Sumitomo Corporation

Be the Best, Be the One

2016

Annual Report 2016

Message from the President and CEO: To Our Stakeholders

Kuniharu Nakamura
President and CEO

LOOKING TOWARD THE FUTURE

—What We Should Do Now—

Sumitomo Corporation will celebrate its centennial anniversary in 2019. Looking back on the path that we have walked with the stakeholders who have supported us over 100 years and simultaneously looking to the next 100 years, we will move forward to ensure that the Sumitomo Corporation Group can grow stably and continually.

Current Position—Operating Environment Changes and Review of First Year of Medium-Term Management Plan

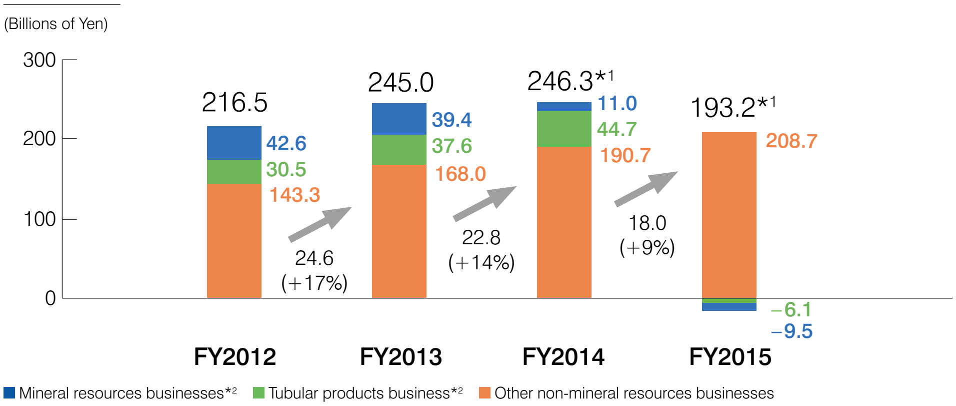
Fiscal 2015 was the first year of our medium-term management plan—Be the Best, Be the One 2017 (BBBO2017)—and also a year in which the pace of change in our operating environment picked up. During the year, a strong sense of uncertainty propagated in the external environment, stimulated by the persistence of sluggish resource and energy prices, further deceleration of the Chinese economy, and the emergence of geopolitical risks. Change spread across the globe, as wide-reacting economic spheres were created by the ASEAN Economic Community (AEC) and the Trans-Pacific Partnership (TPP), technology advanced with breakthroughs in the Internet of Things (IoT) and artificial intelligence (AI), and measures to address environmental issues were deployed.

In this environment, non-mineral resources businesses continued to display an uptrend in earnings. However, due to the impact of a drop in resource and energy prices, a total of ¥195.1 billion in impairment losses was posted, mainly in upstream resources projects. As a result, consolidated net income amounted to ¥74.5 billion, compared with our goal of ¥230.0 billion. It is most unfortunate that we must once again worry our stakeholders, and, as a representative of Sumitomo Corporation's management, I am fully aware of the gravity of this situation.

Meanwhile, basic profit* in non-mineral resources businesses totaled ¥208.7 billion in fiscal 2015, continuing to increase thanks to growth of our core businesses, such as the media, network-related business as well as the overseas power infrastructure business and the automobile manufacturing, financing, and leasing businesses. This increase can be seen as a success of the efforts to boost our earnings capacity that we have advanced to date.

* Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) x (1 – Tax rate) + Share of profit (loss) of investments accounted for using the equity method

Basic Profit



*1. Excludes the impacts of impairment losses

*2. Global basis, including all overseas operations through use of a simplified calculation method (reference)

On the qualitative side of operations, we worked to improve decision-making processes. To this end, the Management Council was designated as the highest decision-making body at the operational execution level, and we strengthened the monitoring functions of the Board of Directors. We also revamped our risk management system in which large-scale investment projects are examined at multiple times at various stages throughout the investment process.

Revision of Three-Year Medium-Term Management Plan BBBO2017

Based on changes in the operating environment, we revised the quantitative performance targets of BBBO2017 that were announced in March 2015. The main points with regard to these revisions are as follows.

1. Revision of Profit Targets
As the slump in the prices of resources and energy has been prolonged, the recovery of our mineral resources businesses and tubular products business are expected to be delayed, although we anticipate a generally solid performance in non-mineral resources businesses. Therefore, we have changed our consolidated net income target for fiscal 2017 from ¥300.0 billion or more to ¥220.0 billion or more.

2. Revision of Cash Flow Targets
We have changed the target from seeking to achieve a positive post-dividend free cash flow on a three-year basis to pursuing a positive free cash flow of ¥500.0 billion, and we intend to use the funds recovered for repaying interest-bearing debt.

Strengthening of Financial Position, Asset Replacement, and Growth Investments

In consideration of our performance in fiscal 2015 as well as the recent deterioration of the operating environment, we have determined that now is the ideal time to further strengthen our financial position. We have thus decided to accelerate the asset replacement initiatives we have been implementing until now to create additional cash for use in repaying interest-bearing debt. By fortifying our position in this manner, we should be able to carry out managerial functions without being overly influenced by external conditions, even if the operating environment deteriorated further in the future. Conversely, if the environment improved, we would be poised to expand our operating foundations, ensuring that we are able to take advantage of any opportunities that might appear. As a result, we have greatly increased our target for funds recovered through asset replacement, and we are now aiming to secure roughly ¥900.0 billion via this method during the three years of the plan. At the same time, we will invest around ¥1.0 trillion over this period, primarily in growth fields such as Automobile & Transportation System-related, Lifestyle and Information Services, and Infrastructure. Our operating environment is currently changing at an unprecedented pace. Amidst such change, the scope of our business is expanding, and the growth fields available for us to target are transforming. For this reason, if we are to ensure robust growth going forward, it will be crucial for us to break out of the confines of existing

frameworks. From such a liberated perspective, we must boldly shift management resources to fields where we can expect more substantial growth and to new projects with the potential to support the Company's future development.

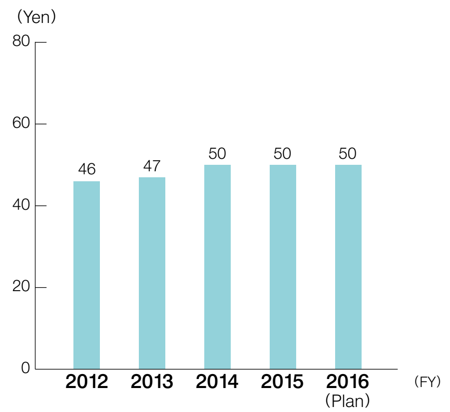
▶ Please refer to "Promoting Our Medium-Term Management Plan—BBBO2017" on page 12 for details.

Shareholder Returns

Sumitomo Corporation's basic policy is to provide shareholders with stable dividends over the long term, and we also aim to raise per share dividend payments by pursuing profit growth in the medium-to-long term.

We have set ¥50 per share as the lower limit for dividend payments over the period of BBBO2017. Dividend amounts for each fiscal year will be decided based on considerations of basic profit and cash flow levels and with a consolidated dividend payout ratio of 25% as our target. In fiscal 2016, we intend to issue dividend payments of ¥50 per share in accordance with the dividend policy of BBBO2017.

Dividends per Share



Sumitomo Corporation's Centennial Anniversary, and 50 and 100 Years Beyond

In 2019, we will celebrate the centennial anniversary of the founding of Sumitomo Corporation. In marking this anniversary, as we look back on the path that we have walked with the stakeholders who have supported us over 100 years, simultaneously looking to the next 50 and 100 years, we will move forward to ensure that the Sumitomo Corporation Group can grow stably and continually. Just as Sumitomo survived for 400 years thanks to its business philosophy, I believe that we should practice this same business philosophy to accomplish growth. One of the core concepts of this philosophy is embodied in the phrase "Benefit for self and others, private and public interests are one and the same." To put it another way, Sumitomo's business activities must benefit not only Sumitomo's own business, but also the nation and society. Sumitomo's ability to continue operating for 400 years was due to its embodiment of this principle, seeking not just its own profits but rather aspiring to always be a company that is useful to society, contributes to society, and is respected by society. I am confident that we will be able to continue growing over the next 50 and 100 years if all of us at Sumitomo Corporation take Sumitomo's philosophy to heart and do our best to benefit the stakeholders with whom we interact.

To commemorate Sumitomo Corporation's centennial anniversary, we plan to relocate our Head Office to Otemachi, in Chiyoda-ku, Tokyo, in fall 2018. The new Head Office location will provide increased convenience, allowing us to build stronger relationships with customers and business partners. At the same time, as we use the relocation as an opportunity to drastically reform employees' working styles, we will create an office environment that contributes to efficiency while stimulating creativity.

In Closing

Our operating environment is currently characterized by accelerated change on a global scale, and there can be no doubt that the amount of business opportunities available to us is growing. In this environment, as we demonstrate the strengths and functions that are unique to Sumitomo Corporation along with Sumitomo's philosophy and the Management Principles, we will stay a step ahead in dealing with change and provide resolutions to the issues that our customers and business partners face while creating value. By advancing BBBO2017, we aim to boost earnings capacity and return to the growth track to ensure stable and continual growth over the next 50 and 100 years. The entire Sumitomo Corporation Group will unite to further us on this path.

I humbly ask for your continued understanding and support of our efforts.

August 2016

Kuniharu Nakamura
President and CEO

CORPORATE MISSION STATEMENT

Corporate Vision

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

Management Principles

[Corporate Mission]

- To achieve prosperity and realize dreams through sound business activities

[Management Style]

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

[Corporate Culture]

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

Activity Guidelines

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

Contents

Scope of the Report
- Period covered:
  April 1, 2015, to March 31, 2016
  (Some activities starting on or after April 1, 2016, are included.)
- Organizations covered:
  Sumitomo Corporation and the Sumitomo Corporation Group
- Previous publication: September 2015
- Next publication: Summer 2017

Referenced Guidelines
- The International Integrated Reporting Council (IIRC) International Framework for Integrated Reporting
- ISO 26000 (Guidance on Social Responsibility)
- Charter of Corporate Behavior (September 14, 2010), Nippon Keidanren (Japan Business Federation)
- "Environmental Reporting Guidelines 2012," issued by Ministry of the Environment, Government of Japan

Cautionary Statement Concerning Forward-looking Statements
This report includes forward-looking statements relating to our future plans, targets, objectives, expectations, and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events and, accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The management targets included in this report are not projections and do not represent management's current estimates of future performance. Rather, they represent targets that management strives to achieve through the successful implementation of the Company's business strategies. The Company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets. The Company is under no obligation—and expressly disclaims any such obligation—to update or alter its forward-looking statements.

OUR HISTORY

Supported by Sumitomo's business philosophy, the Sumitomo Corporation Group has continued to grow while tackling various operating environment changes.

1919

Foundation

Sumitomo Corporation was originally founded as the Osaka North Harbour Company Limited in December 1919. The company engaged in real estate management, conducting land reclamation in the Hokko (North Port of Osaka) and the development of the surrounding areas, along with other activities.

1945

Advance into trading business

In 1945, the company was renamed Nippon Engineering Co., Ltd., and advanced into the trading business, handling products from Japan's major manufacturers as well as products manufactured by its own group companies. From then on, the company focused on trading, aiming to expand both the range of products it traded and the industrial segments in which the company operated.

1962

Adoption of the product division structure

In conjunction with the expansion of its business area and transaction volumes, for enabling all of the Company's business to be advanced through unified policies, the product division structure was adopted in 1962. This move involved consolidating the Osaka and Tokyo sales offices and creating nine product divisions: Iron & Steel, Nonferrous Metals, Electric, Machinery, Agriculture & Fishery, Chemicals, Textiles, General Products & Fuel, and Real Estate. These product divisions were assigned the responsibility for transactions and profitability as well as the human resources-related authority for their respective business.

Sumitomo's Business Philosophy

Honoring the principles of "integrity and sound management," we pursue sincere and sound business activities, acting with an enterprising spirit to contribute to society. Forming the base for Sumitomo Corporation's activities, this sentiment is encapsulated in Sumitomo's business philosophy, which has been passed down for more than 400 years since the inception of Sumitomo in the 17th century.

Monjuin Shiigaki, the origin of Sumitomo's business philosophy (Source: Sumitomo Historical Archives)

Saihei Hirose, Sumitomo's first Director-General (Source: Sumitomo Historical Archives)

1950's 1960's 1970's

1950

Expansion of its presence abroad

The company began steadily expanding its presence overseas, posting an employee to Bombay (now Mumbai), India, for the first time in 1950, and subsequently establishing a U.S. subsidiary in New York in 1952.

1952

Name changed to Sumitomo Shoji Kaisha, Ltd.

