Financial Section

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 a principal and an 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 five industry-based business segments and overseas regional operations. Our industry-based business segments are:

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

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 to facilitate efficient operations. 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 five industry-based business units 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 overseas operations to facilitate proper integration and risk control.

On April 1, 2014 the Kansai Regional Business Unit and Chubu Regional Business Unit were abolished, and the business departments constituting the above two business units were incorporated into organizations under headquarter's business units and divisions.

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

2. Our Medium-Term Targets

The following discussion of our medium-term targets contains forward-looking statements and measures that have been calculated based on a number of judgments, estimates and assumptions. Unless otherwise stated, the forward-looking statements reflect management's current assumptions and expectations of future events as of March 31, 2015. Accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance.

(1) Summary of the medium-term management plan: "Be the Best, Be the One 2014"

The Company had positioned its medium-term management plan "Be the Best, Be the One 2014 (BBBO2014)" as the "stage of heading for an even higher level of profit growth by thoroughly enhancing our earning power" for the two years until March this year, and made efforts to build a solid earnings base while maintaining financial soundness. To be specific, we stimulated the metabolism of our business portfolio by executing new investment and loans as well as replacing businesses in order to expand our earnings base; however, due to the incurrence of impairment losses on large projects in fiscal 2014, among other factors, we failed to reach the quantitative targets of "BBBO2014" such as Profit for the year attributable to owners of the parent, etc.

(i) Achievements of "BBBO2014"

The quantitative targets of "BBBO2014" and actual performance were as below.

	Targets		Actual	
	Fiscal 2013	Fiscal 2014	Fiscal 2013	Fiscal 2014
Profit (loss) for the attributable to owners of the parent	¥240.0 billion	¥270.0 billion	¥223.1 billion	¥(73.2) billion
Risk-adjusted return ratio	<2-year average>	Approx. 12%	<2-year average>	3.5%
ROA	<2-year average>	3% or more	<2-year average>	0.9%

In fiscal 2013, solid results in metal products, transportation and construction systems, and other non-mineral resources businesses pushed up our company-wide performance, but in our mineral resources businesses, we felt the impact of lower prices, and at the end of the fiscal year we booked impairment losses of ¥27.7 billion in Coal-mining projects in Australia; as a result Profit for the year attributable to owners of the parent totaled ¥223.1 billion.

In fiscal 2014, Profit (loss) for the year attributable to owners of the parent amounted to a loss of ¥73.2 billion. This reflected a sluggish performance in mineral resources businesses due to a further drop in commodity prices, combined with ¥310.3 billion of impairment losses posted for several projects including Tight oil development project in the U.S. and Iron ore mining project in Brazil. These factors outweighed robust performances from our earnings pillars and profit contributions from investments made in recent years in non-mineral resources businesses.

(ii) Impairment losses

The principal projects that posted impairment losses in fiscal 2014, which were the main reason for the failure to reach the quantitative targets of "BBBO2014" are shown below.

Projects	Project Outline	Amount of Impact on Profit (loss) for the year attributable to owners of the parent	Main Reason for Impairment Losses
Tight oil development project in the U.S.	Tight oil & gas development and relevant businesses in the state of Texas, U.S.	¥(199.2) billion	Resolution of the divestment of certain fixed assets, decline in the oil prices, revision of the long-term business plan
Iron ore mining project in Brazil	Iron ore mining operations and relevant businesses in the Serra Azul region of the state of Minas Gerais in Brazil	¥ (62.3) billion	Decline in the iron ore prices, revision of the life of mine plan and future expansion plan
Shale gas project in the U.S.	Shale gas development and relevant businesses in the state of Pennsylvania, U.S.	¥ (31.1) billion	Decline in the oil & gas prices, revision of the long-term business plan
Coal-mining projects in Australia	Investments in coal mines in Australia	¥ (24.4) billion	Decline in the coal prices
Tire business in the U.S. (TBC)	Retail and wholesale of tires in the U.S.	¥ (21.9) billion	Revision of the business plan
Oil field interests in the North Sea	Crude oil & natural gas development and relevant businesses in the British and Norwegian zones of the North Sea	¥ (3.6) billion	Decline in the oil prices, revision of the long-term business plan
Tax effect and others		¥ 32.3 billion	
Total amount		¥(310.3) billion	

(2) Overview of a new medium-term management plan: "Be the Best, Be the One 2017"

(i) Basic policy

Based on the summary of "BBBO2014," the Company has prepared a new medium-term management plan "Be the Best, Be the One 2017 (BBBO2017)," which covers fiscal 2015, 2016 and 2017. Its basic policies are as follows:

Theme: To make group-wide efforts in overcoming issues and to outline a path toward the realization of "What We Aim to Be"

- Steady implementation of managerial reform
- Strengthening earning power to achieve "What We Aim to Be"
- Regaining balance between core risk buffer and risk-adjusted assets and securing positive post-dividend free cash flow (3-year total)

"What We Aim to Be in 2019, Our Centennial Year"

- We aim to be a corporate group that is recognized by society as meeting and exceeding the high expectations directed toward us, creating value that nobody else can match in ways befitting our distinctive identity.
- We aim to build a solid earnings base and aim for an even higher level of profit growth while maintaining financial soundness.

