,331)	(131,208)
Impairment losses	(785)	(746)	(4,724)	—	(1,080)	(7,335)
Exchange differences on translating foreign operations	3	2,737	10,246	—	300	13,286
Others	185	1,715	3,395	61	(346)	5,010
Balance as of March 31, 2011	(935)	(117,385)	(525,967)	—	(13,242)	(657,529)
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)**

	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, 2011	$(11)	$(1,433)	$(6,414)	$—	$(161)	$(8,019)
Deconsolidation of subsidiaries	**—**	**103**	**3,679**	**—**	**4**	**3,786**
Disposals or reclassification to assets classified as held for sale	**1**	**78**	**678**	**—**	**—**	**757**
Depreciation expenses	**—**	**(181)**	**(1,256)**	**—**	**(54)**	**(1,491)**
Impairment losses	**(6)**	**(27)**	**(4)**	**—**	**(7)**	**(44)**
Exchange differences on translating foreign operations	**(0)**	**11**	**36**	**—**	**4**	**51**
Others	**2**	**8**	**39**	**—**	**(0)**	**49**
Balance as of March 31, 2012	**$(14)**	**$(1,441)**	**$(3,242)**	**$—**	**$(214)**	**$(4,911)**

[Carrying amount]

	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2012 (Millions of Yen)	**¥88,964**	**¥147,173**	**¥287,551**	**¥19,027**	**¥64,140**	**¥606,855**
2011 (Millions of Yen)	¥87,189	¥151,566	¥501,352	¥12,386	¥60,942	¥813,435
2012 (Millions of U.S. Dollars)	**$1,085**	**$1,795**	**$3,507**	**$232**	**$782**	**$7,401**

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, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Metal Products	**¥(1,199)**	¥ (191)	**$(15)**
Transportation & Construction Systems	**(660)**	(1,073)	**(8)**
Infrastructure	**—**	(1,734)	**—**
Media, Network & Lifestyle Retail	**(796)**	(797)	**(10)**
Mineral Resources, Energy, Chemical & Electronics	**(843)**	(1,331)	**(10)**
General Products & Real Estate	**(11)**	(22)	**(0)**
New Industry Development & Cross-function	**(19)**	(162)	**(0)**
Domestic Regional Business Units and Offices	**(4)**	(124)	**(0)**
Overseas Subsidiaries and Branches	**(54)**	(1,894)	**(1)**
Corporate and Eliminations	**(27)**	(7)	**(0)**
Total	**¥(3,613)**	¥(7,335)	**$(44)**

The carrying amounts of the assets held under finance leases (net of accumulated depreciation expenses and impairment losses) included in “Property, plant and equipment” as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Buildings including leasehold improvements	**¥13,012**	¥14,453	**$159**
Machinery and equipment	**¥26,156**	¥27,447	**$319**

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, 2012 and 2011 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Balance, beginning of year	**¥185,729**	¥186,610	**$2,265**
Acquisitions through business combinations	**21,323**	6,582	**261**
Deconsolidation of subsidiaries	**(37,138)**	—	**(453)**
Exchange differences on translating foreign operations and others	**(2,099)**	(7,463)	**(26)**
Balance, end of year	**¥167,815**	¥185,729	**$2,047**

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Balance, beginning of year	**¥(17,360)**	¥(16,743)	**$(212)**
Impairment losses	**(7,806)**	(1,904)	**(95)**
Deconsolidation of subsidiaries	**14,518**	—	**177**
Exchange differences on translating foreign operations and others	**265**	1,287	**3**
Balance, end of year	**¥(10,383)**	¥(17,360)	**$(127)**

Impairment losses recognized on goodwill for the years ended March 31, 2012 and 2011 were ¥7,806 million ($95 million) and ¥1,904 million, respectively, and were included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income. The impairment losses on goodwill recognized for the year ended March 31, 2012 mainly relate to losses on a CGU including goodwill in Corporate and Eliminations segment. The impairment losses on goodwill recognized for the year ended March 31, 2011 consists of mainly operation in the British North Sea oil field, and were included in Mineral Resources, Energy, Chemical & Electronics segment.

[Carrying amount]

	Carrying amount
2012 (Millions of Yen)	**¥157,432**
2011 (Millions of Yen)	¥168,369
2012 (Millions of U.S. Dollars)	**$1,920**

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

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

Goodwill arising from business combination is allocated to each of the Companies’ CGU that is expected to benefit from the synergies of the business combination at the date of acquisition of the business.

The carrying amounts of goodwill by operating segments as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Metal Products	**¥ 4,249**	¥ 5,704	**$ 52**
Transportation & Construction Systems	**2,157**	13,128	**26**
Media, Network & Lifestyle Retail	**94,407**	83,796	**1,151**
Mineral Resources, Energy, Chemical & Electronics	**7,363**	9,636	**90**
General Products & Real Estate	**15,634**	16,716	**191**
New Industry Development & Cross-function	**—**	83	**—**
Domestic Regional Business Units and Offices	**—**	519	**—**
Overseas Subsidiaries and Branches	**33,622**	38,787	**410**
Total	**¥157,432**	¥168,369	**$1,920**

Significant portions of goodwill included above as of March 31, 2012 and 2011 were related to that of Jupiter Shop Channel Co., Ltd. (Media, Network & Lifestyle Retail business unit) of ¥68,100 million ($830 million) and ¥68,100 million, of TBC Corporation (General Products & Real Estate segment and Overseas Subsidiaries and Branches) of ¥37,120 million ($453 million) and ¥38,053 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 0% or less, overseas: approximately 6% 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 6%, overseas: approximately 3 to 20%).

Management considers it is not likely that a significant impairment loss would be recognized even if key assumptions, in relation to Jupiter Shop Channel Co., Ltd. and TBC Corporation, vary in the range which is reasonably probable.

(2) Other Intangible Assets

Cost and accumulated depreciation and impairment losses of other intangible assets as of March 31, 2012 and 2011 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2010	¥103,011	¥202,834	¥12,708	¥318,553
Acquisitions through business combinations	—	6,876	944	7,820
Separate acquisitions	9,275	—	86	9,361
Exchange differences on translating foreign operations and others	(5,143)	(7,503)	(5,338)	(17,984)
Balance as of March 31, 2011	107,143	202,207	8,400	317,750
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 and others	**(1,505)**	**(2,383)**	**(968)**	**(4,856)**
Balance as of March 31, 2012	**¥102,761**	**¥197,525**	**¥10,302**	**¥310,588**

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2011	$1,307	$2,466	$102	$3,875
Acquisitions through business combinations	**34**	**283**	**42**	**359**
Separate acquisitions	**132**	**—**	**4**	**136**
Deconsolidation of subsidiaries	**(113)**	**(309)**	**(2)**	**(424)**
Disposals	**(89)**	**(2)**	**(8)**	**(99)**
Exchange differences on translating foreign operations and others	**(18)**	**(29)**	**(12)**	**(59)**
Balance as of March 31, 2012	**$1,253**	**$2,409**	**$126**	**$3,788**

[Accumulated amortization and impairment]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2010	¥(73,483)	¥(47,294)	¥(5,964)	¥(126,741)
Amortization expenses	(11,860)	(11,358)	(379)	(23,597)
Impairment losses	—	(373)	(102)	(475)
Exchange differences on translating foreign operations and others	7,248	2,860	3,579	13,687
Balance as of March 31, 2011	(78,095)	(56,165)	(2,866)	(137,126)
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 and others	**918**	**1,402**	**412**	**2,732**
Balance as of March 31, 2012	**¥(78,202)**	**¥(55,638)**	**¥(2,562)**	**¥(136,402)**