The General Headquarters of the Allied Powers in Japan issued an order calling for the dissolution of *zaibatsu* financial conglomerates in 1945. As a result, the usage restriction of the "Sumitomo" trade name and trademark were abolished in 1952 in conjunction with the signing of the Treaty of San Francisco. Accordingly, the company's name was changed to Sumitomo Shoji Kaisha, Ltd., at this time.

1977

"Big Three & The Best"

In 1977, the Company launched its slogan of "Big Three & The Best," and passionately pursued the goal which signified it as being one of the top three companies in terms of total trading transactions and the overall best company in the industry from an all-encompassing standpoint by improving profitability and efficiency.

1979

Introduction of sales division system

In 1979, a sales division system was introduced in connection with the expansion of the Company's business scope. By promoting empowerment to the four newly established sales divisions—Iron & Steel; Machinery & Electric; Nonferrous Metals, Chemical & Fuel; and Consumer Products—flexibility in sales division was greatly improved.

1945
- End of World War II
- General Headquarters of the Allied Powers in Japan issues an order calling for the dissolution of *zaibatsu*

1950
- Special demand for supplying the United States in the wake of the Korean War
- Japanese economy makes strides toward recovery

1955
- Japanese post-war economic miracle
- Exports stimulated and trade deregulated

1964
- Summer Olympics in Tokyo

1970
- Expo '70 in Osaka

1971
- Nixon Shock

1973
- First oil crisis
- Transition to floating exchange rate system

1979
- Second oil crisis

1980
- Iran–Iraq War

1985
- Plaza Accord
  Rapid yen appreciation
- Monetary easing policies instituted by the Bank of Japan

▶ Please refer to the "BUSINESS HISTORY" section on page 26 for the history of business.

1988

Vision of Integrated Business Enterprise

In 1988, the Company set out its vision of becoming an Integrated Business Enterprise and promoted (1) acceleration of business activities, (2) expansion into downstream fields, and (3) reinforcement of Integrated Corporate Strength, based on existing trading activities. Through these promotions, the Company aimed to form two major revenue sources: trading activities and business activities.

2000

Implementation of medium-term management plans

Under the Reform Package, a medium-term management plan was adopted in 1999, and the Company pushed forward with reforms aimed at achieving (1) profit growth by expansion of core businesses, (2) strengthening the corporate constitution through risk asset management, (3) realization of effective, efficient management, and (4) reinforcement of cost competitiveness. After the conclusion of this plan, the Company worked to strengthen its earnings base by formulating and implementing a series of two-year medium-term management plans, including Step Up Plan, AA Plan, AG Plan, and GG Plan.

2015

Overall loss recorded due to substantial impairment losses

The Company has continued to strengthen its earnings base since the financial crisis that followed the bankruptcy of Lehman Brothers in 2008. However, in fiscal 2014 the Company recognized substantial impairment losses on several large-scale projects, forcing it to record an overall loss for the first time in 16 years.

1980's 1990's 2000's 2010's

1996

The copper incident

In 1996, it came to light that the general manager of a sales department was conducting unlawful copper trading unbeknownst to the Company. This incident led to the recording of losses to the extent of ¥285.0 billion, and roughly a decade was required to resolve the issue. Learning from this experience, the Company implemented a strict internal control system to prevent the recurrence of similar acts.

1998

Establishment of the Corporate Mission Statement and introduction of the Risk-adjusted Return Ratio

In 1998, the Sumitomo Corporation Management Charter was revised, and the new Corporate Mission Statement was formed. The Risk-adjusted Return Ratio was introduced as a new management indicator to serve as a common benchmark for judging the profitability of projects based on the amount of returns generated compared with inherent risks.

2001

Consolidated Head Office in Tokyo

In 2001, the names of the "Osaka Head Office" and "Tokyo Head Office" were abolished, and the Head Office functions were consolidated within a new location at Harumi Triton Square, in Chuo-ku, Tokyo. At the same time, the Company introduced the business unit system, giving rise to the Kansai Regional Business Unit, Chubu Regional Business Unit, and Kyushu Okinawa Regional Business Unit. Harumi Triton Square was created through a development project that was spearheaded by the Company. With a scale of ¥300.0 billion, this project garnered a considerable amount of attention as the largest commercial facility development project in Japan at that time.

2015

New medium-term management plan: Be the Best, Be the One 2017

In 2015, we launched our new medium-term management plan—"Be the Best, Be the One 2017." To make Groupwide efforts in overcoming issues and to outline a path toward the realization of "What We Aim to Be" is theme for the management plan.

1986
- Sharp rise in stock and real estate prices lead to creation of Japanese asset price bubble

1989
- Consumption tax introduced in Japan
- Nikkei 225 reaches record high of ¥38,915.87 in December
- End of Cold War and collapse of the Berlin Wall

1991
- Collapse of asset price bubble in Japan, start of recession

1996
- Launch of large-scale financial system reform (Japanese Big Bang)

1997
- Asian financial crisis

1999
- Creation of Economic and Monetary Union
- Dot-com bubble

2001
- Birth of Japan's big three megabanks
- September 11 attacks

2003
- Start of Iraq War
- Severe acute respiratory syndrome (SARS) outbreak, mad cow disease pandemic in the United States

2008
- Lehman Brothers bankruptcy

2010
- Greek government debt crisis
- China's GDP becomes No. 2 in the world

2011
- Great East Japan Earthquake

2013
- "Abenomics" economic reforms
- Tokyo chosen to host 2020 Summer Olympics

OUR BUSINESS HIGHLIGHT

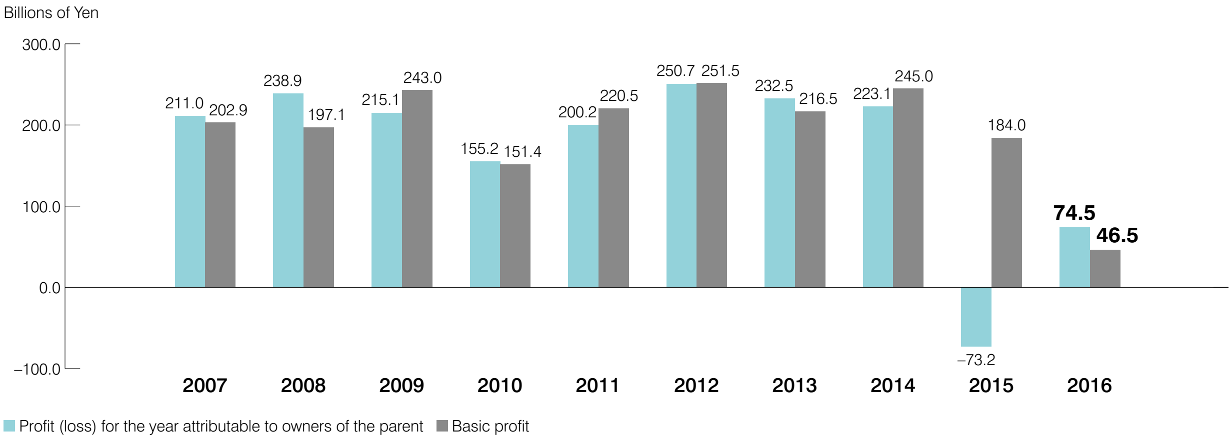
Financial Highlights

For the years ended March 31

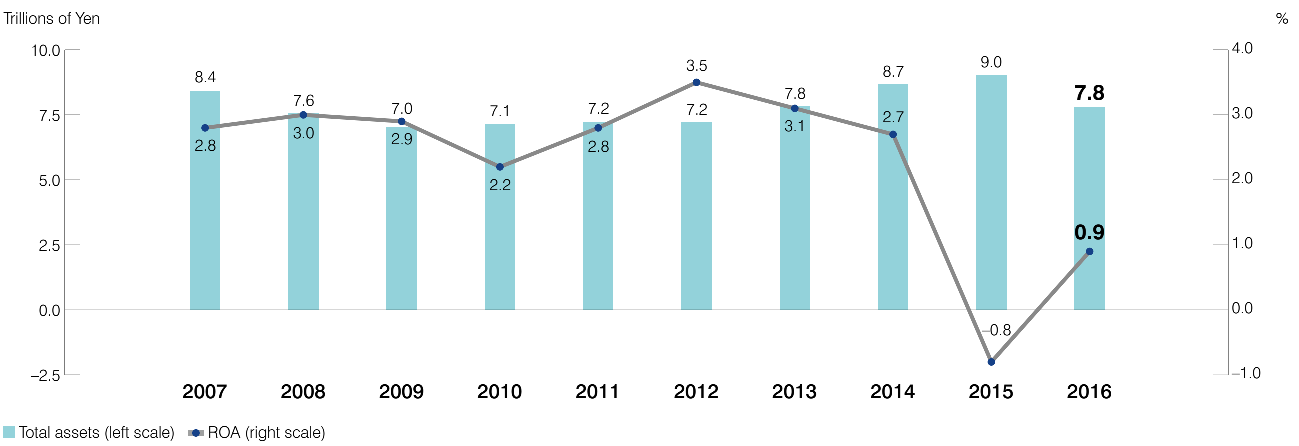
We have prepared consolidated financial statements in accordance with U.S. GAAP for 2010 or earlier and International Financial Reporting Standards ("IFRSs") for 2011 or later.

▶ Please refer to the "Financial Section" starting on page 77 for more details.

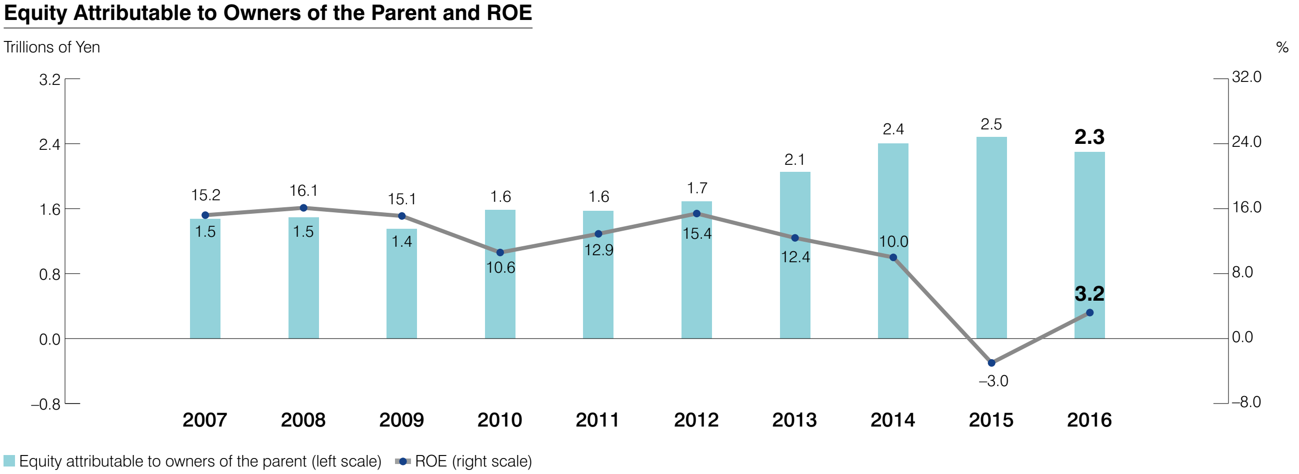
Profit (Loss) for the Year Attributable to Owners of the Parent and Basic Profit



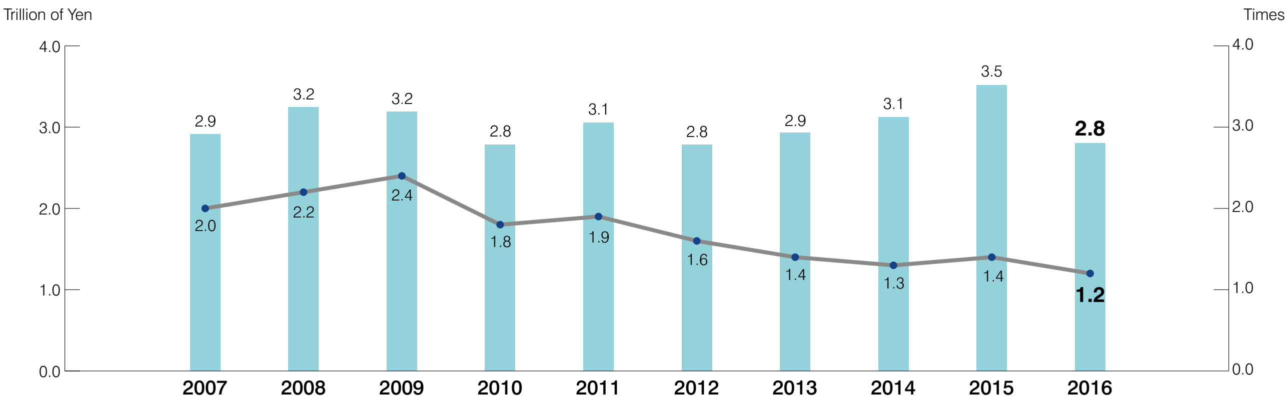
Total Assets and ROA



Equity Attributable to Owners of the Parent and ROE



Interest-Bearing Liabilities (net) and DER (net)