Total assets: Around ¥10 trillion / Profit for the year attributable to owners of the parent: ¥400 billion or more

(ii) Priority actions

Steady implementation of managerial reform

>> *Change the Management Council into a decision-making body*

We will change the Management Council, which had been positioned as an advisory body to the President, into a decision-making body in order to establish a system under which decisions on important matters are made through multilateral discussions more than before.

>> *Strengthen the system for handling important and large-scale projects*

We will strengthen our risk management system by introducing a scheme of Loan and Investment Committees within business units, in addition to the company-wide Loan and Investment Committee, to discuss and examine investments from various perspectives prior to the investment stage and by holding discussions in two stages, first at the time of considering the investment and second at the time of execution of the investment.

>> *Adjust the hurdle rate for investments*

We will review our hurdle rate for investments so that they better correspond to the nature of the risks for each business and will aim to determine the profitability of investments more appropriately by using the hurdle rate.

>> *Increase in the number of outside directors*

>> *Active response to the Corporate Governance Code*

Strengthening earning power to achieve "What We Aim to Be" (promoting a growth strategy)

>> *Strengthening/promoting cross-organizational collaboration*

Based on the growth strategies of each business unit, we will strengthen and promote cross-organizational collaboration among businesses which have compatibilities in terms of industry, function and region in respect of overall portfolio.

>> *Strategic industrial/regional focus*

Following our initiatives started in "BBBO2014," we will continue to strengthen the structure to develop businesses in the following industries and regions with growth potential:

Industrial focus: Energy-related business, retail business in Asia, food and agriculture-related business

Regional focus: Brazil, India, Myanmar, Turkey, Sub-Saharan Africa

>> *Policy for the upstream mineral resources & energy business*

> Reduction of risk exposure through early financial completion (Nickel project in Madagascar, copper project in Chile, etc.)

> Continuous cost reduction and earning power improvement in existing businesses

> Basic policy; new investments replace existing assets

> Reconstruction of the risk management and assessment system

- Manage concentration risk (monitoring and stress test regularly)
- Improve methodology of project valuation (improve criteria for pipeline screening and risk scenario analyses)
- Establish an expert organization (strengthen market analyses and technical evaluation abilities through the use of expertise of external human resources)

Regaining a balance between core risk buffer and risk-adjusted assets and securing positive post-dividend free cash flow (3-year total)

As a discipline for the promotion of our growth strategies, we will make investments and pay dividends within the cash generated from profits and asset replacements, in order to realize sustainable profit growth. In the three-year period of the "BBBO2017," we plan to collect cash of approximately ¥1.4 trillion through basic profit cash flow, depreciation and amortization and asset replacement. We plan to allocate approximately ¥200 billion to dividend payments and the remaining ¥1.2 trillion to investments. We aim to regain a balance between our core risk buffer and our risk-adjusted assets while continuing investment for growth to secure a positive post-dividend free cash flow.

(iii) Quantitative targets

We will aim to achieve the following figures in fiscal 2017 by steadily executing the priority actions mentioned above.

		Fiscal 2017
Profit targets	Profit for the year attributable to owners of the parent	¥300 billion or more
	ROA	3% or more
	Risk-adjusted return ratio	10% or more
	ROE	Around 10%
Financial policies	Balance between core risk buffer and risk-adjusted assets	Regain balance by the end of fiscal 2017
	Free cash flow <Post-dividend free cash flow>	3-year total ¥200 billion <3-year totals Positive>
Investment plan		3-year total ¥1.2 trillion

Fiscal 2015 Business Performance Forecast

The performance of mineral resources business and tubular products business is expected to slow down due to the drop in prices for oil and other mineral resources, while robust performance is expected to continue in relation to our core businesses in Transportation & Construction Systems; Environment & Infrastructure; and Media, Network, Lifestyle Related Goods & Services segment. On the basis of these factors, we have set a target of ¥230.0 billion in Profit for the year attributable to owners of the parent for fiscal 2015.

*1 Our core risk buffer represents the sum of Common stock, Additional paid-in capital, Retained earnings and Exchange difference on translating foreign operations minus Treasury stock, at cost. Our basic management policy is to keep risk-adjusted assets, which are our maximum possible losses, within our core risk buffer.

*2 Basic profit cash flow is calculated by deducting Share of profit of investments accounted for using the equity method from Basic profit and adding Dividend from investments accounted for using the equity method.