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2011	$(952)	$(685)	$(35)	$(1,672)
Disposals	**81**	**—**	**6**	**87**
Amortization expenses	**(162)**	**(168)**	**(7)**	**(337)**
Impairment losses	**—**	**(15)**	**—**	**(15)**
Deconsolidation of subsidiaries	**68**	**172**	**0**	**240**
Exchange differences on translating foreign operations and others	**11**	**17**	**5**	**33**
Balance as of March 31, 2012	**$(954)**	**$(679)**	**$(31)**	**$(1,664)**

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2012 (Millions of Yen)	**¥24,559**	**¥141,887**	**¥7,740**	**¥174,186**
2011 (Millions of Yen)	¥29,048	¥146,042	¥5,534	¥180,624
2012 (Millions of U.S. Dollars)	**$299**	**$1,730**	**$95**	**$2,124**

Among sales licenses, trademarks and customer relationships, significant portions as of March 31, 2012 and 2011 were related to Jupiter Shop Channel Co., Ltd. of ¥68,012 million ($829 million; average remaining amortization period of 12 years) and ¥72,863 million and to TBC Corporation of ¥26,328 million ($321 million; average remaining amortization period of 19 years) and ¥28,251 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, 2012 and 2011 included above were ¥15,583 million ($190 million) and ¥13,778 million, respectively, and consist mainly of trademarks. Those trademarks were acquired through business combinations which are expected to exist as long as business continues, therefore the management consider the useful lives for these as indefinite.

The carrying amount of Intangible assets leased under finance leases, net of accumulated amortization and impairment losses, as of March 31, 2012 and 2011 were ¥1,098 million ($13 million) and ¥4,550 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, 2012 and 2011 were ¥9,301 million ($113 million) and ¥8,167 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, 2012 and 2011 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Balance, beginning of year	**¥311,737**	¥305,169	**$3,802**
Acquisitions	**6,014**	8,556	**73**
Acquisitions through business combinations	**1,746**	3,925	**21**
Disposals	**(28,672)**	(5,222)	**(350)**
Exchange differences on translating foreign operations	**(612)**	(4,308)	**(7)**
Reclassification	**(758)**	3,149	**(9)**
Others	**(1,301)**	468	**(16)**
Balance, end of year	**¥288,154**	¥311,737	**$3,514**

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Balance, beginning of year	**¥(74,069)**	¥(60,873)	**$(903)**
Depreciation expenses	**(5,219)**	(5,748)	**(64)**
Impairment losses	**(707)**	(10,175)	**(9)**
Disposals	**5,552**	3,051	**68**
Exchange differences on translating foreign operations	**84**	674	**1**
Reclassification	**1,644**	—	**20**
Others	**124**	(998)	**2**
Balance, end of year	**¥(72,591)**	¥(74,069)	**$(885)**

Impairment losses recognized for the years ended March 31, 2012 and 2011 were ¥707 million ($9 million) and ¥10,175 million, respectively, and were included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income. Impairment losses for the year ended March 31, 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.

Impairment losses for the year ended March 31, 2011 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.

[Carrying amount and fair value]

	Carrying amount	Fair value
2012 (Millions of Yen)	**¥215,563**	**¥262,235**
2011 (Millions of Yen)	¥237,668	¥287,271
2012 (Millions of U.S. Dollars)	**$2,629**	**$3,198**

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, 2012 and 2011 were ¥27,336 million ($333 million) and ¥28,326 million, respectively, and were reported in “Revenue” in the Consolidated statement of comprehensive income. Expenses directly attributable to generating rental income (including repairs and maintenances) for the years ended March 31, 2012 and 2011 were ¥17,642 million ($215 million) and ¥18,811 million, respectively, and were included mainly in “Cost.”

15. Deferred Taxes

The tax effects of temporary differences that give rise to significant components of deferred tax assets and liabilities as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets:			
Net operating loss carry forwards	**¥ 55,892**	¥ 34,123	**$ 681**
Securities and other investments	**11,124**	26,565	**136**
Inventories and long-lived assets	**68,821**	68,341	**839**
Allowance for doubtful receivables	**14,738**	4,572	**180**
Retirement benefit plans	**15,282**	14,174	**186**
Others	**18,292**	21,681	**223**
Deferred tax assets total	**¥ 184,149**	¥ 169,456	**$ 2,245**
Deferred tax liabilities:			
Investments accounted for using the equity method	**¥ (38,272)**	¥ (53,827)	**$ (467)**
Securities and other investments	**(28,207)**	(33,563)	**(344)**
Deferred gain on sales of property for tax purposes	**(937)**	(17,114)	**(11)**
Long-lived assets	**(80,779)**	(94,234)	**(985)**
Others	**(11,076)**	(2,748)	**(135)**
Deferred tax liabilities total	**¥(159,271)**	¥(201,486)	**$(1,942)**

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets	**¥102,023**	¥ 68,087	**$1,244**
Deferred tax liabilities	**(77,145)**	(100,117)	**(941)**

Changes in deferred tax assets and liabilities for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Net deferred tax assets (liabilities):			
Balance, beginning of year	**¥(32,030)**	¥(60,851)	**$(391)**
Cumulative effect of applying a new accounting policy			
Retained earnings	**—**	1,325	**—**
Other components of equity	**—**	(6,310)	**—**
Amount recognized in other comprehensive income:			
Exchange differences on translating foreign operations	**2,175**	(7,964)	**27**
Financial assets measured at FVTOCI	**6,023**	27,914	**73**
Cash-flow hedges	**(1,625)**	(3,278)	**(20)**
Actuarial (gains) losses on defined benefit pension plans	**2,377**	9,566	**29**
Share of other comprehensive income of investments accounted for using the equity method	**(58)**	53	**(1)**
Amount recognized in profit or loss	**5,475**	6,812	**67**
Effects of acquisitions and divestitures	**42,541**	703	**519**
Balance, end of year	**¥ 24,878**	¥(32,030)	**$303**

The amounts recognized in profit or loss for the years ended March 31, 2012 and 2011 principally arose from investments accounted for using the equity method and net operating loss carry forwards, respectively.

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, 2012 and 2011 was an increase of ¥7,792 million ($95 million) and a decrease of ¥5,807 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 ¥154,976 million ($1,890 million) and ¥16,072 million ($196 million) as of March 31, 2012 and ¥24,993 million and ¥16,131 million as of March 31, 2011, 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 ¥80 billion ($1 billion) as of March 31, 2012. 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, 2012 and 2011 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
1st year	**¥ 1,215**	¥ 2,497	**$ 15**
2nd year	**1,110**	542	**13**
3rd year	**1,686**	1,843	**21**
4th year	**4,702**	2,686	**57**
5th year and thereafter	**146,263**	17,425	**1,784**
Total	**¥154,976**	¥24,993	**$1,890**

As of March 31, 2012 and 2011, 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, 2012 and 2011 totaled to ¥767,164 million ($9,356 million) and ¥599,804 million, respectively.

Other current assets as of March 31, 2012 and 2011 included tax receivables of ¥14,123 million ($172 million) and ¥14,202 million, respectively.