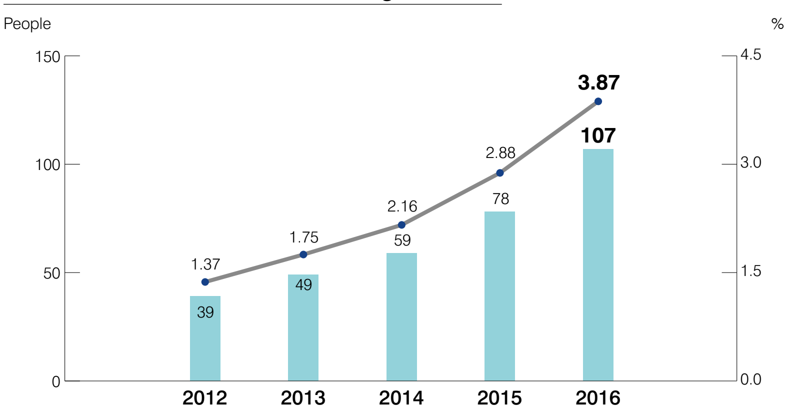


Interest-bearing liabilities (net) (left scale) Debt-equity ratio (net) (right scale)

Non-Financial Highlights

For the years ended March 31

Number and Ratio of Women in Managerial Roles

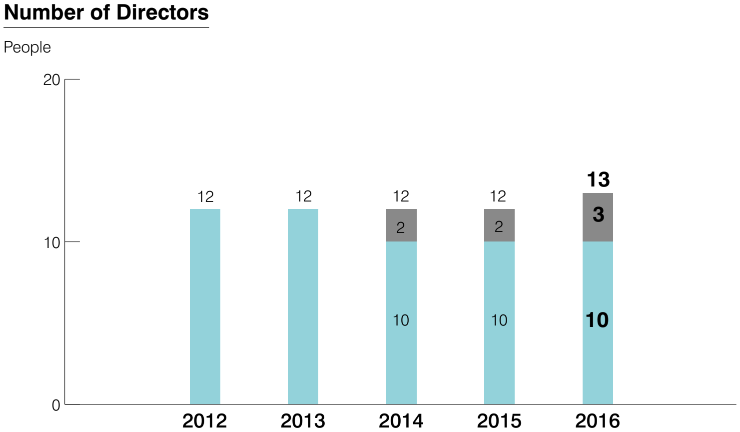


Number of women in managerial roles (left scale) Ratio of women in managerial roles (right scale)

Promoting the active involvement of female employees in business is one of the important management strategies of the Sumitomo Corporation Group. We aim to increase the ratio of women in managerial roles to between 6% and 7% by the year ending March 31, 2021.

▶ For details about personnel management initiatives, please see page 64.

Number of Directors



Number of internal directors Number of outside directors

The Sumitomo Corporation Group appoints outside directors with various viewpoints to reflect the opinions of shareholders and other stakeholders appropriately in meetings of the Board of Directors. Further, after the general meeting of shareholders convened in June 2016 there were 14 directors, comprising 10 internal directors and four outside directors.

▶ For details about governance initiatives, please see page 56.

Promoting Our Medium-Term Management Plan—BBBO2017

Progress of BBBO2017

In our medium-term management plan “Be the Best, Be the One 2017 (BBBO2017),” we have been **promoting managerial reforms and growth strategies, enhancing “individual capability” and “organizational capability,” and securing financial soundness** based on the theme of making Groupwide efforts in overcoming issues and outlining a path toward the realization of “What We Aim to Be in 2019, Our Centennial Year,” in light of changes in the environments that surround our businesses as well as managerial issues that manifested in large-scale impairment losses in fiscal 2014.

Overview of BBBO2017

Promote Managerial Reforms

- Improve corporate governance and decision-making process
- Strengthen risk management system

Promote Growth Strategies

- Promote growth strategies in each division
  - Improve profitability of existing businesses
  - Continue stimulation of business portfolio metabolism
- Promote Companywide growth strategies
  - Improve policies for upstream mineral resources & energy business

Enhance “Individual Capability” and “Organizational Capability”

Secure Financial Soundness

Annual Results for FY2015

(Billions of Yen)	FY2014	FY2015
Profit (loss) for the year	¥(73.2)	**¥74.5**
Impairment losses	¥(310.3)	**¥(195.1)**
Profits from the reorganization of automotive financing business in Indonesia	—	**¥35.6**
Profit for the period (excluding impairment losses, etc.)	¥237.1	**¥234.0**

Non-mineral resources businesses made a steady showing overall in fiscal 2015, but performance deteriorated in our mineral resources businesses and tubular products business due to falling mineral resources prices, and several businesses including upstream resource-related ones saw impairment losses of approximately ¥195.1 billion. Consequently, consolidated net income came to ¥74.5 billion yen vis-à-vis our target of ¥230.0 billion.

Breakdown of Impairment Losses in FY2015

Project Name	Project Outline	Amount of Impact on Consolidated Net Income (Billions of yen)	Main Reason for Impairment Loss
Nickel Project in Madagascar	Nickel development and related business in Madagascar	**¥(77.0)**	Decline in nickel prices and revision of long-term business plan
Iron Ore Mining Project in South Africa	Investment in iron ore mining project in South Africa	**¥(18.3)**	Decline in iron ore prices and revision of long-term business plan
Edgen Group	Global distributor of metal and tubular products for energy industry	**¥(18.1)**	Decline in demand resulting from drop in oil prices and revision of long-term business plan
Iron Ore Mining Project in Brazil	Iron ore mining operations and related businesses in Serra Azul region of the state of Minas Gerais, Brazil	**¥(14.6)**	Decline in iron ore prices and revision of long-term business plan
Copper and Molybdenum Mining Project in Chile	Investment in and financing of Sierra Gorda copper mine in Chile	**¥(14.0)**	Decline in copper prices and revision of long-term business plan
Coal Mining Projects in Australia	Investment in coal mines in Australia	**¥(12.1)**	Decline in coal prices and revision of long-term business plan
Grain business in Australia	Grain accumulation and investment in grain storage and export terminal operating business in Australia	**¥(11.4)**	Revision of business plan
Others		**¥(29.5)**	
Total		**¥(195.1)**	

Cash Flows in FY2015

(Billions of Yen)	FY2015 Results
Basic profit cash flow*	**+¥204.3**
Depreciation and amortization	**+¥125.1**
Asset replacement	Approx. **+¥230.0**
Others	Approx. **+¥220.0**
Cash-in total	Approx. **+¥780.0**
Investment & loan	Approx. **−¥270.0**
Additional and replacement investment	Approx. **−¥230.0**
New investment	Approx. **−¥40.0**
Free cash flow	**+¥514.3**
Dividend	**−¥62.4**
Free cash flow (post-dividend)	**+¥451.9**

In fiscal 2015, we recovered approximately ¥230.0 billion in funds owing to asset replacement including the business reorganization of our automotive financing business in Indonesia and disposal of our renewable energy power generation business. In addition, cash was generated due to a decrease in working capital. As a result, post-dividend free cash flow for fiscal 2015 reached a positive figure of ¥451.9 billion.

* Basic profit cash flow = Basic profit – Share of profit (loss) of investments accounted for using the equity method + Dividend from investments accounted for using the equity method

Special Feature 1

Interview
Responding to Operating Environment Changes

Qualitative Progress and Revision of Quantitative Performance Targets of Medium-Term Management Plan “Be the Best, Be the One 2017”

Sumitomo Corporation launched the current medium-term management plan —“Be the Best, Be the One 2017” (BBBO2017)—in April 2015.

One year has passed since the start of BBBO2017. We have asked Chief Strategy Officer Masao Tabuchi and Chief Financial Officer Koichi Takahata about the qualitative progress of this plan and the revision to its quantitative performance targets instituted in response to the worsening operating environment.

Masao Tabuchi (Left)
Representative Director,
Managing Executive Officer,
Chief Strategy Officer

Koichi Takahata (Right)
Representative Director,
Senior Managing Executive Officer,
Chief Financial Officer

1. Qualitative Progress

Promote Managerial Reforms

— Could you please explain progress with regard to measures to “improve corporate governance and decision-making process,” a policy listed under the objective of “promote managerial reforms” in BBBO2017?

Tabuchi

Improvement of Decision-Making Processes

Striving to improve decision-making processes, the Management Council was designated as the highest decision-making body at the operational execution level in July 2015. Accordingly, this council will be responsible for making decisions related to management policies and issues impacting the entire Company. This change in authority has enabled for frank discussions among members of the council and made it possible to incorporate a more diverse range of opinions.

In addition, we increased the number of Outside Directors on the Board of Directors by one, making for three (an additional Outside Director was appointed at the Ordinary General Meeting of Shareholders held on June 24, 2016, making for four Outside Directors as of August 2016). We also revised the standards for determining agenda items for Board of Directors meetings with the aim of allowing the Board to focus more on discussions of management policies, plans, and other important matters pertaining to all of management. Other initiatives included expanding the range of items reported to the Board of Directors, reinforcing oversight for the execution of management, and establishing a deliberation system that centers on formulating Companywide strategies and basic policies.

Response to the Corporate Governance Code

As part of our response to Japan’s Corporate Governance Code, we revised the Sumitomo Corporation Corporate Governance Principles. Also, in November 2015, we established the Nomination and Remuneration Advisory Committee to take the place of the prior Remuneration Committee. Created with aim of increasing the transparency and objectivity of processes for nominating and deciding the remuneration of Directors, the new committee functions as an advisory body to the Board of Directors and is membered by a majority of Outside Directors while being chaired by an Outside Director (see page 57 for details).

Furthermore, in fiscal 2015 based on self-evaluations conducted by Directors and Corporate Auditors, the Company began instituting third-party analyses and evaluations of the effectiveness of the Board of Directors with the aim of ensuring sustainable growth and improving corporate value. Based on the results, we carried out various reforms for creating an effective Board of Directors and steadily generated results on this front. Issues with regard to improving the Board of Directors effectiveness pointed out through these analyses and evaluations included the need to increase the amount of management information provided to Outside Directors and Outside Corporate Auditors and to expand the range of opportunities for exchanging opinions among Directors and Corporate Auditors. Going forward, we will perform in-depth analyses of this situation and, based on discussions by the Board of Directors, implement measures to improve the effectiveness of the Board.

— From the perspective of large-scale investment projects, what progress was made with regard to the policy of “strengthen risk management system”?

Takahata

In making investment decisions related to particularly large and important projects, candidate projects are discussed several times by Unit Investment Committees and the Company Investment Committee. By deliberating on projects at the Unit and Companywide levels during the initial investment consideration stage and execution stage, we conduct discussions at an even-deeper level than before. This approach serves to heighten the quality of decisions by evaluating such factors as the characteristics of projects, the appropriateness of the investment theme, and the connection between the investment and the business’s strategies. Decision-making authority for other projects is delegated to the front lines to increase the speed of investment decisions.

Rather than implementing a uniform Companywide hurdle rate, we review investment evaluation standards and make investment decisions in consideration of an anticipated rate of return that is determined based on the specific risks inherent in a given project. For large-scale projects, we have reconstructed our post-investment monitoring frameworks through measures such as systematizing “100-day plans.” Through this plan system, shortly after investment, personnel from both business divisions and corporate divisions begin building up relationships with the management of the investee. At this time, we collaborate with the investee to formulate a medium-term plan detailing the management and financial indicators that need to be targeted.

Special Feature 1

Interview: Responding to Operating Environment Changes

Promote Growth Strategies

— Another major objective of BBBO2017 is to "promote growth strategies." How was progress with regard to the policy of "encourage and step up cross-organizational collaboration"?

Tabuchi

A Companywide growth strategy set forth in BBBO2017 is to encourage an even-greater degree of cross-organizational collaboration in industries where we expect strong growth over the medium-to-long term. Through such collaboration, we will advance initiatives that leverage our integrated corporate strength to create new value in automobile-related businesses, IoT businesses, retail businesses in Asia, energy-related businesses, food and agriculture-related business, and other fields.