3. Economic Environment

During the period under review (fiscal 2014, i.e., April 1, 2014, through March 31, 2015), on the global economic front, although the United States maintained its strong performance, recovery from the downturn was delayed in Europe and the economies of emerging countries generally slowed down, resulting in only moderate growth overall. Geopolitical risks in Ukraine, the Middle East, and North Africa also came to the surface, increasing uncertainties about the outlook for the global economy. International commodity markets faced increased downward pressure due to mounting doubts over future demand and concerns about oversupply.

In the Japanese economy, although there was weakness in personal spending and housing investment after the consumption tax rate was raised in April 2014, the employment and income environment and corporate performance continued to improve, resulting in a gradual recovery trend in the second half.

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, etc.

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

- services related to customized software development;
- loans, finance leases and operating leases of commercial real estate, automobiles, vessels and aircrafts; and
- other service arrangements, such as arranging finance and coordinating logistics in connection with trading activities.

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

Gross Profit. Gross profit primarily consists of:

- gross profit on transactions for which we act as a principal; and

- fees and commissions received on transactions for which we act as an agent.

To the extent revenues are recorded on a gross basis, any expenses or commissions or other payments to third parties that are directly attributable to the sales are recorded as cost of sales. Gross profit reflects the net amount of gross revenues after cost of sales. As part of sales of services and others, we recognize revenues from fees and commissions on a net basis. As a result, sales of services and others contribute a larger portion of our gross profit than they do of our revenues. For the fiscal year ended March 31, 2015, sales of services and others accounted for 16.8% of our total revenues, and the gross profit from sales of services and others accounted for 47.5% of our gross profit.

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

Gain (Loss) on Sale of Long-Lived Assets, Net. As a result of strategic and active replacement of our asset portfolio, we may, at times, recognize gains and losses on sales of some of our real estate assets.

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

Gain (Loss) on Securities and Other Investments, Net. 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.

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

Remeasurements of Defined Benefit Pension Plans. The Companies recognize remeasurements of the net defined benefit liability (asset) in other comprehensive income.

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.

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

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 followings 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 wholesale, retail, manufacturing, and processing operations from which revenue is recognized based on the transfer of title, delivery or shipment, or the attainment of customer acceptance, and (ii) from the provision of services and other sales, from which revenue is recognized based on the delivery of the services. Revenue recognition in these situations does not involve difficult, subjective or complex judgments or estimations.

Recognition of revenue using the percentage-of-completion method for certain long-term construction contracts, etc., is based on the ratio of costs incurred to total estimated project costs and is dependent on our ability to estimate these costs reliably. The impact of revisions of profit estimates on fixed price contracts is recognized in the period in which the revisions are made; anticipated losses on fixed price contracts are charged to profit or loss when losses can be estimated; and provisions are recognized when a present obligation is identified and the amount can be estimated reliably.

Revenue Presentation – Gross Versus Net

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

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

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

Factors that indicate that we are acting as an agent, and thus should recognize revenue on a net basis relative to the service offered include:

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

Impairment of Financial Assets Measured at Amortized Cost

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

Financial Assets Measured at Fair Value

We carry financial assets measured at fair value such as marketable securities, and other investments. The Companies have decided to classify equity instruments into FVTOCI or FVTPL. Financial assets classified as FVTOCI are held for objective, such as expansion of the medium and long-term revenue through maintenance and reinforcement of relationships with investees. Their changes in fair values are not included in the assessment of business performance. Financial assets classified as FVTPL are held to make profits from the changes in fair values and are included in the assessment of business performance. Fair values of these assets are based on market prices or determined by the discounted future cash flow method, profitability and net assets of the investees, and other valuation approaches.

Recoverability of Non-Financial Assets

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

Tax Asset Valuation

We reduce deferred tax assets when, in management's judgment, it is more likely than not that the deferred tax assets, or a portion thereof, will not be realized. In assessing the realizability of deferred tax assets, we must determine whether we will be able to generate adequate future taxable income in the tax jurisdictions that give rise to the deferred tax assets during the periods in which the underlying temporary differences become deductible or before tax net operating loss carry forwards 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, 2015 Compared to Fiscal Year Ended March 31, 2014

Total Revenues. Total revenues totaled ¥3,762.2 billion, representing an increase of ¥444.8 billion, or 13.4%, from ¥3,317.4 billion in the previous year. This was attributable in part to factors such as the yen's depreciation and the new consolidation of Edgen Group.

Gross Profit. Gross profit totaled ¥952.9 billion, up by ¥58.5 billion, or 6.5%, from ¥894.4 billion in the previous year. This was due to factors such as a robust performance by tubular products business in North America and the new consolidation of Edgen Group.

Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled ¥755.2 billion, an increase of ¥48.8 billion, or 6.9%, from ¥706.4 billion in the previous year. This was owing mainly to the yen's depreciation, and to the new consolidation of Edgen Group.