16. Bonds and Borrowings

(1) Bonds and Borrowings

Details of the bonds and borrowings (non-current), and interest rates as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Secured:			
Loans from banks and insurance companies, maturing serially through 2024, average interest rate 3.79%	**¥ 395,323**	¥ 368,004	**$ 4,821**
Bonds payable in Indonesian rupiah, maturing serially through 2014, average interest rate 10.59%	**26,666**	38,640	**325**
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2032, average interest rate 1.14%	**2,508,372**	2,634,309	**30,590**
Bonds payable in Japanese yen due,			
2011, fixed rates 1.28%	**—**	20,079	**—**
2012, fixed and floating rates 1.07% to 1.54%	**20,027**	30,084	**244**
2013, fixed and floating rates 1.08% to 1.49%	**45,152**	45,372	**551**
2014, fixed and floating rates 1.51% to 1.90%	**40,672**	40,867	**496**
2015, floating rates 0.87%	**15,000**	15,000	**183**
2016, fixed rates 1.70% to 2.12%	**52,949**	53,062	**646**
2017, fixed and floating rates 1.73% to 1.98%	**20,773**	20,745	**253**
2018, fixed and floating rates 1.84% to 1.89%	**25,813**	25,728	**315**
2019, fixed rates 0.76% to 2.21%	**36,532**	21,136	**446**
2020, fixed rates 1.01% to 1.46%	**20,526**	19,921	**250**
2022, fixed rates 1.17% to 1.71%	**36,095**	20,394	**440**
2030, fixed rates 2.26%	**10,692**	10,159	**130**
2031, fixed rates 2.19%	**10,404**	9,856	**127**
Bonds payable in Japanese yen due 2013 with detachable warrants, floating rates 0.25%	**33,928**	—	**414**
Medium-term notes, maturing serially through 2021, average interest rate 0.67%	**49,790**	66,820	**607**
Various notes and bonds, maturing serially through 2012, average interest rate 0.88%	**3,061**	7,242	**37**
Subtotal	**3,351,775**	3,447,418	**40,875**
Less: Current maturities	**(370,227)**	(530,455)	**(4,515)**
Bonds and borrowings (non-current)	**¥2,981,548**	¥2,916,963	**$36,360**

Details of the bonds and borrowings (current) as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Short-term loans, principally from banks	**¥163,430**	¥178,736	**$1,993**
Commercial paper	**98,610**	141,244	**1,203**
Total	**¥262,040**	¥319,980	**$3,196**

The differences between the balances stated above and the balances presented as “Bonds and borrowings” in Current liabilities of the Consolidated statement of financial position are the amounts of bonds and borrowings with current maturities.

The weighted average interest rates for short-term loans for the years ended March 31, 2012 and 2011 were 1.36 % and 1.76 %, respectively.

The weighted average interest rates for commercial paper for the years ended March 31, 2012 and 2011 were 0.53 % and 0.35 %, 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 ($5,427 million) with domestic banks. All these lines of credit were unused as of March 31, 2012.

Most short-term and long-term loans from banks contain certain covenants. The banks may, under certain conditions, require the Companies to provide collateral (or additional collateral) or guarantors.

The banks may treat any collateral as collateral for all indebtedness to the banks. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Default provisions of certain agreements grant certain rights of possession to the banks. The borrower may be required to make early repayments of outstanding amounts under some agreements, principally with government-owned financial institutions, if the lender concludes that the borrower is able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and makes 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, 2012 and 2011, 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, 2012 and 2011.

(2) Assets Pledged as Security

Assets pledged to secure bonds and debt including borrowings as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Cash and deposits	**¥ 57,233**	¥ 17,627	**$ 698**
Marketable securities and investments	**86,001**	31,301	**1,049**
Trade and other receivables	**498,188**	474,638	**6,075**
Inventories	**8,064**	14,255	**98**
Property, plant and equipment (Carrying amount)	**70,659**	79,713	**862**
Investment property (Carrying amount)	**24,398**	23,592	**298**
Total	**¥744,543**	¥641,126	**$9,080**

The corresponding liabilities as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Bonds, borrowings and other	**¥579,528**	¥495,084	**$7,067**

In addition to the above, marketable securities and investments of ¥5,937 million ($72 million) were pledged in lieu of a monetary deposit as of March 31, 2012.

Trust receipts issued under customary import financing arrangements give recipient banks a security interest in the merchandise imported and/or the accounts receivable or sales proceeds resulting from the sale of such merchandise. The Companies repay the related notes and acceptances payable at the maturity dates without applying the sales proceeds to specific notes or acceptances. The large volume of transactions makes it impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.

17. Trade and Other Payables

The components of Trade and other payables as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Notes payable	**¥ 60,854**	¥ 50,852	**$ 742**
Accounts payable	**905,625**	905,700	**11,044**
Payables to equity-accounted investees	**36,602**	34,060	**447**
Finance lease obligations	**51,823**	59,238	**632**
Other payables	**156,123**	94,383	**1,904**
Trade and other payables	**¥1,211,027**	¥1,144,233	**$14,769**

The amount of Trade and other payables above includes financial liabilities measured at FVTPL of ¥62,847 million ($766 million) and ¥64,452 million as of March 31, 2012 and 2011, respectively.

Payables to equity-accounted investees above includes finance lease obligations of ¥7,759 million ($95 million) and ¥6,720 million as of March 31, 2012 and 2011, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Current liabilities	**¥1,102,326**	¥1,026,160	**$13,443**
Non-current liabilities	**108,701**	118,073	**1,326**
Total	**¥1,211,027**	¥1,144,233	**$14,769**

18. Provisions

The change in Provisions for the year ended March 31, 2012 is as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	**¥14,125**	**¥2,276**	**¥ 6,898**	**¥23,299**
Provisions made	**2,982**	**55**	**10,579**	**13,616**
Provisions used	**(244)**	**—**	**(2,216)**	**(2,460)**
Accretion expense	**368**	**—**	**—**	**368**
Others	**(1,181)**	**(770)**	**(1,699)**	**(3,650)**
Balance, end of year	**¥16,050**	**¥1,561**	**¥13,562**	**¥31,173**

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	**$172**	**$ 28**	**$ 84**	**$284**
Provisions made	**36**	**1**	**129**	**166**
Provisions used	**(3)**	**—**	**(27)**	**(30)**
Accretion expense	**4**	**—**	**—**	**4**
Others	**(13)**	**(10)**	**(21)**	**(44)**
Balance, end of year	**$196**	**$ 19**	**$165**	**$380**

Provisions in the Consolidated statement of financial position as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Current	**¥ 8,376**	¥ 5,925	**$102**
Non-current	**22,797**	17,374	**278**
Total	**¥31,173**	¥23,299	**$380**

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.

19. 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 the compensation at the time of retirement, years of service and other factors. Certain subsidiaries have defined contribution retirement benefit plans.

The Companies' pension and retirement benefits expense for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Defined contribution plans	**¥ (3,061)**	¥ (2,537)	**$ (37)**
Defined benefit plans	**(9,147)**	(11,726)	**(112)**
Total	**¥(12,208)**	¥(14,263)	**$(149)**

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, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥(8,874)**	¥ (8,011)	**$(108)**
Interest on obligation	**(5,554)**	(5,090)	**(68)**
Expected return on plan assets	**5,733**	4,737	**70**
Past service cost	**(986)**	(3,362)	**(12)**
Gain on settlements and curtailments	**534**	—	**6**
Total	**¥(9,147)**	¥(11,726)	**$(112)**

Of the total expense for the year ended March 31, 2012 and 2011, ¥(2,496) million ($(31) million) and ¥(1,195) million were included in "Cost" and ¥(6,651) million ($(81) million) and ¥(10,531) 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, 2012 and 2011 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, 2010	¥ 29,889	$ 364
Amounts recognized for the year ended March 31, 2011	(23,492)	(286)
Cumulative amount of actuarial gains (losses) as of March 31, 2011	6,397	78
Amounts recognized for the year ended March 31, 2012	**(14,422)**	**(176)**
Cumulative amount of actuarial gains (losses) as of March 31, 2012	**¥ (8,025)**	**$ (98)**

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, 2012 and 2011 are as follows:

[Changes in the defined benefit obligation]

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Balance, beginning of year	**¥(216,135)**	¥(193,373)	**$(2,636)**
Service cost	**(8,874)**	(8,011)	**(108)**
Interest on obligation	**(5,554)**	(5,090)	**(68)**
Plan amendments	**(986)**	(3,362)	**(12)**
Acquisitions and deconsolidation	**(23,534)**	(82)	**(287)**
Actuarial (losses) gains	**(9,447)**	(16,591)	**(115)**
Benefits paid	**11,185**	9,287	**136**
Exchange differences on translating foreign operations	**358**	1,087	**4**
Curtailments and settlements	**545**	—	**7**
Balance, end of year	**¥(252,442)**	¥(216,135)	**$(3,079)**