In retail businesses in Asia, for example, Group companies P.T. Oto Multiartha and P.T. Summit Oto Finance—jointly referred to as the OTO Group—are developing an automotive financing business in Indonesia, which has cultivated a massive customer base of 1.7 million users. Seeking to take advantage of this customer base in retail finance fields outside of automobiles, we commenced investment in commercial bank PT. Bank Tabungan Pensiunan Nasional Tbk (BTPN) in February 2015. By fully leveraging the customer bases and business networks of both the OTO Group and BTPN, we aim to cater to the robust consumption demand from Indonesia's growing middle class by developing finance businesses targeting various retail sectors. At the same time, we will promote collaboration between these companies and other Group companies to advance multifaceted business ventures that include such areas as logistics. Looking at the whole Company from the viewpoint of industries and functions, we will step up cross-organizational collaboration between highly compatible businesses to bolster earnings capacity.

— What progress has been made in the effort to "improve policies for upstream mineral resources and energy businesses," in which large impairment losses were recognized in both fiscal 2014 and fiscal 2015?

Takahata

We have been focusing on starting up projects with recent investments, such as the Nickel Project in Madagascar, for which financial completion was achieved in September 2015 (see page 23 for details). We also pushed forward with ongoing cost reduction measures in existing projects. At the same, we are aspiring to create a business portfolio that features not only dispersed risks but also resilience to market downturns. To this end, we formulated management policies for our portfolio of upstream mineral resources projects that include standards for the ratio of unfinished projects to total projects and the maximum risk exposure to be allowed per project. In addition, we established the Project Management Department for Mining & E&P as a dedicated organization tasked with enhancing our market analysis and technical evaluation capabilities, assembling a staff with expertise in these areas. With regard to new upstream mineral resources investments, our basic policy will be to focus on the replacement of existing assets while enhancing our project discernment and risk management skills. We will thus take a cautious approach toward future investments, turning our attention mainly to projects that are already operating competitively.

— Regarding the policy of "promote growth strategies in each division," what investments were conducted during fiscal 2015?

Tabuchi

In fiscal 2015, we conducted investments totaling ¥150.0 billion in three fields of strength, namely Automobile and Transportation Systems, Infrastructure, and Lifestyle and information services. The main investments were for increasing assets in the construction equipment rental business in the United States and for real estate, such as commercial facilities. When investments related to existing upstream mineral resources projects and other projects are included, total investments registered approximately ¥270.0 billion.

2. Revision of Quantitative Performance Targets

— The Company revised the quantitative profit targets and cash flow targets decided for BBBO2017 in March 2015. What were the main points for these revisions?

Revision of Profit Targets

Takahata

With regard to our fiscal 2016 forecasts, solid conditions are anticipated in non-mineral resources businesses, such as the core businesses of the Environment & Infrastructure Business Unit and the Media, Network, Lifestyle Related Goods & Services Business Unit. Mineral resources businesses and the tubular products business, meanwhile, will continue to face a harsh operating environment due to low resource and energy prices. Given the ongoing uncertain business outlook, we plan to accelerate asset replacement focused on low-margin and low-efficiency businesses. Our fiscal 2016 forecasts account for approximately ¥20.0 billion earmarked for asset replacement costs ("Costs for structural improvement"), therefore we are projecting consolidated net income for the year of ¥130.0 billion.

For fiscal 2017, despite initially projecting consolidated net income for the year of ¥300.0 billion or more, our target has since been lowered to ¥220.0 billion or more. Reasons for this downward revision include a projected delay in recovery in mineral resources businesses and the tubular products business, which will be a result of the persistence of low resource and energy prices. This target represents a ¥90.0 billion increase from the forecasts of ¥130.0 billion for fiscal 2016 and also accounts for approximately ¥20.0 billion of "Costs for structural improvement." Of the projected increase of ¥90.0 billion, around ¥50.0 billion is expected to come from non-mineral resources businesses other than the tubular products business. In these businesses, we anticipate earnings contributions from projects with recent

		FY / Period	Initial plan	Revised plan
Profit targets	Consolidated net income	FY2015	¥230.0 billion	**¥74.5 billion (actual)**
		FY2016	—	**¥130.0 billion**
		FY2017	¥300.0 billion or more	**¥220.0 billion or more**
	ROA	FY2017	3.0% or more	**2.5% or more**
	Risk-adjusted Return Ratio*1	FY2017	10.0% or more	**9.0% or more**
	ROE	FY2017	Around 10.0%	**Around 9.0%**
Financial policies	Balance between Core Risk Buffer and Risk-adjusted Assets	By March 31, 2018	Regain balance	**Regain balance**
	Free cash flow	3-year total	¥200.0 billion	**¥700.0 billion**
	Post-dividend free cash flow	3-year total	Positive	**¥500.0 billion**
Investment plan		3-year total	¥1.2 trillion	**¥1.0 trillion**

*1. Risk-adjusted Return Ratio is calculated in the following manner as an indicator for displaying profitability in comparison with risks.

$$\text{Risk-adjusted Return Ratio} = \frac{\text{Returns}}{\text{Risk-adjusted Assets*2}}$$

*2. A measure of the maximum losses that could be incurred within a given period and with a predefined possibility for occurrence due to reductions in the value of held assets.

Special Feature 1

Interview: Responding to Operating Environment Changes

investments and new businesses as well as growth in existing businesses. Specific examples of contributing businesses include automobile manufacturing, overseas power infrastructure, domestic media, real estate, and a telecommunication project in Myanmar.

Meanwhile, ¥30.0 billion of this increase will come from mineral resources businesses, which will benefit from a certain degree of recovery in market conditions.

The remaining ¥10.0 billion of this increase is expected from the tubular products business. In addition to some extent of market recovery, this business will benefit from our efforts to reinforce its constitution through measures such as business reorganization aimed at ensuring this business can quickly be set back on the path toward earnings growth when the market takes an upswing.

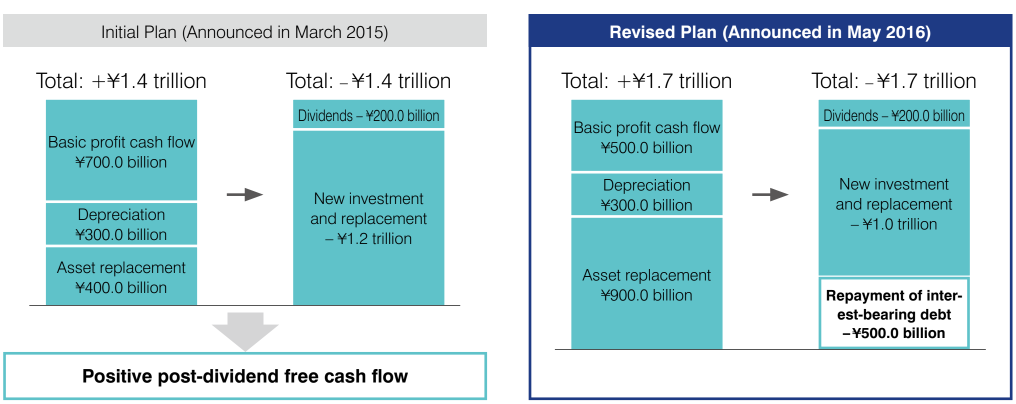
Revision of Cash Flow Targets

Takahata

Next, I will explain the main points regarding the revisions to our cash flow targets. For cash-in, we are now targeting basic profit cash flow of ¥500.0 billion, ¥200.0 billion less than our initial target of ¥700.0 billion. Conversely, we have set a higher target of ¥900.0 billion for funds recovered through asset replacement, which stands at ¥500.0 billion above our previous target of ¥400.0 billion. Recovery of these funds will primarily be conducted through asset replacement in relation to low-margin and low-efficiency transactions. When factoring in the effects of ¥300.0 billion in depreciation and amortization, this will generate total cash of ¥1.7 trillion.

As for cash-out, ¥200.0 billion will be returned to shareholders in the form of dividends. Meanwhile, the planned amount of investments has been reduced by ¥200.0 billion from the initial figure of ¥1.2 trillion. This amount of ¥1.0 trillion will primarily be allocated to investments in growth areas. While setting aside funds for shareholder returns and future investments, we aim to secure post-dividend free cash flow of ¥500.0 billion, which will be used to repay interest-bearing debt to strengthen our financial position.

Cash-In / Cash-Out (Three-Year Total for the Period of BBBO2017)

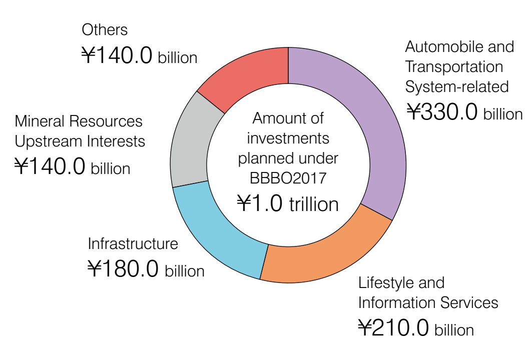


* **Basic profit cash flow** = Basic profit – Share of profit (loss) of investments accounted for using the equity method + Dividends from investments accounted for using the equity method
Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) x (1 – Tax rate) + Share of profit (loss) of investments accounted for using the equity method

Tabuchi

The ¥1.0 trillion of investment will be conducted in fields where we can leverage our strengths and in which we can expect strong growth. By field, we will invest ¥330.0 billion in Automobile and Transportation System field, primarily in relation to materials and parts for automobiles; ¥210.0 billion in Lifestyle and Information Service field, largely for IT-related, mobile, and real estate investments; and ¥180.0 billion in Infrastructure field, which will mainly be aimed at domestic and overseas power infrastructure projects. In this manner, our plan to focus investment on these three fields will remain unchanged. Meanwhile, in Mineral Resources Upstream Interests, while we had initially planned ¥100.0 billion in investments to be made in relation to fund contributions necessitated by contracts concluded for existing projects, this amount has been raised to ¥140.0 billion due to a sluggish market.

Investment Plan

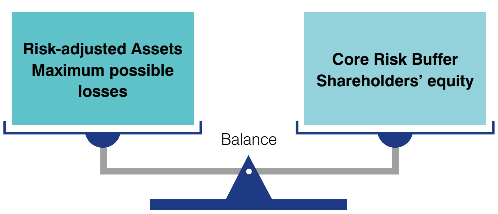


—Have there been any changes with regard to your policy for the balance between Core Risk Buffer and Risk-adjusted Assets?*3

Tabuchi

At the start of BBBO2017, Risk-adjusted Assets exceeded Core Risk Buffer by slightly more than ¥140.0 billion. There will be no changes to our policy of regaining the balance between Core Risk Buffer and Risk-adjusted Assets, which represents a fundamental principle of management, and we will continue to place initiatives with respect to this as a top priority. As of March 31, 2016, Risk-adjusted Assets exceeded Core Risk Buffer by slightly more than ¥60.0 billion.

*3. Core Risk Buffer represents the sum of common stock, retained earnings, and foreign currency translation adjustments minus treasury stock, at cost. Our basic management policy is to keep Risk-adjusted Assets, which represent the maximum possible losses, within the scope of Core Risk Buffer.



— In closing, do you have any messages for Sumitomo Corporation's stakeholders?

Takahata

To expand earnings backed by our solid financial base, we will steadily repay interest-bearing debt. In addition, as we revise our risk management systems, we will increase our investment success rate and thereby return the Company to the growth track.

Tabuchi

The operating environment for Sumitomo Corporation is changing rapidly, and it is therefore important for us to remain committed to doing what must be done. For this reason, I hope that management and employees will be able to band together to accelerate our managerial reforms so that we may advance our growth strategies in stride and move forward with BBBO2017.

Special Feature 2

Initiatives under BBBO2017

Stepping up Cross-Organizational Collaboration that Exploits Foundations in Media, Retail, and Real Estate

The Sumitomo Corporation Group operates an array of different businesses in 66 countries. Under the medium-term management plan "Be the Best, Be the One 2017" (BBBO2017), we will step up cross-organizational collaboration and exploit our integrated corporate strength to advance business activities in industries, functions, and regions that promise robust medium-to-long-term growth.

Increasing Collaboration through J:COM

Taking advantage of the complete deregulation of the electricity retail market, Jupiter Telecommunications Co., Ltd. (J:COM), a Cable TV and system operator in which we have a 50% stake, began selling electricity to such low-volume consumers as the residents of detached houses or small apartment buildings in April 2016. A wholly owned subsidiary that supplies and procures electricity, Summit Energy Corporation, and J:COM—which offers services rooted in local communities and households through Cable TV—will work together and exploit each other's strengths to supply customers with electricity, which is an essential of day-to-day life.