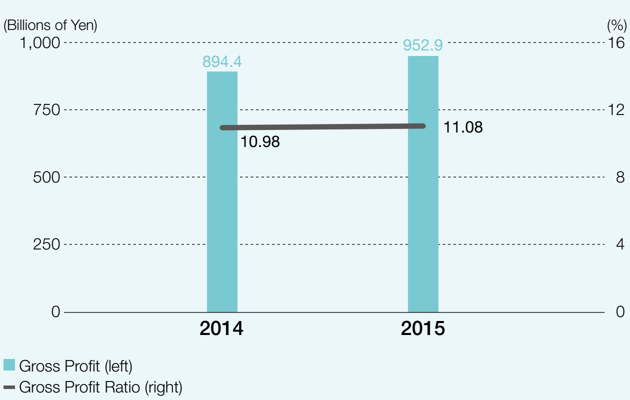
Impairment losses on long-lived assets. Impairment losses on long-lived assets totaled ¥278.6 billion, up by ¥247.2 billion, or 787.1%, from ¥31.4 billion in the previous year. This was owing mainly to impairment losses on Tight oil development project in the U.S., Shale gas project in the U.S., Coal-mining projects in Australia, Tire business in the U.S., and Oil field interests in the North Sea.

Share of profit of investments accounted for using the equity method. Share of profit of investments accounted for using the equity method totaled ¥49.1 billion, a decrease of ¥77.1 billion, or 61.1%, from ¥126.2 billion in the previous year. This was owing mainly to impairment losses on Iron ore mining project in Brazil.

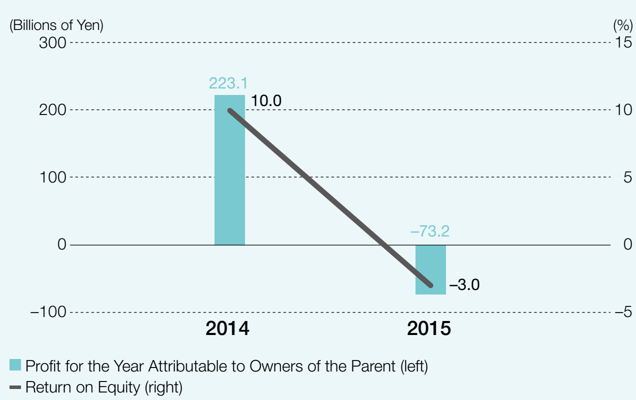
Profit (loss) for the year attributable to owners of the parent. As a result of the above, Profit (loss) for the year attributable to owners of the parent totaled a loss of ¥73.2 billion, representing a decline of ¥296.2 billion, from ¥223.1 billion in the previous year.

Comprehensive income for the year attributable to owners of the parent. Comprehensive income for the year attributable to owners of the parent totaled ¥146.0 billion, down by ¥265.6 billion, or 64.5%, from ¥411.5 billion in the previous year. This was due primarily to factors such as a decrease in Retained earnings by incurring Loss for the year attributable to owners of the parent despite an increase in Financial assets measured at fair value through other comprehensive income and in Exchange differences on translating foreign operations caused by yen's depreciation.

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



Profit for the Year Attributable to Owners of the Parent & Return on Equity



7. Operating Segment Analysis

We manage and assess our business using six operating segments, including five operating segments based on industries and one overseas operating segment based on a geographical focus.

We conduct our business using five business segments based on industries, including: Metal Products; Transportation & Construction Systems; Environment & Infrastructure; Media, Network, Lifestyle Related Goods & Services; Mineral Resources, Energy, Chemical & Electronics.

In addition, we conduct our business in overseas regional operations. Our overseas operations, which are distinct from the industry-based business units, are conducted by our overseas subsidiaries, such as Sumitomo Corporation of Americas, 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 overseas regional operations constitute the "Overseas Subsidiaries and Branches" segment in our consolidated financial statements.

The following table sets forth our operating results by operating segments for the fiscal years ended March 31, 2015 and 2014.