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Balance, beginning of year	**¥220,320**	¥217,969	**$2,687**
Expected return on plan assets	**5,733**	4,737	**70**
Actuarial (losses) gains	**(4,975)**	(6,901)	**(61)**
Acquisitions and deconsolidation	**22,126**	—	**270**
Contributions by the employer	**10,223**	13,666	**124**
Benefits paid	**(9,931)**	(8,287)	**(121)**
Exchange differences on translating foreign operations	**(102)**	(864)	**(1)**
Balance, end of year	**¥243,394**	¥220,320	**$2,968**

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, 2012 and 2011 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	**2012**
Present value of defined benefit obligation (funded)	**¥(244,467)**	¥(208,698)	¥(187,726)	**$(2,982)**
Fair value of plan assets	**243,394**	220,320	217,969	**2,968**
Funded status	**(1,073)**	11,622	30,243	**(14)**
Present value of defined benefit obligation (unfunded)	**(7,975)**	(7,437)	(5,647)	**(97)**
Net asset (liability) arising from defined benefit obligation	**¥ (9,048)**	¥ 4,185	¥ 24,596	**$ (111)**
Experience adjustments on defined benefit obligation	**¥ (9,447)**	¥ (16,591)	¥ 3,894	**$ (115)**
Experience adjustments on plan assets	**¥ (4,975)**	¥ (6,901)	¥ 25,995	**$ (61)**

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

The Companies' funding policy is based on a number of factors including the tax deductibility of contributions, funded status, actuarial calculations and other considerations. Contributions are intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. In addition, the Company may contribute certain marketable equity securities, or cash to an employee retirement benefit trust for funding deficit in benefit obligations at the fiscal year end.

The Companies' investment policies are designed to increase the value of plan assets within adequate 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 the strategic asset mix which aims at the 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 34% equity securities, 52% debt securities, and 14% other.

The major categories of plan assets as of March 31, 2012 and 2011 are as follows:

	%	
Categories of plan assets	**2012**	2011
Equity securities	**31**	42
Debt securities	**45**	40
Others*	**24**	18
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, 2012 and 2011 are as follows:

	%	
	2012	2011
Discount rates as of March 31	**1.9**	2.1
Expected long-term rates of return on plan assets as of April 1	**2.4**	2.2
The expected rate of salary increase	**2.9**	2.8

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, 2012 and 2011 were ¥758 million ($9 million) and ¥(2,164) million, respectively.

The employer's contributions expected to be paid for the year ending March 31, 2013 are ¥14,937 million ($182 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, 2012 and 2011 of ¥1,519 million ($19 million) and ¥2,154 million, respectively.

(2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the years ended March 31, 2012 and 2011 was ¥72,061 million ($879 million) and ¥47,647 million, respectively.

20. Common Stock

The numbers of shares authorized and issued as of March 31, 2012 and 2011 are as follows:

	2012 Number of shares	2011 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, 2012 and 2011 included in the number of shares issued shown above were 472,515 shares and 537,680 shares, respectively.

21. Reserves

(1) Additional Paid-in Capital

Under the Company Law of Japan ("the Company Law"), at least 50% of the proceeds of certain issues of common shares shall be credited to 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.

(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 ¥344,683 million ($4,203million) and ¥325,723 million, shown by the Company's accounting records for the years ended March 31, 2012 and 2011, respectively, were not restricted by the limitations under the Company Law.

22. Other Components of Equity and Other Comprehensive Income (Loss)

The changes in Other components of equity for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Exchange differences on translating foreign operations			
Balance, beginning of year	**¥ (47,608)**	¥ 37,471	**$ (580)**
Adjustment for the year	**(64,444)**	(85,079)	**(786)**
Balance, end of year	**¥(112,052)**	¥ (47,608)	**$(1,366)**
Financial assets measured at FVTOCI			
Balance, beginning of year	**¥ 53,747**	¥ 87,061	**$ 655**
Cumulative effect of applying a new accounting policy	**—**	8,254	**—**
Adjustment for the year	**3,793**	(38,575)	**46**
Transfer to retained earnings	**384**	(2,993)	**5**
Balance, end of year	**¥ 57,924**	¥ 53,747	**$ 706**
Cash-flow hedges			
Balance, beginning of year	**¥ (10,958)**	¥ (14,603)	**$ (134)**
Adjustment for the year	**2,079**	3,645	**26**
Balance, end of year	**¥ (8,879)**	¥ (10,958)	**$ (108)**
Actuarial gains (losses) on defined benefit pension plans			
Balance, beginning of year	**¥ —**	¥ —	**$ —**
Adjustment for the year	**(12,064)**	(13,825)	**(147)**
Transfer to retained earnings	**12,064**	13,825	**147**
Balance, end of year	**¥ —**	¥ —	**$ —**
Other components of equity			
Balance, beginning of year	**¥ (4,819)**	¥ 109,929	**$ (59)**
Cumulative effect of applying a new accounting policy	**—**	8,254	**—**
Adjustment for the year	**(70,636)**	(133,834)	**(861)**
Transfer to retained earnings	**12,448**	10,832	**152**
Balance, end of year	**¥ (63,007)**	¥ (4,819)	**$ (768)**

The following table provides each component of Other comprehensive income (loss) included in Non-controlling interests for the years ended March 31, 2012 and 2011.

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Exchange differences on translating foreign operations	**¥(3,021)**	¥(2,598)	**$(37)**
Financial assets measured at FVTOCI	**(496)**	(216)	**(7)**
Cash-flow hedges	**78**	179	**1**
Actuarial gains (losses) of defined benefit pension plans	**—**	(110)	**—**
Other comprehensive income (loss)	**¥(3,439)**	¥(2,745)	**$(43)**

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, 2012 and 2011.

	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)**
Shares 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)**

	Millions of Yen		
2011	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	¥ (79,566)	¥ (8,024)	¥ (87,590)
Reclassification to profit or loss for the year	(147)	60	(87)
Adjustment for the year	(79,713)	(7,964)	(87,677)
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	(67,379)	27,914	(39,465)
Adjustment for the year	(67,379)	27,914	(39,465)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(6,209)	1,571	(4,638)
Reclassification to profit or loss for the year	14,388	(4,849)	9,539
Adjustment for the year	8,179	(3,278)	4,901
Actuarial gains (losses) of defined benefit pension plans:			
Unrealized gains (losses) arising during the year	(23,492)	9,566	(13,926)
Adjustment for the year	(23,492)	9,566	(13,926)
Shares of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	(3,101)	53	(3,048)
Reclassification to profit or loss for the year	2,636	—	2,636
Adjustment for the year	(465)	53	(412)
Total other comprehensive income (loss)	¥(162,870)	¥26,291	¥(136,579)

	Millions of U.S. Dollars		
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	**$ (879)**	**$ (9)**	**$(888)**
Reclassification to profit or loss for the year	**29**	**36**	**65**
Adjustment for the year	**(850)**	**27**	**(823)**
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	**(89)**	**73**	**(16)**
Adjustment for the year	**(89)**	**73**	**(16)**
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	**(67)**	**11**	**(56)**
Reclassification to profit or loss for the year	**111**	**(31)**	**80**
Adjustment for the year	**44**	**(20)**	**24**
Actuarial gains (losses) of defined benefit pension plans:			
Unrealized gains (losses) arising during the year	**(176)**	**29**	**(147)**
Adjustment for the year	**(176)**	**29**	**(147)**
Shares of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	**(27)**	**(1)**	**(28)**
Reclassification to profit or loss for the year	**86**	**—**	**86**
Adjustment for the year	**59**	**(1)**	**58**
Total other comprehensive income (loss)	**$(1,012)**	**$108**	**$(904)**