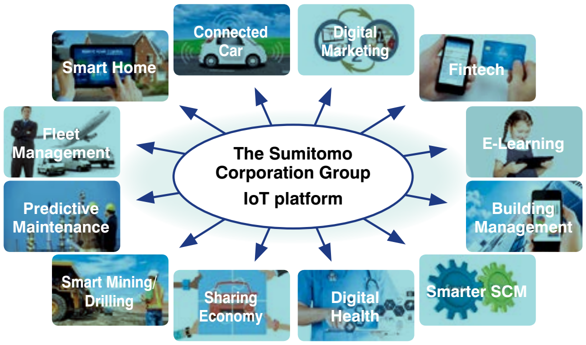
Moreover, J:COM collaborates with the Group's condominium operations. Through participation in the product planning and design stages of condominiums that the Group develops, J:COM will acquire new customers, retain existing customers, and heighten customer satisfaction by offering Cable TV, Internet, and batch-electricity provision services.

Other cross-organizational collaborations involving J:COM include using the capital reorganization of TV shopping business Jupiter Shop Channel Co., Ltd., implemented in March 2016, as an opportunity to create synergies (see "Project Overview" on page 45). Also, IT service provider SCSK Corporation is working with J:COM to develop and operate its customer database system.

Advancing IoT Initiatives

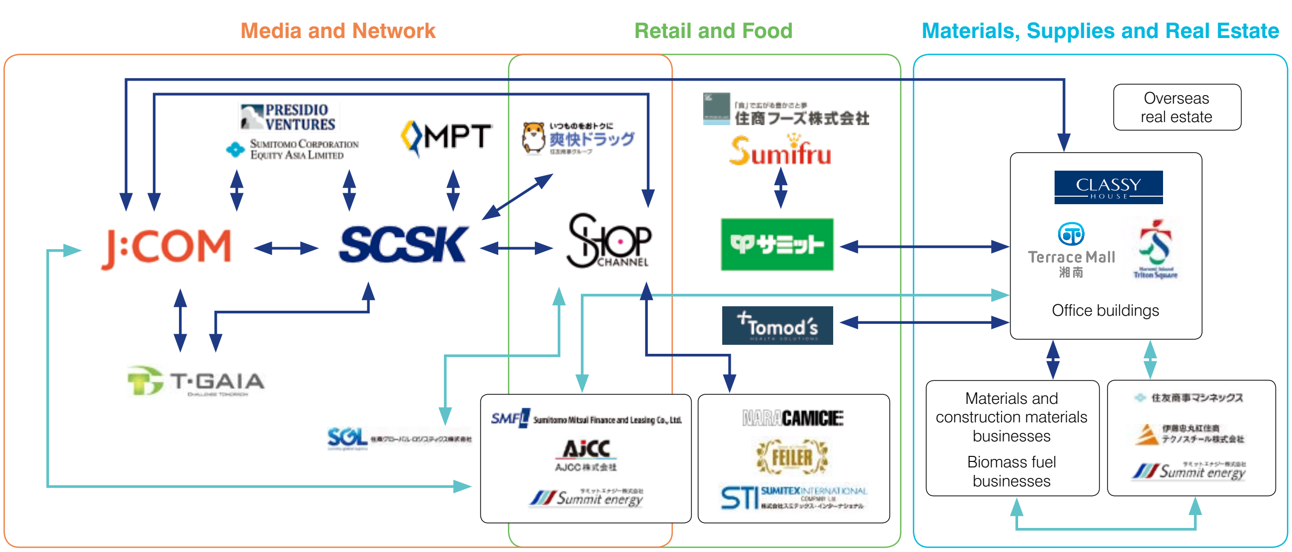
We view the Internet of Things (IoT), which would bring disruptive innovation to society and industry, as a huge business opportunity.

Aiming to advance IoT initiatives on a cross-organizational basis, the Network Division led efforts to establish a Groupwide working group in April 2016. The group is tasked with enhancing corporate value throughout the Sumitomo Corporation Group by leveraging IoT to upgrade businesses and create new business models.



Utilizing Group Networks to Create Profit Opportunities

There are many other types of cross-organizational collaboration within the Sumitomo Corporation Group. For example, we realize collaboration centered on the real estate businesses by setting up Summit supermarkets and Tomod's drugstores in the retail facilities and condominiums that we develop. Moreover, during the construction of these retail facilities and condominiums, we lease construction equipment and supply such construction materials as steel frames and cement. Also, we provide supplies of biomass fuel to our biomass power business. By strengthening and promoting Groupwide collaboration that transcends the boundaries of business segments or regions, we will realize more-sophisticated value creation and further grow our earning power.



Collaboration within Media, Network, Lifestyle Related Goods & Services Business Unit
Collaboration between Media, Network, Lifestyle Related Goods & Services Business Unit and other business units




Forward-Looking Response to Changes in the Operating Environment

Even as our business faces a challenging operating environment due to the persistence of low resource and energy prices, we are committed to moving ahead with forward-looking initiatives and carrying out what needs to be done.

Tubular Products Business

— Targeting New Growth Based on Solid Business Foundations Despite Adversity

Sumitomo Corporation's tubular products business boasts world-leading trading volumes for oil country tubular goods (OCTG). As a subarea of this business, we develop OCTG distributor operations that hold a share of approximately 30% in the U.S. oil and gas development market. A broad-ranging customer network has been established through this business.

Fiscal 2015 profits in the tubular products business showed a large decline, as capital investment demand waned in the oil and gas development industry following the sharp drop in the price of crude oil that began in fall 2014. We cannot anticipate a rapid recovery in the oil price, which means we should expect to face a challenging operating environment for a while.

To cope in this environment, we continue striving to enhance the constitution of this business by efficiently utilizing assets and building lean structures. For example, we endeavored to curtail inventories, effectively cutting them down by 40% from peak levels in a little over one year. We also reorganized the Group's OCTG distributor operations in the United States to realize more efficient business operation. At the same time, we will prepare for the eventual recovery of the crude oil price by advancing growth strategies that emphasize the use of our global OCTG customer network, a key strength of Sumitomo Corporation, to explore business peripheral to tubular products.

Specifically, we will go beyond simply supplying customers with OCTG to provide value based on the various needs that arise throughout OCTG life cycles. For example, focused primarily on major customers with long-term contracts, we will offer services ranging from well design consulting to field engineering. In addition, we will further expand our material procurement from OCTG to other related oilfield equipment.

As tubular considers new investments, we will engage all the diverse resources available within Sumitomo Corporation so that any candidate investments are given full consideration by a multi-faceted, Companywide project team. This will allow us to examine any new investments from multiple perspectives and ensure we are carefully evaluating the operating environment.

Ambatovy Nickel Project

— Aiming to Maintain Highly Efficient, Stable Operations and Enhance Profitability

Demand for nickel is rising worldwide as it is used in a broad range of materials, such as stainless steel, specialty steel, and battery materials. To cater to this growing demand, in 2005 Sumitomo Corporation participated in a project in Madagascar tasked with integrating processes from the extraction of nickel oxide ores through to metal production. Since then, we have been proceeding with development of the project, which is expected to have a long operational life of almost 30 years and is one of the largest nickel projects in world.

We are developing the project with our partners, Canadian resource company Sherritt International Corporation and Korean state-owned resource company Korea Resources Corporation (KORES). Further, we have taken environment-friendly measures, including a range of programs to preserve forests and protect plants and animals. The project began commercial production in January 2014 and achieved financial completion in September 2015. In the same month, nickel metals that the project produces received approval for registration on the London Metal Exchange. Fulfilling our obligation to trade the project's products, we are developing nickel metal sales networks not only in Japan but also in Europe, other parts of Asia, and the United States. So far, we have sold out all products received.

While proceeding with construction and start-up of the project, we revised the forecast of the medium-to-long-term nickel price in light of the worldwide fall in resource prices. As a result, in the third quarter of fiscal 2015, we recognized impairment losses of ¥77.0 billion. Currently, we are facing extremely challenging external conditions. However, we are continuing to work with our partners to maintain highly efficient, stable operations and promote cost reduction initiatives. Thanks to these efforts, in fiscal 2015 we succeeded in reducing costs significantly year on year. We intend to continue those efforts with a view to realizing cost-competitiveness that will place the project as the world's top 25th-percentile nickel producers.

Project Summary

Total project cost: US$7.2 billion
Annual production capacity: Nickel: 60,000 tons; Cobalt: 6,000 tons
Shareholders: Sherritt International Corporation: 40%; Sumitomo Corporation: 32.5%; Korea Resources Corporation (KORES): 27.5%
Sumitomo Corporation's exposure: Approx. US$1.7 billion (As of March 31, 2016)

Overview of Operations

BUSINESS HISTORY

Reinforcement and Expansion of Business

- Tubular products
- Automobiles
- Electric power
- Real estate
- Crop protection chemicals

1950's

Exploration of U.S. OCTG market

1953 OCTG contract concluded with major oil company

Our first shipment for automobile

1954 Buses manufactured by Hino Motors, Ltd., exported to Myanmar (Post-war reparations project)

Management of property of Osaka North Harbour Company Limited and Sumitomo family

Construction management for Sumitomo companies

Import of crop protection chemicals to Japan

1953 Crop protection chemical business commenced by importing U.S.-made chemicals

1960's

Conclusion of contract for large-diameter line pipes for use in large-scale pipelines

1969 Trans-Alaska pipeline commenced in U.S. state of Alaska

Expansion of export and sales in overseas market of Japanese brand vehicles

1965 Exports of Toyota vehicles to Iraq started

1970 Joint-venture import and sales company for Mazda vehicles established in United States

Commencement of electric power transmission and distribution equipment construction

1962 Construction of electric power transmission equipment started in Venezuela

1965 Construction of electric power transmission and distribution equipment started in Bangladesh

Full-fledged participation in office building business

Full-fledged participation in condominium business

1962 Sumitomo Building completed (previous Head Office in Osaka)

1964 Maison Nishinomiya (Hyogo) completed

Start of Japan-made crop protection chemical export

1963 Crop protection chemical transactions commenced

1970's

Expansion of strategy sharing with Japanese tubular product manufacturer

1978 Joint tubular product manufacturer in Saudi Arabia established with Japanese tubular product manufacturer

Development of businesses with overseas automobile manufacturers

1979 Exports started of made-in-Japan Ford vehicles (OEM and complete knockdown) mainly to Asia and Oceania

Expansion of orders in overseas large electric power transmission equipments and power plants

1977 Construction of electric power transmission equipment started in Iran

1978 Construction of Asahan hydraulic power plant in Indonesia

Participation in commercial facility business

1976 Opening of Ichihara Shopping Square (Chiba)

Expansion of commercial rights through merger

1970 Merger with Sogo Boeki Co., Ltd. (Acquisition of commercial rights for import to Japan and export to China and Eastern Europe)

1980's

End of period of brisk OCTG sales and change of strategy

1987 Support for establishment of Premier Pipe, LLC

Entry into auto leasing business

1981 Sumisho Auto Leasing Corporation established

First order for construction of high efficiency combined-cycle thermal power plant

1982 Combined-cycle thermal power plant constructed for Republic of Trinidad and Tobago

Expansion of overseas real estate business

1982 600 Third Avenue acquired (New York, United States)

1985 Summitmas completed (Jakarta, Indonesia)

Brisk export business negotiations in various regions

Development and deployment of OCTG supply chain management business model

1993 Supply chain management services commenced for independent U.S. oil company

Full-fledged entry into automotive retail finance business

1996 Investment made in Indonesian automotive retail finance company

Participation in independent power producer (IPP) projects

1991 Joint stake of 45% acquired in U.S. geothermal power generation company

Completion of large mixed-use facilities

1997 Queen's Square Yokohama completed

Contraction of traditional trading businesses and start of crop protection chemical import and sales business abroad

1992 Establishment of crop protection chemical import and sales companies started from Eastern Europe and spread out to other areas

Accelerated expansion into manufacturing and processing industries

2002 U.S. seamless pipe manufacturer acquired, together with French tubular product manufacturer

Full-fledged participation in management of automotive component manufacturing business

2004 Auto components manufacturer KIRIU Corporation acquired

Participation in domestic power market and advancement of large-scale overseas IPP projects

2001 Summit Energy Corporation established and electricity retail and generation operations commenced in conjunction with partial deregulation of domestic electricity market

2006 Units 1 and 2 of Tanjung Jati B Coal-Fired Power Plant in Indonesia completed

2008 Contract for units 3 and 4 of Tanjung Jati B Coal-Fired Power Plant in Indonesia concluded

Completion of current Head Office, entry into fund business and build-to-suit business, and full-fledged initiatives of real estate securitization

2001 Harumi Island Triton Square completed (current Head Office in Tokyo)

2006 Retail facility funds and rental housing funds established

Accelerated global development of crop protection chemical import and sales business (Europe, Middle East, South America, North America, Australia, etc.)