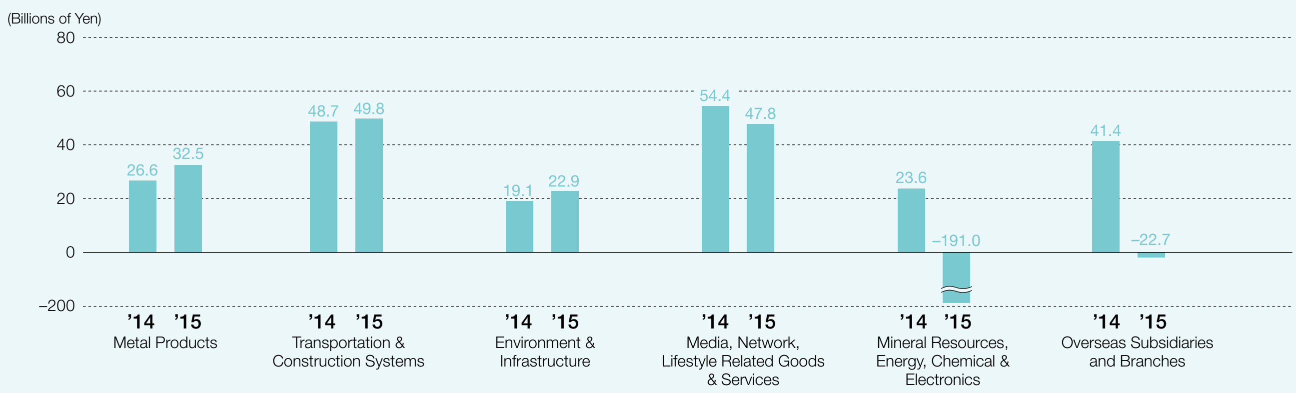
Breakdown of Gross Profit by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2015 and 2014	2015	2014	Increase/ decrease	Increase/ decrease	2015
Metal Products	**¥103.5**	¥ 97.2	¥ 6.4	6.6%	**$ 863**
Transportation & Construction Systems	**133.9**	124.2	9.7	7.8	**1,116**
Environment & Infrastructure	**64.5**	63.7	0.8	1.3	**537**
Media, Network, Lifestyle Related Goods & Services	**288.7**	284.9	3.8	1.3	**2,406**
Mineral Resources, Energy, Chemical & Electronics	**86.9**	82.9	4.0	4.8	**724**
Overseas Subsidiaries and Branches	**277.5**	244.5	33.0	13.5	**2,313**
Segment Total	**955.0**	897.4	57.6	6.4	**7,959**
Corporate and Eliminations	**(2.1)**	(3.0)	(0.9)	30.0	**(18)**
Consolidated	**¥952.9**	¥894.4	¥58.5	6.5%	**$7,941**

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, 2015 and 2014	2015	2014	Increase/ decrease	Increase/ decrease	2015
Metal Products	**¥32.5**	¥ 26.6	¥ 5.9	22.2 %	**$ 271**
Transportation & Construction Systems	**49.8**	48.7	1.1	2.3	**415**
Environment & Infrastructure	**22.9**	19.1	3.8	19.9	**191**
Media, Network, Lifestyle Related Goods & Services	**47.8**	54.4	(6.6)	(12.1)	**399**
Mineral Resources, Energy, Chemical & Electronics	**(191.0)**	23.6	(214.7)	—	**(1,592)**
Overseas Subsidiaries and Branches	**(22.7)**	41.4	(64.1)	—	**(189)**
Segment Total	**(60.6)**	213.9	(274.4)	—	**(505)**
Corporate and Eliminations	**(12.6)**	9.2	(21.8)	—	**(105)**
Consolidated	**(73.2)**	¥223.1	¥(296.2)	— %	**$ (610)**

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



Fiscal Year Ended March 31, 2015 Compared to Fiscal Year Ended March 31, 2014

Metal Products

Gross profit totaled ¥103.5 billion, an increase of ¥6.4 billion, or 6.6%, from ¥97.2 billion in the previous year. This was attributable to factors such as a robust performance by tubular products business in North America and the operations of steel service centers, in addition to new consolidation of Edgen Group. Profit (loss) for the year attributable to owners of the parent totaled ¥32.5 billion yen, an increase of ¥5.9 billion, or 22.2%, from ¥26.6 billion in the previous year.

Transportation & Construction Systems

Gross profit totaled ¥133.9 billion, an increase of ¥9.7 billion, or 7.8%, from ¥124.2 billion in the previous year. This was attributable to factors such as a robust performance by construction equipment rental business in the U.S. Profit (loss) for the year attributable to owners of the parent totaled ¥49.8 billion, an increase of ¥1.1 billion, or 2.3%, from ¥48.7 billion in the previous year. This was attributable to factors such as a steady performance of leasing business and the increase of gross profit as stated above.

Environment & Infrastructure

Gross profit totaled ¥64.5 billion, an increase of ¥0.8 billion, or 1.3%, from ¥63.7 billion in the previous year. Profit (loss) for the year attributable to owners of the parent totaled ¥22.9 billion, an increase of ¥3.8 billion, or 19.9%, from ¥19.1 billion in the previous year. This was attributable to factors such as the ongoing steady performance by overseas electric power infrastructure business.

Media, Network, Lifestyle Related Goods & Services

Gross profit totaled ¥288.7 billion, an increase of ¥3.8 billion, or 1.3%, from ¥284.9 billion in the previous year. Profit (loss) for the year attributable to owners of the parent totaled ¥47.8 billion, a decrease of ¥6.6 billion, or 12.1%, from ¥54.4 billion in the previous year. This was referred from impairment losses of ¥7.5 billion in Tire business in the U.S., although domestic major group companies showed robust performances.