23. Dividends

(1) Dividends paid during the years ended March 31, 2012 and 2011 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 22, 2010	Ordinary shares	¥18,751	¥15	March 31, 2010	June 23, 2010
Board of Directors' meeting held on October 29, 2010	Ordinary shares	¥20,001	¥16	September 30, 2010	December 1, 2010
Ordinary general meeting of shareholders held on June 24, 2011	Ordinary shares	¥25,001 ($305)	¥20 ($0.24)	March 31, 2011	June 27, 2011
Board of Directors' meeting held on November 2, 2011	Ordinary shares	¥30,002 ($366)	¥24 ($0.29)	September 30, 2011	December 1, 2011

(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 22, 2012	Ordinary shares	¥32,503 ($396)	Retained earnings	¥26 ($0.32)	March 31, 2012	June 25, 2012

24. Share-based Payments

Information relating to the Company's share-based payments is as follows:

Stock option plan

The Company has stock option plans for directors, executive officers, and corporate officers under the Company's qualification system. Under the plans, each stock option granted after August 1, 2006 entitles the recipient to acquire 100 shares of common stock at an exercise price equal to the greater of (i) 105% of the average closing market price of the Company's common stock on the Tokyo Stock Exchange for the calendar month before the grant date (excluding days when there are no transactions), or (ii) the closing market price of the Company's common stock on the Tokyo Stock Exchange on the grant date (or the closing market price on the day immediately preceding that date, if there are no transactions on that date). Each stock option granted prior to July 31, 2006 entitles the recipient to acquire 1,000 shares of common stock under the same conditions described above.

The options vest 100% at the grant date. The options granted are exercisable beginning April 1 of the fiscal year after the fiscal year in which they are granted. They are exercisable for four years and three months from that date.

On May 17, 2011, the Board of Directors, and on June 24, 2011, the ordinary general meeting of shareholders, the issue of new stock options for up to 200,000 shares of common stock was authorized. The options for 200,000 shares were granted under these authorizations. On May 16, 2012, the Board of Directors, and on June 22, 2012 the ordinary general meeting of shareholders, the issue of new stock options for up to 211,000 shares of common stock was authorized.

The Company's stock option activities for the years ended March 31, 2012 and 2011 are as follows:

	2012			2011	
		Weighted average exercise price			Weighted average exercise price
	Number of shares	Yen	U.S. Dollars	Number of shares	Yen
Outstanding, beginning of year	**731,000**	**¥1,430**	**$17**	594,000	¥1,577
Granted	**200,000**	**1,109**	**14**	212,000	1,004
Exercised	**47,000**	**1,056**	**13**	12,000	1,024
Cancelled or expired	**229,000**	**1,521**	**19**	63,000	1,461
Outstanding, end of year	**655,000**	**1,327**	**16**	731,000	1,430
Options exercisable, end of year	**456,000**	**¥1,422**	**$17**	525,000	¥1,597

Stock options outstanding and exercisable as of March 31, 2012 are as follows:

	2012						
	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	**456,000**	**¥1,062**	**$13**	**3.47**	**257,000**	**¥1,026**	**$13**
1,401–1,600	**109,000**	**1,537**	**19**	**1.25**	**109,000**	**1,537**	**19**
2,401–2,600	**90,000**	**2,415**	**29**	**0.25**	**90,000**	**2,415**	**29**
	655,000	**¥1,327**	**$16**	**2.66**	**456,000**	**¥1,422**	**$17**

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

	2012	2011
Expected life (year)	**4.5**	4.5
Risk-free rate (%)	**0.31**	0.30
Expected volatility (%)	**39.74**	40.14
Expected dividend yield (%)	**2.52**	2.19

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 17, 2011, the Board of Directors, and June 24, 2011, the ordinary general meeting of shareholders, the issue of new stock options under these stock-linked compensation plans for up to 340,000 shares of common stock was authorized. Options for 202,400 shares were granted under these authorizations. On May 16, 2012, the Board of Directors, and June 22, 2012, the ordinary general meeting of shareholders, the issue of new stock options for up to 340,000 shares of common stock based on the plans was authorized.

The Company's stock-linked compensation plans for the years ended March 31, 2012 and 2011 are as follows:

	2012	2011
	Number of shares	Number of shares
Outstanding, beginning of year	**670,400**	460,500
Granted	**202,400**	217,200
Exercised	**21,400**	7,300
Cancelled or expired	**—**	—
Outstanding, end of year	**851,400**	670,400
Options exercisable, end of year	**150,300**	90,600

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

	2012	2011
Expected life (year)	**2.45**	2.61
Risk-free rate (%)	**0.17**	0.15
Expected volatility (%)	**30.33**	45.77
Expected dividend yield (%)	**3.03**	2.97

Compensation expense incurred on the stock option plans and the stock-linked compensation plans for the years ended March 31, 2012 and 2011 was ¥256 million ($3 million) and ¥234 million, respectively.

25. 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))

*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 in accordance with 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.

Management monitors the strategies for profits and investments and the metrics at the timing 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).

(2) Financial Risk Management Policy

The Companies operate internationally, exposing them to the risk of changes in foreign exchange rates, interest rates and commodity prices. Derivative financial instruments are comprised principally of foreign exchange contracts, foreign currency swaps, interest rate swaps and commodity future contracts utilized by the Company and certain of its subsidiaries to reduce these risks. The Companies assess foreign currency exchange rate risk, interest rate risk and commodity price risk by continuously monitoring changes in these exposures and by evaluating hedging opportunities. The Companies hold or issue commodity derivatives for trading purposes. The Companies are also exposed to credit-related losses in the event of nonperformance by counterparties to financial assets, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and the contracts are diversified across a number of major financial institutions. The Companies' basic policy for fund raising activities is to secure stable, medium- to long-term funds and liquidity for our operations.

1. Foreign currency exchange rate risk management

The Companies operate internationally and are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Companies operate. The Companies' strategy to manage foreign currency risks is mainly to preserve the economic value of cash flows in non-functional currencies by using foreign exchange forward contracts, foreign currency swaps, 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, 2012 and 2011 are as follows:

	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**	**—**	**—**

	2011					
	U.S. Dollars	G.B. Pounds	Chinese Yuan	Euro	Others	Total
Recurring positions:						
Millions of Yen	7,305	377	9,581	(786)	25,316	41,793
Thousands of local currency	87,848	2,816	754,517	(6,682)	—	—
Non-recurring positions:						
Millions of Yen	10,839	482	2,331	2,243	27,430	43,325
Thousands of local currency	130,361	3,600	183,597	19,081	—	—

*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
	2012	2011	**2012**
Profit before tax	**¥(277)**	¥(418)	**$(3)**

(b) Forward foreign exchange contracts

Forward foreign exchange contracts outstanding as of March 31, 2012 and 2011 are mainly as follows:

2012	Average exchange rate Yen	Foreign currency Thousands of local currency	Notional amount Millions of Yen	Fair value Millions of Yen
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	**¥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)**

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

(c) Currency swap agreements

Currency swap agreements outstanding as of March 31, 2012 and 2011 are mainly as follows:

2012	Average exchange rate Yen	Foreign currency Thousands of local currency	Notional amount Millions of Yen	Fair value Millions of Yen
Buy U.S. Dollar/Sell Japanese Yen				
Due in one year or less	**¥ 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**

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

2. Interest rate risk management

The Companies are exposed to market risks arising from changes in interest rates in their business activities. In particular, interest rate fluctuations affect on borrowing costs because a major 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 are monitoring the interest rate risk arising from the assets and liabilities and the Companies' risk management structure is prepared to utilize derivatives contracts such as the interest rate swap to manage 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, 2012 and 2011 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 contacts 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
	2012	2011	**2012**
Profit before tax	**¥(12,589)**	¥(16,439)	**$(154)**

3. Credit risk management

The Companies are exposed to credit risks 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) as of the end of each month for the years ended March 31, 2012 and 2011:

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

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

	Millions of Yen			
	2011			
	At year-end	High	Low	Average
VaR	¥3,885	¥4,855	¥3,337	¥4,045

	Millions of U.S. Dollars			
	2012			
	At year-end	High	Low	Average
VaR	**$57**	**$73**	**$47**	**$60**

The Companies estimate VaR mainly using the historical simulation method since October 2011, even though the Monte Carlo simulation method had been adopted before. 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, 2011 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 at the highly creditable financial institutions to which generally high credit ratings are given by the credit rating agencies.