Advancement into oil field equipment business in peripheral field to OCTG and enhancement of midstream and downstream value chain

2010 OMS Holdings Pte. Ltd. acquired

2010 Howco Group plc converted into subsidiary

2013 Edgen Group Inc. acquired

Enhancement of manufacturing businesses in North American Free Trade Agreement area

2011 Joint-venture automobile production facility in Mexico established with Mazda Motor Corporation

Expansion of renewable energy business initiatives

2012 Participation in one of world's largest mega-solar power generation projects in California, the U.S.

2014 Operation of Dorper wind farm project started in South Africa

2014 Participation in Belgian offshore wind farm projects

Participation in private-placement REIT arrangement and logistics real estate development business

2015 Management of SC Realty Private REIT, Inc. commenced

New business models and multifaceted support businesses

2011 Multifaceted support businesses started in Romania, capital participation in Alcedo S.R.L.

2015 Multifaceted support businesses started in Brazil, capital participation in Agro Amazonia Produtos Agropecuarios Ltda

At a Glance

Profit for the Year
(Attributable to owners of the parent)

FY2014

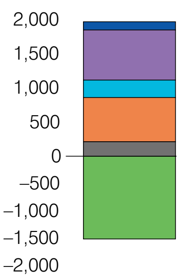
¥ –73.2 bn.

FY2015

¥ 74.5 bn.

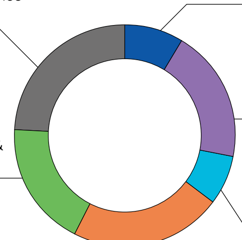
Profit (Loss) for the Year by Segment* (FY2015)

(Billions of yen)



Metal Products	12.0
Transportation & Construction Systems	73.4
Environment & Infrastructure	25.6
Media, Network, Lifestyle Related Goods & Services	64.8
Mineral Resources, Energy, Chemical & Electronics	–151.6
Overseas Subsidiaries and Branches	21.1

Assets by Segment* (FY2015)



* Excluding corporate and eliminations
*1. EPC: Engineering, Procurement, and Construction

Notes: 1) On April 1, 2015, we transferred control of the Tires Division, which was under the control of the Media, Network, Lifestyle Related Goods & Services Business Unit, to the Transportation & Construction Systems Business Unit. Accordingly, past results are shown on the basis of this reorganization.
2) Consolidated net income in this report is the same as IFRS profit for the year attributable to owners of the parent.

Metal Products

Profit for the Year

FY2014
¥ 32.5 bn.

FY2015
¥ 12.0 bn.

Transportation & Construction Systems

Profit for the Year

FY2014
¥ 40.6 bn.

FY2015
¥ 73.4 bn.

Environment & Infrastructure

Profit for the Year

FY2014
¥ 22.9 bn.

FY2015
¥ 25.6 bn.

Media, Network, Lifestyle Related Goods & Services

Profit for the Year

FY2014
¥ 57.1 bn.

FY2015
¥ 64.8 bn.

Mineral Resources, Energy, Chemical & Electronics

Profit (Loss) for the Year

FY2014
¥ –191.0 bn.

FY2015
¥ –151.6 bn.

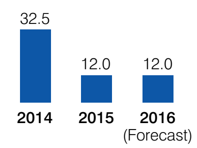
Overseas Subsidiaries and Branches

Profit (Loss) for the Year

FY2014
¥ –22.7 bn.

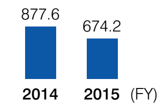
FY2015
¥ 21.1 bn.

Profit for the Year



Total Assets

(Billions of yen)



Business Unit Overview

The global and extensive value chain we are developing as a business unit encompasses various metal products, including steel products such as steel sheets, tubular products, and nonferrous metal products such as aluminum. In the steel sheet-related field, we deliver steel sheet products mainly to automotive and home appliance manufacturers via our worldwide steel service center network, which provides functions including procurement, inventory management, and processing. In the tubular products field, we function as a total service provider by making our proprietary supply chain management (SCM) system available to oil and gas companies. In addition, in the non-ferrous products & metals field, our priority is to expand our production and sales locations for aluminum ingot and aluminum sheets.

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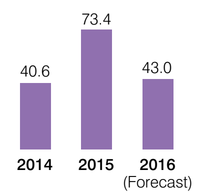
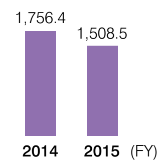
Profit for the Year



Total Assets

(Billions of yen)



Business Unit Overview

We are advancing our upstream, midstream, and downstream operations in the areas of ships, aircraft, railway, automobiles, and other transportation systems as well as construction equipment. In the ship, aerospace & transportation systems field, we run a leasing business focused on aircraft. We are also the only shipyard shareholder among Japanese trading companies and operate ships that we own and jointly own as well. In the automotive field, we are expanding and enhancing the major functions served by our value chain in areas such as manufacturing, sales and distribution, and lease and financing. In the construction equipment field, we have the highest transaction volume of construction equipment among trading companies. In addition to our worldwide equipment sales business, we focus on expanding our rental business for construction equipment and repair-maintenance service operation for mining equipment.

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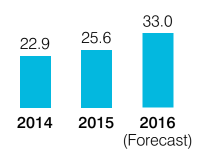
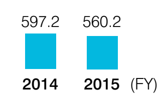
Profit for the Year



Total Assets

(Billions of yen)



Business Unit Overview

In the global power infrastructure field, we are developing overseas power generation businesses and EPC*[1] businesses as well as businesses involving rechargeable batteries. In the environment and infrastructure project field, we are advancing renewable energy businesses focused on wind and solar power generation in Japan and overseas, electricity retailing in Japan, industrial infrastructure businesses that are mainly involved with industrial facilities, and water infrastructure businesses. In the logistics & insurance fields, apart from our logistics services encompassing shipping, customs clearance, and delivery, we arrange various insurance contracts and also develop and operate overseas industrial parks.

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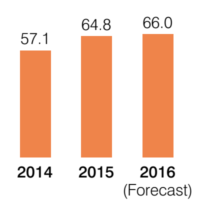
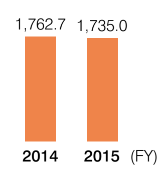
Profit for the Year



Total Assets

(Billions of yen)



Business Unit Overview

Our unit globally develops businesses that provide consumer-oriented products and services in fields such as media, network, retail, foods, materials & supplies and real estate. In our media and network fields, we focus primarily on Cable TV, IT solutions, and integrated mobile business. In our retail and food products fields, we are developing a wide range of businesses, from retail businesses such as supermarkets to food production and sales. In our materials & supplies and real estate fields, our portfolio consists of top-class operating companies in ready-mixed concrete as well as lumber and building materials. In addition, our main business pursuits are office buildings, retail facilities, and housing development and sales.

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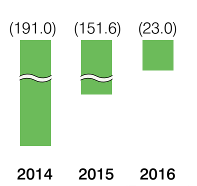
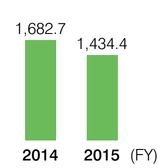
Profit (Loss) for the Year



Total Assets

(Billions of yen)

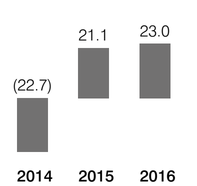


Business Unit Overview

In the mineral resources and energy field, we are concentrating efforts bringing forward the completion and profit realization of projects that are in ramping up stages, such as the Ambatovy nickel project and the Sierra Gorda copper and molybdenum mine project. On a global scale, our trading businesses provide carbon products, iron and steel making raw materials, petroleum, and gas as well as derivative product functions. In the chemicals and electronics field, we trade in raw materials, organic and inorganic chemicals and plastics, and cutting-edge electronics industry materials and actively engage in EMS operations. In the life science field, we handle pharmaceuticals, crop protection products, fertilizer, and pet care products.

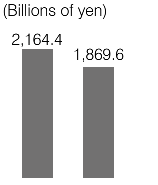
P. 46

Profit (Loss) for the Year



Total Assets

(Billions of yen)



P. 50

Metal Products Business Unit

Main Fields

- Steel Sheet-Related
- Tubular Products
- Non-Ferrous Products & Metals Field

Organization

- Planning & Coordination Dept., Metal Products Business Unit
- Steel Sheet & Construction Steel Products Division
- Metal Products for Automotive & Railway Industry Division
- Light Metals & Specialty Steel Sheet Division
- Tubular Products Division

"What We Aim to Be"

We aim to build a unique business portfolio based on medium-to-long-term growth strategies and become an organization that combines impressive earning power and stability.

Makoto Horie
General Manager
Metal Products Business Unit

Strengths

Steel sheet-related
- Leading market shares in such niche segments as rails, wheels, and axles for trains
- Expertise, solutions capabilities, and strong customer network in relation to steel sheets for automobiles

Tubular products
- One of the world's largest handlers of oil country tubular goods, strategic partnerships with energy majors, and service provision capabilities and development capabilities realized through global network

Non-ferrous products & metals
- Sharing of global growth strategies with major partners

Challenges

Steel sheet-related
- Upgrading of existing business models based on information and expertise accumulated through steel sheet-related trading
- Creation of new business models reflecting customers' viewpoints

Tubular products
- Catering to localization of demand in oil-producing countries and utilizing ICT for marketing activities

Non-ferrous products & metals
- Securing stable supplies of bauxite and alumina, which are the raw materials of aluminum ingots

Opportunities

Steel sheet-related
- Advancement of modal shifts in developed countries and development of railway infrastructure in emerging countries
- Steady growth of automotive production globally

Tubular products
- Participation in oilfield equipment, materials, and services businesses, which are closely related to oil country tubular goods businesses; expansion of share of oil country tubular goods market; and business foundations that exploit network of Edgen Group Inc.

Non-ferrous products & metals
- Introduction of lighter vehicles in response to stricter fuel-efficiency regulations

Risks

Steel sheet-related
- Oversupply of steel sheets produced in China and volatility in steel sheet market
- Obsolescence of existing products due to automotive industry's global environmental measures or dramatic change in business conditions due to emergence of alternative materials

Tubular products
- Change in purchasing format of oil and gas development industry, structural change in industry due to realignment of related industries, and spread of new alternatives to tubular products

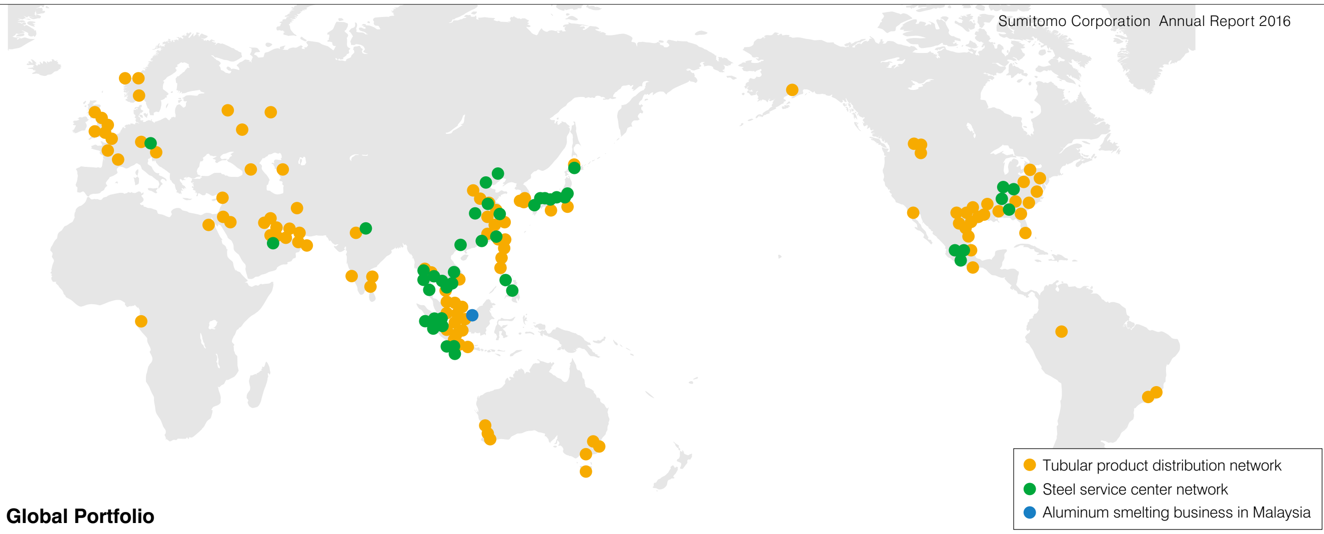
Non-ferrous products & metals
- Intensification of competition due to aluminum products made in China

Performance Highlights
(Billions of yen)

	FY2014	FY2015	FY2016 Forecast
Gross profit	103.5	77.3	74.0
Operating profit	37.4	11.6	–
Share of profit of investments accounted for using the equity method	9.1	4.7	–
Profit for the year (attributable to owners of the parent)	32.5	12.0	12.0
Basic profit	33.7	13.5	–
Total assets	877.6	674.2	–

Fiscal 2015 Results

In fiscal 2015, the year ended March 31, 2016, profit for the year decreased ¥20.5 billion year on year, to ¥12.0 billion, because lower earnings from tubular products businesses in North America and the aluminum smelting business in Malaysia—reflecting falling crude oil prices and non-ferrous metal prices—counteracted generally steady performances by overseas steel service center businesses amid firm transactions with Japanese automotive manufacturers in China.