Mineral Resources, Energy, Chemical & Electronics

Gross profit totaled ¥86.9 billion, an increase of ¥4.0 billion, or 4.8%, from ¥82.9 billion in the previous year. This was due mainly to a steady performance of San Cristobal silver-zinc-lead mining project in Bolivia. Profit (loss) for the year attributable to owners of the parent totaled to a loss ¥191.0 billion, a decrease of ¥214.7 billion, from ¥23.6 billion in the previous year. This was attributable to total impairment losses of ¥206.8 billion in Tight oil development project in the U.S., Iron ore mining project in Brazil, Shale gas project in the U.S., and Oil field interests in the North Sea, and to total losses of ¥21.0 billion from impairment losses and provisions for costs relating to placing the mine in care and maintenance in Coal-mining projects in Australia.

Overseas Subsidiaries and Branches

Gross profit totaled ¥277.5 billion, an increase of ¥33.0 billion, or 13.5%, from ¥244.5 billion in the previous year. This was due mainly to a robust performance of metal products business. Profit (loss) for the year attributable to owners of the parent totaled to a loss of ¥22.7 billion, a decrease of ¥64.1 billion, from ¥41.4 billion in the previous year. This was due to total impairment losses of ¥71.6 billion in Tight oil development project in the U.S., Iron ore mining project in Brazil, Shale gas project in the U.S., Oil field interests in the North Sea, and Tire business in the U.S., and to total losses of ¥3.5 billion from impairment losses and provisions for costs relating to placing the mine in care and maintenance in Coal-mining projects in Australia, although metal products business showed a robust performance.

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, 2015, we had ¥4,421.3 billion of bonds and borrowings. Our short-term debt, excluding current maturities of long-term debt, was ¥439.4 billion, an increase of ¥28.4 billion from the previous year. Our short-term debt consisted of ¥324.6 billion of loans, principally from banks, and ¥114.8 billion of commercial paper.

As of March 31, 2015, we had bonds and long-term debt of ¥3,981.9 billion, an increase of ¥153.9 billion from the previous year, including current maturities of ¥508.6 billion. As of March 31, 2015, the balance of our borrowings from banks and insurance companies was ¥3,487.3 billion, an increase of ¥145.5 billion from the previous year, and the balance of notes and bonds was ¥494.6 billion, an increase of ¥8.4 billion from the previous year.

Most of our loans from banks contain covenant provisions customary in Japan. We do not believe those provisions materially limit our operating or financial flexibility. However, 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, 2015, 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 Americas by a major U.S. bank;
- ¥330 billion line of credit provided by a syndicate of major Japanese banks, including ¥100 billion multi- currency facility; 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, 2015, our long-term and short-term credit ratings are A2/P-1 (outlook negative) from Moody's Investors Service, A-/A-2 from Standard & Poor's and AA-/a-1+ (outlook negative) from Rating and Investment Information, Inc. In order to facilitate our access to capital markets for funding, we have established several funding programs, including:

- ¥200 billion Japanese shelf registration for primary debt offerings;
- ¥1.0 trillion commercial paper program in Japan;
- $1,500 million commercial paper program, established by our U.S. subsidiary, Sumitomo Corporation of Americas;
- U.S.$3,000 million Euro Medium Term Note program jointly established by Sumitomo Corporation Capital Europe, Sumitomo Corporation of Americas 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, 2015, Total assets stood at ¥9,021.4 billion, representing an increase of ¥352.6 billion from the previous fiscal year-end due to new investments and the yen's depreciation despite a decrease caused by impairment losses in the several projects including Tight oil development project in the

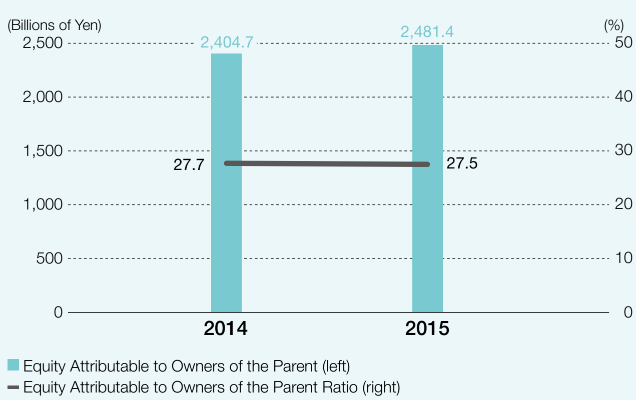
U.S. and Iron ore mining project in Brazil.