The Companies have an unused long-term committed lines 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, 2012 and 2011 are as follows:

	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years	Total
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**
2011				
Bonds and borrowings	¥850,435	¥1,780,170	¥1,136,793	¥3,767,398
Trade and other payables	999,096	26,705	43,080	1,068,881
Financial guarantee contracts	43,955	93,456	34,071	171,482

	Millions of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years	Total
2012				
Bonds and borrowings	**$ 7,711**	**$21,562**	**$14,798**	**$44,071**
Trade and other payables	**13,220**	**320**	**483**	**14,023**
Financial guarantee contracts	**732**	**1,276**	**413**	**2,421**

The Companies' liquidity analysis for derivatives as of March 31, 2012 and 2011 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
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)**
2011					
Interest rate contracts	cash receipt	¥ 7,326	¥ 23,839	¥ 9,758	¥ 40,923
	/ (payment)	(2,409)	(5,231)	(3,715)	(11,355)
Foreign exchange contracts	cash receipt	10,339	4,721	149	15,209
	/ (payment)	(19,514)	(4,179)	(295)	(23,988)
Commodity contracts	cash receipt	64,169	5,682	6,667	76,518
	/ (payment)	(71,816)	(16,588)	(8,910)	(97,314)

		Millions of U.S. Dollars			
		Due in one year or less	Due after one year through five years	Due after five years	Total
2012					
Interest rate contracts	cash receipt	**$ 111**	**$ 377**	**$146**	**$ 634**
	/ (payment)	**(24)**	**(58)**	**(41)**	**(123)**
Foreign exchange contracts	cash receipt	**155**	**109**	**5**	**269**
	/ (payment)	**(212)**	**(31)**	**(2)**	**(245)**
Commodity contracts	cash receipt	**529**	**99**	**66**	**694**
	/ (payment)	**(509)**	**(264)**	**(50)**	**(823)**

(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 by discounted future cash flow analysis, using interest rates currently being offered for loans or accounts receivables with similar terms to borrowers or customers of similar credit quality and remaining maturities.

Bonds and borrowings

The fair values of bonds and borrowings, except for debt with floating rates whose carrying amount approximates fair value, are estimated by discounted future cash flow analysis using interest rates currently available for similar types of borrowings with similar terms and remaining maturities.

Guarantee of third party debt

The fair values of financial guarantees are estimated based on the premiums received or 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 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, 2012 and 2011 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	
	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 Yen	
	2011	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥2,086,394	¥2,088,755
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,767,398	3,789,887
Trade and other payables	1,079,781	1,079,879

	Millions of U.S. Dollars	
	2012	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	**$25,815**	**$25,880**
Financial liabilities measured at amortized cost:		
Bonds and borrowings	**44,071**	**44,361**
Trade and other payables	**14,002**	**14,002**

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, 2012 and 2011 are as follows:

	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)**

2011	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 5,157	¥ 157	¥ 26,467	¥ 31,781
Financial assets measured at FVTOCI	285,839	46,857	78,754	411,450
Trade and other receivables measured at FVTPL	—	47,462	—	47,462
Other financial assets (derivatives)				
Derivatives designated as hedges	—	43,922	—	43,922
Derivatives not designated as hedges	10,087	77,510	93	87,690
Total	¥301,083	¥ 215,908	¥105,314	¥ 622,305
Liabilities:				
Trade and other payables measured at FVTPL	¥ —	¥ (64,452)	¥ —	¥ (64,452)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(17,141)	—	(17,141)
Derivatives not designated as hedges	(9,755)	(87,216)	(18,149)	(115,120)
Total	¥ (9,755)	¥(168,809)	¥ (18,149)	¥(196,713)

2012	Millions of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments				
Financial assets measured at FVTPL	**$ 503**	**$ 1**	**$ 377**	**$ 881**
Financial assets measured at FVTOCI	**3,465**	**547**	**1,034**	**5,046**
Trade and other receivables measured at FVTPL	**—**	**527**	**—**	**527**
Other financial assets (derivatives)				
Derivatives designated as hedges	**—**	**682**	**—**	**682**
Derivatives not designated as hedges	**67**	**835**	**—**	**902**
Total	**$4,035**	**$ 2,592**	**$1,411**	**$ 8,038**
Liabilities:				
Trade and other payables measured at FVTPL	**$ —**	**$ (766)**	**$ —**	**$ (766)**
Other financial liabilities (derivatives)				
Derivatives designated as hedges	**—**	**(180)**	**—**	**(180)**
Derivatives not designated as hedges	**(45)**	**(797)**	**(167)**	**(1,009)**
Total	**$ (45)**	**$(1,743)**	**$ (167)**	**$(1,955)**

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, 2012 is as follows:

	Millions of Yen		
2012	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	**¥26,467**	**¥78,754**	**¥(18,056)**
Purchases	**11,688**	**5,128**	**—**
Comprehensive income			
Profit or loss for the year	**728**	**—**	**3,504**
Other comprehensive income	**—**	**2,381**	**—**
Disposal	**(7,131)**	**(1,461)**	**—**
Settlements	**(800)**	**—**	**822**
Balance, end of year	**¥30,952**	**¥84,802**	**¥(13,730)**
Profit or loss for the year included in earnings relating to financial instruments still held at the end of year	**¥ 273**	**¥ —**	**¥ 4,408**

	Millions of U.S. Dollars		
2012	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	**$323**	**$ 960**	**$(220)**
Purchases	**142**	**63**	**—**
Comprehensive income			
Profit or loss for the year	**9**	**—**	**43**
Other comprehensive income	**—**	**29**	**—**
Disposal	**(87)**	**(18)**	**—**
Settlements	**(10)**	**—**	**10**
Balance, end of year	**$377**	**$1,034**	**$(167)**
Profit or loss for the year included in earnings relating to financial instruments still held at the end of year	**$ 3**	**$ —**	**$ 54**

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 future contracts and foreign exchange forward contracts to hedge the changes in fair values on firm commitments. The Companies use interest rate swaps to hedge the changes in fair values on fixed rate borrowings used to fund assets earning interest at variable rates. Changes in the fair values of derivatives designated as fair-value hedges are recognized in profit or loss and are offset by corresponding changes in the fair values of the hedged item to the extent the hedge is effective. For the years ended March 31, 2012 and 2011, net gains or losses for hedged items were net losses of ¥11,261 million ($137 million) and net losses of ¥4,803 million, respectively, and net gains or losses for hedging instruments were net gains of ¥11,261 million ($137 million) and net gains of ¥4,803 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, 2012 and 2011, 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 ¥2,019 million ($25 million) and net losses of ¥8,660 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, 2012, 2011 are as follows:

	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 ($256 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.