Global Portfolio

Strategies for Becoming What We Aim to Be

Earnings Pillars

- **Tubular products businesses**
  Expand value chain based on oil country tubular goods businesses
- **Metal products for transportation**
  Establish strong position in railway field (rails, wheels, axles, and maintenance)
  Aim to be a leading supplier in automobile-related field with lineup covering steel products through to parts
  Pursue synergies among existing steel service centers

Future Pillars

- **Aluminum smelting and flat rolling products businesses**
  Expand value chain of aluminum smelting business (upstream) and rolling business (midstream)
- **Specialty steel**
  Cater to increasing local procurement in automotive parts industry
- **Electrical steel sheet**

Fiscal 2015 Initiatives

Oil country tubular goods businesses continued to strengthen their customer bases by upgrading supply chain management. Further, we advanced lateral activities spanning organizations with a view to finding business opportunities in the oilfield equipment, materials, and services field. In response to rising demand for high-quality grain-oriented electrical steel sheets, which are used in transformers, we participated in a company in Turkey that processes electrical steel sheets. In the aluminum smelting business in Malaysia, we completed construction required for the third-phase expansion ahead of schedule and took measures aimed at achieving full production early.

BBBO2017 Growth Strategies

In the metal products for the automotive & railway industry business, we aim to establish an unrivaled position in the railway field (rails, wheels, axles, and maintenance). As for the automobile-related field, we will step up initiatives aimed at becoming a leading supplier with a lineup that covers steel products through to parts. Our tubular products businesses will use oil country tubular goods businesses as a base upon which to develop businesses in the oilfield equipment, materials, and services field. In addition, we will expand the value chain of the aluminum smelting business (upstream) and rolling business (midstream).

Initiatives Aimed at Addressing Social Issues

Supporting the Manufacturing of Rechargeable Batteries That Underpin the Spread of Electric Cars

Facing increasingly serious air pollution problems as its economy develops, China is promoting the introduction of environment-friendly electric cars. Meanwhile, rechargeable batteries—a key component of electric cars—are in increasingly short supply.

Sumisho Metalex Corporation, a Group company, is contributing to the safe, efficient manufacturing of rechargeable batteries. Through tie-ups with multiple equipment manufacturers, the company is supporting the establishment of an optimal production line by performing the tasks required to construct a rechargeable battery production line that uses equipment made in Japan, such as purchasing individual facilities and pieces of equipment and linking and coordinating facilities.

An electric bus that incorporates rechargeable batteries

Metal Products Business Unit

Summary of Main Fields

Steel Sheet-Related Field

The steel sheet processor Dongguan Summit Metal Products Co., Ltd.

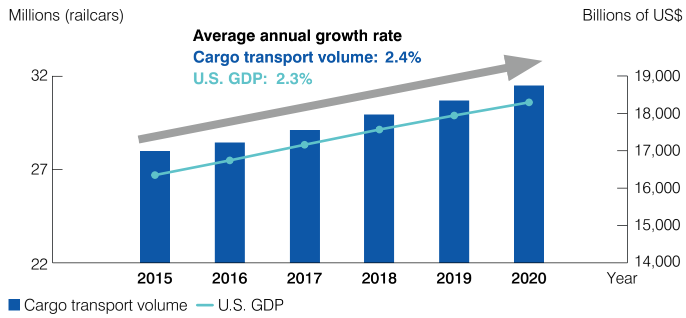
Opportunities and Risks

Steel sheets have various applications. For example, demand for steel sheets for railway-related products (rails, wheels, and axles) is likely to grow steadily as emerging countries develop railway infrastructure and developed countries advance modal shifts. At the same time, heightening safety consciousness is boosting demand for maintenance and highly reliable parts. On the other hand, trade issues in countries worldwide resulting from the steel oversupply that China has caused have become a risk.

Growth Strategies

We will pursue new synergies among a range of different steel sheet trading, using as a base our 32 overseas steel service center businesses operating in 13 countries, mainly emerging countries. In the railway field, we will focus particular efforts on supplying highly reliable parts and expanding operations in the maintenance field. As for the automobile-related field, we will concentrate on strengthening centralized purchasing capabilities through the processing bases that we have deployed to serve automotive production bases around the world.

Forecast of U.S. Rail Cargo Transport Volume



Near-term U.S. rail cargo transport volume is projected to stagnate as coal transport volume flags. Over the medium-to-long term, however, it is projected to trend solidly on gradual population growth and increasing U.S. GDP. Also, the market for railway materials and equipment is likely to see continued firm growth.

Sources
Cargo transport volume: *Rail Car Outlook*
GDP growth rate: IMF

Tubular Products Field

A tubular product storage yard in Norway

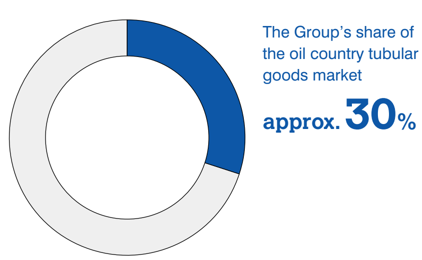
Opportunities and Risks

Demand for energy is likely to remain steady, and demand for tubular products used in oil and gas development projects is expected to recover and return to a growth track in the medium-to-long term. The current slump in oil prices could present opportunities to enter into new businesses through business acquisitions. However, there is a risk of the slump in oil prices triggering changes in business models in the oil and gas industry or realignments that change the structure of the industry itself.

Growth Strategies

Along with our unique technical services and logistics services, we will provide high-quality tubular products that are manufactured by highly reliable suppliers. In these efforts, our target customers will be those with operations in the main oil-producing countries and regions, including the North Sea, the Middle East, CIS, Asia and Oceania, and North America. In this way, we will contribute to the economic, stable production of oil and gas. Further, we will develop businesses engaged in the provision of oil well related equipment and services and expand business foundations.

The Group's U.S. Market Share



Through Group companies that are major oil country tubular goods distribution businesses, the Sumitomo Corporation Group has established a strong presence in the United States, which has the world's largest market for oil country tubular goods. We account for approximately 30% of this market. Our 2013 acquisition of Edgen Group has expanded our value chain further and is enabling us to meet the needs of a wider range of customers and contribute to the development of the energy-related field.

Non-Ferrous Products & Metals Field

Our aluminum smelting joint venture with Press Metal in Malaysia

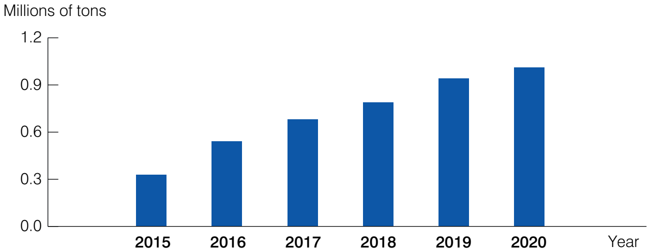
Opportunities and Risks

The needs of aluminum products in automotive manufacturing is likely to increase given the continuing pressure to introduce lighter vehicles in response to stricter fuel-efficiency regulations in regions worldwide. Consequently, the automotive industry's use of aluminum sheets is expected to rise significantly, primarily in the United States and Europe. On the other hand, aluminum products produced in China could intensify competition. Other risks include being unable to secure stable supplies of bauxite or alumina, the raw materials of aluminum ingots.

Growth Strategies

Based on a leading track record for the sale of aluminum ingots in Japan, we will bolster our cost-competitive value chains by strengthening relationships and sharing strategies with global partners. Upstream, we will advance the aluminum smelting business in Malaysia. Midstream, plans call for advancing business development in North America's rolling mills field. Further, we develop manufacturing business of aluminum sheets for automobile bodies. Through such initiatives, we will capture growing aluminum demand.

Forecast of North American Demand for Aluminum Automotive Body Sheets



As stricter fuel-efficiency regulations spur the introduction of lighter vehicles, demand for automotive aluminum body sheets is expected to increase. In the United States, the country with the highest demand, aluminum sheet demand is projected to rise rapidly from 2015's 300,000 tons to more than 1 million tons by around 2020. We will cater to this growing demand by entering the business field of surface treatment for automotive aluminum body sheets.

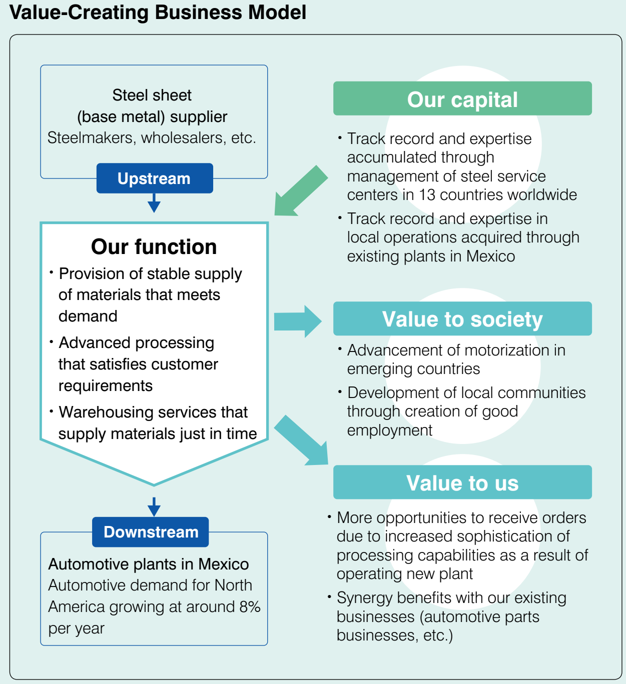
Project Overview

Providing Steel Sheets to the Automotive Market, Which Promises Medium-to-Long-Term Growth

Through to 2020, Mexico's automotive unit production is expected to grow roughly 8% on average as automotive demand remains favorable domestically and in the country's main export destination, the United States. Additional processing supply capacity is required due to strong demand for steel used in the manufacture of steel sheets and parts for automobiles. To cater to this burgeoning demand, the Sumitomo Corporation Group's wholly owned steel service center in Mexico, Servilamina Summit Mexicana S.A. de C.V. (SSM), has begun building its third plant. Starting up production at the new plant will improve our ability to cater to customers' diverse needs and heighten profitability because the plant will enhance our processing supply capacity as well as our ability to provide high-value-added products and warehousing services.

A rendered image of the No. 3 SSM plant upon completion

Value-Creating Business Model



Transportation & Construction Systems Business Unit

Main Fields

- Ship, Aerospace & Transportation Systems
- Automotive
- Construction Equipment

Organization

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

"What We Aim to Be"

We will anticipate changes in business conditions and change and expand business fields flexibly while realizing sustained growth.

We aim to be the industry leader in all of our business fields.
We will create new value through innovation based on out-of-the-box thinking.
We will develop regionally rooted businesses and contribute to the advancement of countries, societies, and industries.

Naoki Hidaka
General Manager,
Transportation & Construction Systems Business Unit

Strengths

Ship, aerospace & transportation systems
- One of Japan's leading general leasing businesses
- World-class aircraft leasing businesses, transportation system businesses, and shipbuilding businesses

Automotive
- Value chain that globally covers upstream through to downstream business fields

Construction equipment
- Business management expertise and local executives in each region developed through many years of hands-on business management

Challenges

Ship, aerospace & transportation systems
- Replacement of assets in portfolios of ship businesses
- Expansion of foundations of general leasing businesses and aircraft leasing businesses
- Advancement of railway infrastructure businesses

Automotive
- Business innovation in response to new car society resulting from revolution in automotive technology

Construction equipment
- Strengthening and expansion of business foundations in emerging markets

Opportunities

Ship, aerospace & transportation systems
- Increase in customers for aircraft and railways in emerging countries

Automotive
- Progress of motorization with a focus on emerging countries
- New businesses resulting from new automotive technological innovation, such as self-driving cars and IoT

Construction equipment
- Increase in construction demand as population increases and urbanization advances worldwide

Risks

Ship, aerospace & transportation systems
- Decrease in shipping cargo movements accompanying softening growth in China's economy

Automotive
- Geopolitical market risk

Construction equipment
- Cyclical nature of the market

Performance Highlights
(Billions of yen)

	FY2014	FY2015	FY2016 Forecast
Gross profit	183.6	175.5	152.0
Operating profit	18.4	24.3	–
Share of profit of investments accounted for using the equity method	31.7	31.3	–
Profit for the year (attributable to owners of the parent)	40.6	73.4	43.0
Basic profit	51.4	50.7	–
Total assets	1,756.4	1,508.5	–

Fiscal 2015 Results

In fiscal 2015, profit for the year increased ¥32.8 billion year on year, to ¥73.4 billion, due to the steady performance of aircraft leasing businesses, construction equipment rental businesses in North America and Japan, and the recognition of gain on sale and revaluation of shares accompanying reorganization of automotive retail financing businesses in Indonesia.