As of March 31, 2015, Equity attributable to owners of the parent totaled to ¥2,481.4 billion, an increase of ¥76.8 billion from the previous fiscal year-end, due primarily to an increase in Exchange differences on translating foreign operations caused by the yen's depreciation despite a decrease in Retained earnings by incurring Loss for the year attributable to owners of the parent. The ratio of Equity attributable to owners of the parent to Total assets was 27.5%. Meanwhile, Interest-bearing liabilities (net) rose by ¥394.1 billion from the previous fiscal year-end, to ¥3,517.5 billion. Consequently, the net debt-equity ratio (Interest-bearing liabilities (net)/ Equity attributable to owners of the parent) was 1.4.

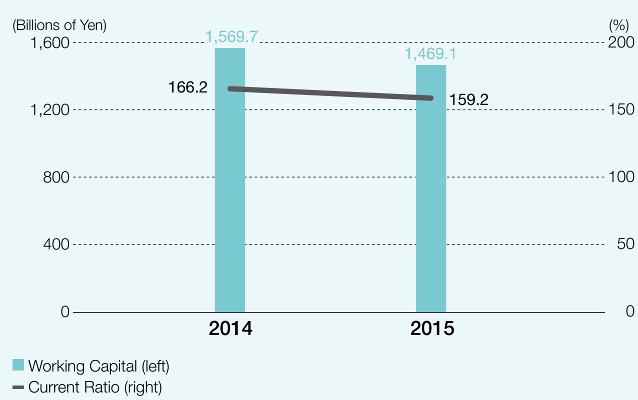
Liquidity and Capital Resources

	Billions of Yen		Millions of U.S. Dollars
As of March 31, 2015 and 2014	2015	2014	2015
Short-term	¥ 439.4	¥ 411.0	$ 3,661
Loans, principally from banks	324.6	316.9	2,705
Commercial paper	114.8	94.0	956
Long-term, including current maturities of long-term debt	3,981.9	3,828.0	33,183
Secured long-term debt			
Loans	461.1	432.6	3,842
Bonds	46.5	46.7	388
Unsecured long-term debt			
Loans	3,026.2	2,909.2	25,219
Bonds and notes	448.1	439.5	3,734
Interest-bearing liabilities (gross)	4,421.3	4,238.9	36,844
Cash and cash equivalents & time deposits	903.7	1,115.5	7,531
Interest-bearing liabilities (net)	3,517.5	3,123.5	29,313
Total assets	9,021.4	8,668.7	75,178
Equity attributable to owners of the parent	2,481.4	2,404.7	20,679
Equity attributable to owners of the parent ratio (%)	27.5	27.7	27.5
Debt-Equity Ratio (gross) (times)	1.8	1.8	1.8
Debt-Equity Ratio (net) (times)	1.4	1.3	1.4

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



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



Financial Section

The following table sets forth our cash flow information for the fiscal years ended March 31, 2015, and 2014:

Summary Statements of Consolidated Cash Flows

For the years ended March 31, 2015 and 2014	Billions of Yen 2015	Billions of Yen 2014	Millions of U.S. Dollars 2015
Net cash from operating activities	**¥ 243.7**	¥ 278.2	**$ 2,031**
Net cash used in investing activities	**(399.6)**	(249.9)	**(3,330)**
Free cash flow	**(155.9)**	28.4	**(1,299)**
Net cash from (used in) financing activities	**(74.8)**	145.9	**(623)**
Net (decrease) increase in cash and cash equivalents	**(230.7)**	174.3	**(1,922)**
Cash and cash equivalents at the beginning of year	**1,111.2**	924.5	**9,260**
Effect of exchange rate changes on cash and cash equivalents	**15.4**	12.4	**128**
Cash and cash equivalents at the end of year	**¥ 895.9**	¥1,111.2	**$ 7,466**

Net cash provided by operating activities totaled ¥243.7 billion, as our core businesses performed well in generating cash.

Net cash used in investing activities was ¥399.6 billion due mainly to new investments of approx. ¥450.0 billion.

As a result, Free cash flow, calculated as Net cash provided by operating activities plus Net cash used in investing activities, totaled ¥155.9 billion outflow.

Net cash used in financing activities was ¥74.8 billion.

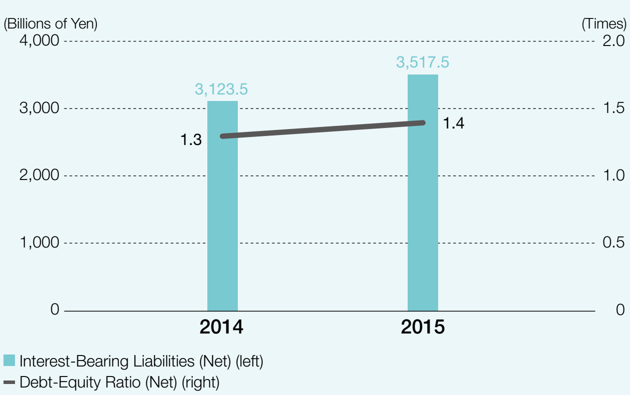
As a result, Cash and cash equivalents as of March 31, 2015 decreased by ¥215.3 billion from March 31, 2014 to ¥895.9 billion.