2011	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥33,834	¥ —	¥ —	¥ 6,051	¥ 39,885
Foreign exchange contracts	3,576	2,648	125	8,860	15,209
Commodity contracts	1,491	2,248	—	72,779	76,518
Total	¥38,901	¥ 4,896	¥ 125	¥ 87,690	¥ 131,612
Other financial assets (current)					68,641
Other financial assets (non-current)					53,507
Total					¥ 122,148
[Derivative liabilities]					
Interest rate contracts	¥ (2,190)	¥ (3,019)	¥ —	¥ (5,750)	¥ (10,959)
Foreign exchange contracts	(3)	(6,019)	(1,634)	(16,332)	(23,988)
Commodity contracts	(227)	(4,049)	—	(93,038)	(97,314)
Total	¥ (2,420)	¥(13,087)	¥(1,634)	¥(115,120)	¥(132,261)
Other financial liabilities (current)					(92,136)
Other financial liabilities (non-current)					(33,998)
Total					¥(126,134)

Other than the above, the Companies have foreign currency borrowings of ¥17,449 million 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.

2012	Millions of U.S. Dollars				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	**$540**	**$ 38**	**$ —**	**$ 43**	**$ 621**
Foreign exchange contracts	**13**	**68**	**3**	**185**	**269**
Commodity contracts	**3**	**17**	**—**	**674**	**694**
Total	**$556**	**$ 123**	**$ 3**	**$ 902**	**$ 1,584**
Other financial assets (current)					**588**
Other financial assets (non-current)					**914**
Total					**$ 1,502**
[Derivative liabilities]					
Interest rate contracts	**$ (24)**	**$ (54)**	**$ —**	**$ (41)**	**$ (119)**
Foreign exchange contracts	**(0)**	**(25)**	**(45)**	**(175)**	**(245)**
Commodity contracts	**(3)**	**(28)**	**—**	**(793)**	**(824)**
Total	**$ (27)**	**$(107)**	**$(45)**	**$(1,009)**	**$(1,188)**
Other financial liabilities (current)					**(666)**
Other financial liabilities (non-current)					**(448)**
Total					**$(1,114)**

26. Exchange Difference Gains and Losses

Gains and losses resulting from translating assets and liabilities denominated in a currency other than the functional currency of the reporting entity or from settling such items are included in profit or loss as they arise. Net exchange difference losses of ¥4,206 million ($51 million) and ¥3,738 million were included in the Consolidated statement of comprehensive income for the years ended March 31, 2012 and 2011, respectively.

27. Selling, General and Administrative Expenses

The components of Selling, general and administrative expenses for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Employee benefits expenses	**¥351,016**	¥331,930	**$4,281**
Equipment expenses	**112,628**	109,821	**1,374**
Travel and transportation expenses	**24,904**	23,513	**304**
Outsourcing expenses	**53,009**	52,702	**646**
Advertising expenses	**28,789**	27,844	**351**
Amortization expenses of intangible assets	**23,233**	19,689	**283**
Impairment losses on receivables	**10,207**	16,446	**124**
Others	**82,618**	78,745	**1,008**
Selling, general and administrative expenses	**¥686,404**	¥660,690	**$8,371**

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

28. Finance Income and Costs

The components of Finance income and costs for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Interest income:			
Financial assets measured at FVTPL	**¥ 89**	¥ 90	**$ 1**
Financial assets measured at amortized cost	**12,907**	11,192	**158**
Derivatives	**904**	2,637	**11**
Total	**13,900**	13,919	**170**
Interest expense:			
Financial liabilities measured at amortized cost	**(36,535)**	(37,069)	**(445)**
Derivatives	**7,579**	5,060	**92**
Total	**(28,956)**	(32,009)	**(353)**
Dividends:			
Financial assets measured at FVTPL	**486**	732	**6**
Financial assets measured at FVTOCI	**10,708**	9,279	**131**
Total	**11,194**	10,011	**137**
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	**5,298**	2,259	**65**
Others	**9,466**	7,218	**115**
Total	**¥ 14,764**	¥ 9,477	**$ 180**

Others of “Gain (loss) on securities and other investments” are mainly gains and losses on investments of subsidiaries and associates, which includes gains of ¥8,844 million ($108 million) on previously held interests for the year ended March 31, 2012 and gains of ¥6,700 million on deconsolidation of subsidiaries for the year ended March 31, 2011.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2012 and 2011 were gains of ¥8,168 million ($100 million) and losses of ¥8,072 million in “Revenues” and “Cost,” and gains of ¥7,755 million ($95 million) and gains of ¥342 million in “Other, net,” respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2012 and 2011 were ¥70,218 million ($856 million) and ¥55,824 million in “Revenues,” and interest expense from financial liabilities measured at amortized cost were ¥27,108 million ($331 million) and ¥27,321 million in “Cost,” respectively.

29. Income Tax Expense

Income tax expense for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Current tax	**¥83,190**	¥77,483	**$1,015**
Deferred tax	**(5,475)**	(6,812)	**(67)**
Total	**¥77,715**	¥70,671	**$ 948**

The Company is subject to mainly a national corporate tax, an inhabitant tax and a deductible business tax, which in the aggregate resulted in an applicable income tax rate of 40.69% for the years ended March 31, 2012 and 2011. Foreign subsidiaries are subject to the 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 Structures” (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 tax rates will be reduced and a special temporary recovery tax will be imposed. In accordance with this reform, the applicable income tax rate, used to measure deferred tax assets and deferred tax liabilities, will be reduced to 38.01% from 40.69% for temporary differences and others that are expected to be realized during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and to 35.64% for temporary differences and others that are expected to be realized during and after the fiscal year beginning on April 1, 2015. The effects due to this change on income tax expense and other comprehensive income are immaterial.

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, 2012 and 2011 are as follows:

	%	
	2012	2011
The applicable income tax rate in Japan	**41.0**	41.0
Tax effect on equity-accounted investees	**(13.3)**	(8.0)
Tax effect on expenses not deductible for tax purposes	**0.6**	1.7
Difference in applicable tax rate of foreign subsidiaries	**(7.3)**	(8.5)
Reassessment of the recoverability of deferred tax assets	**(2.3)**	2.1
Others—net	**4.1**	(3.1)
The Companies’ average effective income tax rate	**22.8**	25.2

30. Earnings per Share

A calculation of the basic and diluted earnings per share (attributable to owners of the parent) for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Profit for the year attributable to owners of the parent	**¥250,669**	¥200,222	**$3,057**

	Number of shares	
	2012	2011
Weighted-average shares—basic	**1,250,089,967**	1,250,060,473
Dilutive effect of: Stock options	**793,438**	602,278
Weighted-average shares—diluted	**1,250,883,405**	1,250,662,751

	Yen		U.S. Dollars
	2012	2011	**2012**
Earnings per share (attributable to owners of the parent) :			
Basic	**¥200.52**	¥160.17	**$2.45**
Diluted	**200.39**	160.09	**2.44**

31. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Non-cash investing and financing activities:			
Finance lease obligations incurred	**¥ 2,781**	¥ 7,619	**$ 34**
Acquisition of subsidiaries:			
Total consideration paid	**(23,613)**	(15,235)	**(288)**
Cash and cash equivalents included in assets acquired	**52,010**	473	**634**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**¥ 28,397**	¥(14,762)	**$ 346**

Refer to Note 5 for each major class 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, 2012 was ¥66,103 million ($806 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	**¥ 12,653**	**$ 154**
Trade and other receivables	**156,160**	**1,904**
Property, plant and equipment	**222,908**	**2,718**
Other assets	**169,403**	**2,066**
Current liabilities	**(287,438)**	**(3,505)**
Non-current liabilities	**(106,476)**	**(1,298)**

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 loss of control of SMAS and it became an equity-accounted investee.

In the Consolidated statement of cash flows for the year ended March 31, 2012, “Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of” has been presented separately within investing activities due to increased materiality. As a result, ¥3,772 million was reclassified from “Proceeds from sale of other investments” to “Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of” in the Consolidated statement of cash flows for the year ended March 31, 2011.

32. Related Party Transactions

Compensation for directors

The remuneration for directors for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
1. Monthly remuneration	**¥ 837**	¥ 725	**$10**
2. Bonuses resolved at the 143rd ordinary general meeting of shareholders	**—**	515	**—**
3. Bonuses resolved at the 144th ordinary general meeting of shareholders	**301**	—	**4**
4. Expenses recognized for the grant of the 10th of stock option issued on July 31, 2011	**20**	—	**0**
5. Expenses recognized for the grant of the 9th of stock option issued on July 31, 2010	**—**	15	**—**
6. Expenses recognized for the grant of the 6th of stock option (stock-linked compensation plan) issued on July 31, 2011	**90**	—	**1**
7. Expenses recognized for the grant of the 5th of stock option (stock-linked compensation plan) issued on July 31, 2010	**26**	77	**1**
8. Expenses recognized for the grant of the 4th of stock option (stock-linked compensation plan) issued on July 31, 2009	**—**	24	**—**
Total	**¥1,274**	¥1,356	**$16**

33. Subsidiaries

The Companies' subsidiaries as of March 31, 2012 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	99.56 (14.56)
	SMS Construction and Mining Systems Inc.	Acheson, Canada	100.00 (30.00)
	Tecnologia para La Construccion y Mineria S.L.	Madrid, Spain	100.00 (30.00)
	P.T. Oto Multiartha	Jakarta, Indonesia	83.86 (0.32)
	SMS International Corporation	Plant City, U.S.	100.00 (100.00)
	SML Isuzu Limited	Chandigharh, India	54.96
	Triton Navigation B.V.	Amsterdam, Netherlands	100.00 (100.00)
	Toyota Ukraine	Kiev, Ukraine	100.00
	Sumitec International, Ltd.	Moscow, Russia	100.00 (20.00)
	SC Construction Machinery (Shanghai) Corporation	Shanghai, China	100.00 (10.00)
	Others (96 Companies)		
Infrastructure	Sumisho Machinery Trade Corporation	Chuo-ku, Tokyo	100.00
	Sumitomo Shoji Machinex Co., Ltd.	Chuo-ku, Tokyo	100.00
	P.T. Central Java Power	Jakarta, Indonesia	100.00 (100.00)
	Perennial Power Holdings Inc.	New York, U.S.	100.00 (100.00)
	Summit Southern Cross Power Holdings Pty. Ltd.	Sydney, Australia	100.00 (20.00)
	Others (24 Companies)		
Media, Network & Lifestyle Retail	SCSK Corporation	Koto-ku, Tokyo	50.83
	Summit, Inc.	Suginami-ku, Tokyo	100.00
	Jupiter Shop Channel Co., Ltd.	Chuo-ku, Tokyo	100.00 (1.00)
	Montrive Corporation	Shinagawa-ku, Tokyo	100.00 (1.00)
	Others (42 Companies)		

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Mineral Resources, Energy, Chemical & Electronics	Sumitomo Shoji Chemicals Co., Ltd.	Chuo-ku, Tokyo	100.00
	Sumitronics Corporation	Shinagawa-ku, Tokyo	100.00
	Nusa Tenggara Mining Corporation	Chuo-ku, Tokyo	74.28
	Serra Azul Iron Ore, LLC	Chuo-ku, Tokyo	100.00
	Sumi Agro Europe Limited	London, England	100.00 (20.00)
	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 (10.00)
	Petro Summit Pte. Ltd.	Singapore	100.00 (20.00)
	SC Mineral Resources Pty. Ltd.	Sydney, Australia	100.00
	Summit Minerals GmbH	Zug, Switzerland	100.00 (100.00)
	Summit Oil and Gas USA Corporation	New York, U.S.	100.00
	Summit Discovery Resources II LLC	Houston, U.S.	100.00 (100.00)
	Summit Empreendimentos Minerais Ltda	Sao Paulo, Brazil	100.00 (100.00)
	Inversiones SC Sierra Gorda Limitada	Santiago, Chile	100.00 (0.06)
	SC Sierra Gorda Finance B.V.	Amsterdam, Netherlands	100.00
	Comercial Metales Blancos AB	Stockholm, Sweden	100.00
	Others (64 Companies)		
General Products & Real Estate	SEVEN INDUSTRIES CO., LTD.	Minokamo, Gifu	50.61
	Sumifru Corporation	Bunkyo-ku, Tokyo	100.00
	IG Kogyo Co., Ltd.	Higashine, Yamagata	65.48
	S.C. Cement Co., Ltd.	Chuo-ku, Tokyo	100.00
	TBC Corporation	Palm Beach Gardens, U.S.	100.00 (100.00)
	Summit Rural Western Australia Pty. Ltd.	Kwinana, Australia	100.00 (20.00)
	Others (46 Companies)		
New Industry Development & Cross-function	Sumisho Global Logistics Co., Ltd.	Chuo-ku, Tokyo	100.00
	Bluewell Corporation	Chuo-ku, Tokyo	100.00
	Thang Long Industrial Park Corporation	Hanoi, Vietnam	58.00 (58.00)
	Sumitomo Corporation Global Commodities Limited	London, England	100.00 (49.00)
	Others (38 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 (11 Companies)		

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the 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)
	Others (123 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 ($253 million) of assets held for sale and ¥7,920 million ($97 million) of associated liabilities are presented as “Other current assets” and “Other current liabilities,” respectively, as of March 31, 2012.

34. Commitments and Contingent Liabilities

(1) Commitments

The Companies customarily enter into long-term purchase commitments for certain items, principally ocean transport vessels and industry materials, either at fixed prices or at basic purchase prices adjustable to market. Such purchase commitments are in most instances matched with counter-party sales contracts. Long-term purchase contracts at fixed prices or at basic purchase prices adjustable to market amounted to ¥458,918 million ($5,597 million) as of March 31, 2012. Scheduled deliveries are at various dates through 2025. The Companies also had financing commitments of ¥76,933 million ($938 million) as of March 31, 2012 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, 2012:

	Millions of Yen	Millions of U.S. Dollars
	2012	**2012**
Guarantees of indebtedness to :		
Equity-accounted investees	**¥105,705**	**$1,289**
Third parties	**83,982**	**1,024**
Employees	**1,465**	**18**
Residual value guarantees for lease	**7,376**	**90**
Total	**¥198,528**	**$2,421**

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 ¥10,877 million ($133 million) as of March 31, 2012. The Companies would be obligated to reimburse the banks for losses, if any, if an equity-accounted investee defaults on a guaranteed loan.

2. Guarantees 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 2015. 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, 2012. Certain 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 obligated to reimburse the banks for losses, if any, if the employee defaults on a guaranteed loan. These guarantees are collateralized by the housing units related to the loans.

4. Residual Value Guarantees

The Companies also provides residual value guarantees to owners of transportation equipment leased by third parties under operating leases to compensate for the gap between fixed prices and actual disposal proceeds on dates specified in these contracts. These guarantees mature through 2015. If the actual disposal amounts of the equipment are less than the guaranteed values on the specified date, the Companies will be required to compensate for the shortfall so long as obligations by the lessee under the contract are satisfied. The current estimated future values of such transportation equipment are higher than the guaranteed values, and, accordingly, no allowance has been recognized as of March 31, 2012.

Management does not anticipate incurring 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 2012 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.

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

35. Subsequent Events

Subsequent events as of June 22, 2012, the date the Annual Security Report was filed, are as follows:

The Companies have issued unsecured bonds as follows:

<The 45 round unsecured bond >

Issue date	Principal amount	Issue Price (per ¥100 of face value)	Yearly Coupon Rate	Maturity Date	Use of funds
April 20, 2012	¥ 30 billion	¥ 100	1.117%	April 20, 2022	Repayment of debt
	$366 milllion	$1.22			

36. Approval of Consolidated Financial Statements

The Consolidated financial statements were approved by Kuniharu Nakamura, CEO, and Toyosaku Hamada, CFO, on June 22, 2012.

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, 2012, 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, 2012, 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, 2012 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.

June 22, 2012
Tokyo, Japan