As of March 31, 2015, our contractual cash obligations for the periods indicated were as follows:

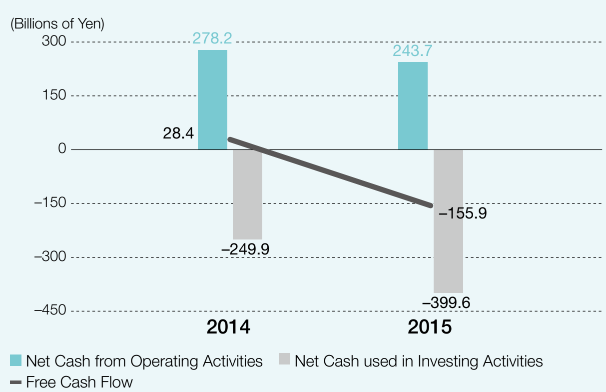
Payments Due by Period

	Billions of Yen: Bonds and borrowings	Billions of Yen: Non-cancelable operating leases
Less than 1 year	¥ 948.0	¥ 45.8
1–2 years	618.8	42.2
2–3 years	538.0	38.3
3–4 years	424.9	35.2
4–5 years	434.3	32.0
More than 5 years	1,457.3	215.6
Total	¥4,421.3	¥409.1

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



Cash Flows



As of March 31, 2015, we had financing commitments in connection with loan, investments in equity capital and we had contracts for the use of equipment, the aggregate amount of ¥1,055.3 billion.

As of March 31, 2015, 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 ¥248.0 billion in property, plant and equipment and made ¥266.6 billion of other investments in the fiscal year ended March 31, 2015. 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, 2015, we were contingently liable for guarantees (continuing through 2040) in the aggregate amount of ¥275.3 billion, including ¥155.5 billion relating to our associated companies and ¥0.6 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 2027 in the aggregate amount of ¥6.5 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, 2015.

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 ("Bolivia"), received a correction notice relating to its withholding tax returns, from Bolivian Tax Authority. MSC has appealed to the Supreme Court for the revocation of corrected amount of tax payment order ($133.5 million) issued by General Authority of Taxes. In addition, MSC has offered the appropriate fixed assets as a collateral in accordance with the procedure stipulated in the related Bolivian law.

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

11. New standards and interpretations not yet applied

The new standards, interpretations, and amendments that have been issued as of the date of the approval for the consolidated financial statements, which the Companies have not yet applied as of March 31, 2015, are as follows. The Companies are currently evaluating the potential impacts that application of these will have on the consolidated financial statements.

IFRSs	Title	Reporting periods on or after which the applications are required	Reporting periods of the application by the Companies (The reporting period ended)	Summaries of new IFRSs and amendments
IFRS 9	Financial Instruments	January 1, 2018	March 31, 2019	New requirements for general hedge accounting Limited amendments to the requirements of classification and measurement of financial assets, and new requirements for impairment
IFRS 10	Consolidated Financial Statements	January 1, 2016	March 31, 2017	Accounting for the sale or contribution of assets between an investor and its associate or joint venture Clarification of requirements when accounting for investment entities
IFRS 11	Joint Arrangements	January 1, 2016	March 31, 2017	Accounting for acquisitions of interests in joint operations
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2016	March 31, 2017	Clarification of disclosure requirements relating to investment entities
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	March 31, 2018	Establishment of accounting for revenue recognition that applies to contracts with customers
IAS 1	Presentation of Financial Statements	January 1, 2016	March 31, 2017	Clarification of requirements for presentation and disclosure in financial reports
IAS 16	Property, Plant and Equipment	January 1, 2016	March 31, 2017	Clarification of acceptable methods of depreciation Accounting for biological assets that meet the definition of a bearer plant
IAS 19	Employee Benefits	July 1, 2014	March 31, 2016	Clarification of the requirements for contributions from employees or third parties to defined benefit plans
IAS 28	Investments in Associates and Joint Ventures	January 1, 2016	March 31, 2017	Accounting for the sale or contribution of assets between an investor and its associate or joint venture Clarification of requirements when accounting for investment entities
IAS 38	Intangible Assets	January 1, 2016	March 31, 2017	Clarification of acceptable methods of amortization
IAS 41	Agriculture	January 1, 2016	March 31, 2017	Accounting for a produce growing on bearer plants

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 the departments which Chief Financial Officer of the Corporate Group manages. In particular, interest rate fluctuations will impact our borrowing costs because a significant amount of our outstanding debt instruments is 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 hedging 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, 2015, we had fair value exposure on our marketable equity securities in the aggregate amount of ¥367.1 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 departments which Chief Financial Officer manages provide the following with respect to the execution and monitoring of transactions:

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

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

VaR (Value at Risk)

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