Global Portfolio

Europe and CIS
- ● Automobile distributor
- ● Automobile dealer
- ● Tire wholesale and retail
- ▲ Construction equipment dealer
- ● Automotive retail finance

East Asia
- ● Automotive parts manufacture
- ● Automobile dealer
- ▲ Construction equipment dealer

Japan
- ● Auto leasing
- ● Electric vehicle-related
- ● Automotive parts manufacture
- ▲ General construction equipment rental
- ■ Finance and general lease business
- ■ Shipbuilding

Americas
- ● Vehicle production facility
- ● Automotive parts manufacture
- ● Automobile dealer
- ● Tire wholesale and retail
- ▲ General construction equipment rental
- ▲ Construction equipment dealer
- ■ Aerospace-related
- ■ Railway and transport projects

Middle East and Africa
- ● Automobile distributor
- ● Tire wholesale and retail
- ● Automotive retail finance
- ▲ Construction equipment dealer

Asia and Oceania
- ● Automotive retail finance
- ● Automobile distributor
- ● Automobile dealer
- ● Auto leasing
- ● Automotive parts manufacture
- ● Tire wholesale and retail
- ▲ Agricultural machinery distributor
- ▲ Construction equipment dealer
- ■ Finance and general lease business
- ■ Railway and transport projects

Other (global businesses)
- ■ Aircraft leasing
- ■ Aircraft engine leasing
- ■ Ship-owning and operating business
- ● ▲ ■ Various types of trading

● : Automotive
▲ : Construction equipment
■ : Ship, aerospace & transportation systems

Red: Manufacturing
Green: Sales and services
Blue: Financing and assets

Growth Strategies for Becoming What We Aim to Be

- **In our three core business areas—sales and services, manufacturing, and financing and assets—we will strengthen the earning power of existing businesses and advance initiatives in new businesses.**
- **We will modulate resource allocation in light of careful monitoring of business conditions and medium-to-long-term perspectives.**
- **We will strengthen Groupwide collaboration among organizations, bolster operational tie-ups with global partners, and take on new business areas.**
- **We will foster global personnel able to work in a hands-on, site-focused manner.**

Fiscal 2015 Overview

In automotive retail financing businesses in Indonesia, we reorganized the capital of P.T. Oto Multiartha and P.T. Summit Oto Finance to enable continuous expansion and advance growth strategies further. Aiming to capture solid leasing demand in Japan, Sumitomo Mitsui Finance and Leasing Company, Limited, acquired the General Electric Group's leasing business in Japan. Also, railway-related businesses received an order for the construction of a large-scale railway under the Thai government's Red Line Construction Project. As for existing businesses, our U.S. construction equipment rental business and auto leasing businesses in Japan performed solidly.

BBBO2017 Growth Strategies

In the automobile and construction equipment sales and services fields, we intend to strengthen existing businesses and enter new markets. Further, we will steadily implement a plan to regenerate U.S. tire businesses. Regarding the financing and assets field, in aircraft leasing, engine leasing, auto leasing and automotive retail financing, and construction equipment rental, we will inject and collect funds strategically. As for the manufacturing field, plans call for tackling new businesses in the automotive and aircraft parts fields. Also, to create new value we will advance collaboration among organizations and partner-based strategies.

Initiatives Aimed at Addressing Social Issues

Japan Charge Network's Project to Establish Charging Stations for Electric Vehicles

To popularize electric vehicles and thereby help realize a low-carbon society, the establishment of charging stations that supply electricity to vehicles is vital. Through Japan Charge Network Co., Ltd., the Sumitomo Corporation Group has been at the forefront of efforts to expand and improve charging infrastructure since the earliest days of electric vehicles. By installing, managing, and operating charging stations, we aim to popularize environment-friendly vehicles and contribute to the realization a rich environment for tomorrow's society.

An example of an express charging station that Japan Charge Network has installed (Minokamo Service Area)

Summary of Main Fields

Ship, Aerospace & Transportation Systems Field

A leading-edge aircraft scheduled for use in one of our aircraft leasing businesses

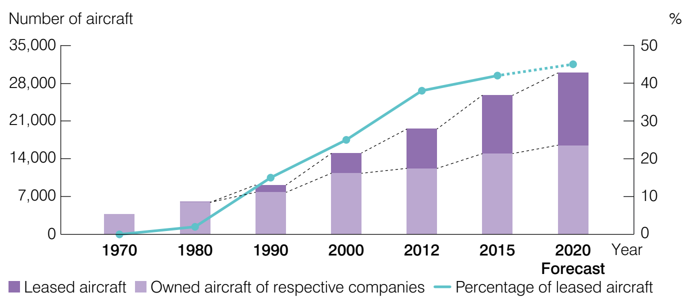
Opportunities and Risks

In aircraft leasing businesses, demand is expected to grow stably as the growth of emerging countries increases passenger numbers and low-cost carriers (LCCs) become more widespread. In overseas markets, the initiatives of leasing businesses promise favorable results. Meanwhile, conditions are sluggish in the shipping and shipbuilding markets, and we are paying careful attention to current market trends. Mainly in Asia, business opportunities are increasing due to the large number of urban railway and high-speed railway development projects that are planned.

Growth Strategies

In the aviation field, we will expand the aircraft leasing businesses of SMBC Aviation Capital further, while advancing engine leasing and other related businesses and pursuing synergies. Leasing businesses will focus on expanding their customer bases in Japan and overseas and upgrading operations. As for ship businesses, we aim to secure stable earnings based on the shipbuilding businesses of Oshima Shipbuilding Co., Ltd., and ship trading and ship-owning and operating businesses. With regard to transport infrastructure, we will strive to win new orders for railway EPC projects and facilitate the fulfillment of contracts.

Number / Percentage of Leased Aircraft among Aircraft Worldwide



As burgeoning passenger demand expands the commercial aircraft market, the aircraft leasing market continues to grow steadily as it provides airlines with a flexible means of procuring aircraft. Boasting the world's third largest number of owned or managed aircraft, SMBC Aviation Capital is advancing business development globally.

Automotive Field

Continuing to grow, Indonesia's automobile and motorcycle markets

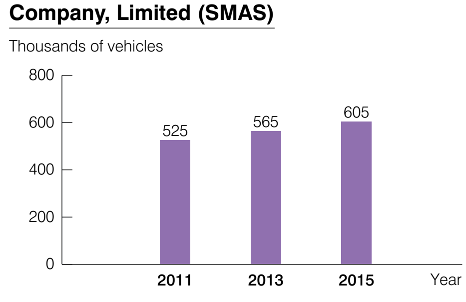
Opportunities and Risks

Centered on emerging countries, demand for automobiles is likely to grow at a steady pace, and expansion is expected in all related business fields, including manufacturing, sales, distribution, services, and financing. Also, growing demand for lightweight vehicles and alternative fuel amid concern over environmental problems, as well as new needs associated with autonomous driving and the IoT are contributing to the growth of business opportunities in this field. On the other hand, geopolitical risk related to political instability in certain regions is a cause for concern.

Growth Strategies

Automotive retail financing businesses, with a focus on Asia, will take an other related financial businesses to accelerate and diversify its growth in the finance and service business. As for mobility services businesses, which have auto leasing at their core, we will offer a range of solutions to respond to demand arising from "a new society of new mobility." Parts and vehicle manufacturing businesses and automobile and tire distribution businesses will expand existing businesses and services in regions worldwide and take on new challenges.

Growth of Sumitomo Mitsui Auto Service Company, Limited (SMAS)



One of Japan's largest auto leasing companies, the Sumitomo Mitsui Auto Service Company, Limited (SMAS) Group, owns and manages approximately 600,000 vehicles worldwide on a consolidated basis. By providing vehicles and onboard equipment that enhance safety and environment friendliness, the SMAS Group will upgrade the services that it offers customers while stepping up the pace of business development overseas.

Construction Equipment Field

An on-site technician of Canadian subsidiary SMS Equipment Inc. conducting a diagnosis of construction equipment

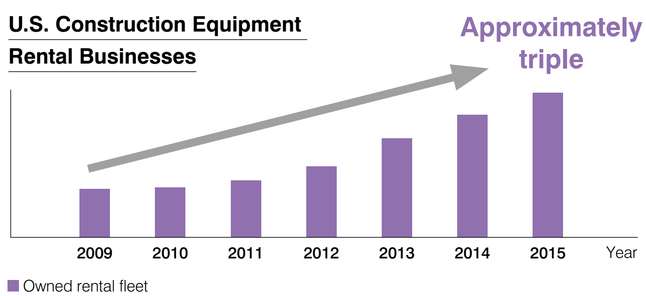
Opportunities and Risks

Worldwide demand for construction equipment is expected to grow steadily over the medium-to-long term as the population increases and urbanization advances. While demand for new equipment sales continues to be slow at present, demand for repair and maintenance services remains stable. Boasting high-quality service capabilities in the product support field, we believe that under the current business conditions, it is a good opportunity for us to enhance customer satisfaction further. Also, construction equipment rental businesses promise to expand due to growth in the rental penetration mainly in developed countries.

Growth Strategies

In existing businesses, we will concentrate efforts on improving asset efficiency and expanding product support businesses while advancing new initiatives in peripheral business fields. Also, with a view to a major advance, we will embark upon ambitious initiatives to expand our business base in the field of construction equipment sales and services businesses in the emerging countries of the Middle East, Southeast Asia, and other regions as well as in the field of construction equipment rental businesses in Europe and Southeast Asia.

U.S. Construction Equipment Rental Businesses



In the United States, the world's largest construction equipment rental market, we acquired an equity interest in Sunstate Equipment Co., LLC, in 2009 because we saw growth potential in this market. Since then, in accordance with our initial plan, the company has been increasing rental assets and growing earnings steadily.

Project Overview

Alliance Between Japan's Private and Public Sectors Helps Secure Thai Railway Construction Contract

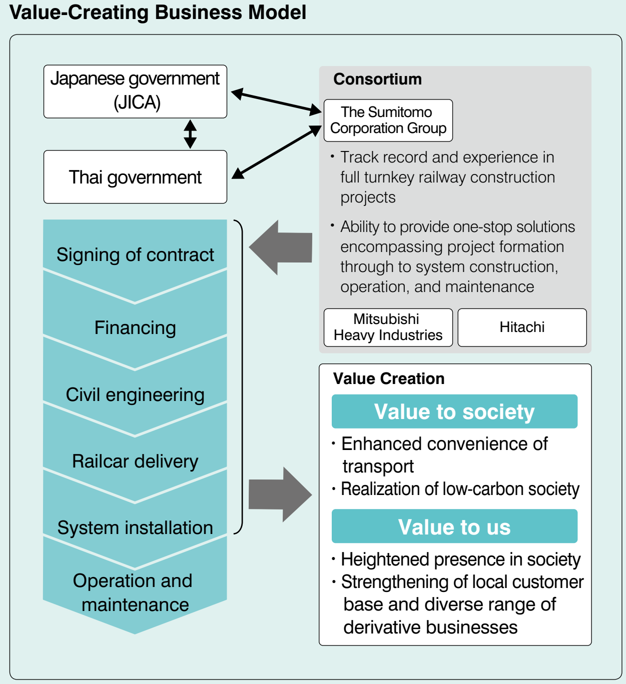
In recent years, road congestion and air pollution have become serious problems in Thailand. Therefore, the country needs to build a low-carbon society and mass transport infrastructure. In March 2016, a consortium comprising Mitsubishi Heavy Industries, Ltd., Hitachi, Ltd., and Sumitomo Corporation won a contract to design, construct, and install railway electric and mechanical systems for a railway project in Bangkok, the Red Line Construction Project. The contract includes the supply of 130 railcars but excludes civil engineering work. We will maximize the project's value by taking advantage of capabilities that we have garnered as a result of our extensive experience in executing such contracts worldwide.

Further, funding for the railway's construction will include an international yen loan from the Japan International Cooperation Agency (JICA). Thus, an alliance between Japan's private and public sectors will export high-quality infrastructure to help sustain Thailand's growth.

The Red Line in Bangkok, Thailand

The Red Line route map

Value-Creating Business Model



Environment & Infrastructure Business Unit

Main Fields

- Environment & Infrastructure Project
- Global Power Infrastructure
- Logistics & Insurance

Organization

- Planning & Coordination Dept., Environment & Infrastructure Business Unit
- Environment & Infrastructure Project Business Division
- Global Power Infrastructure Business Division
- Logistics & Insurance Business Division

"What We Aim to Be"

We aim to expand long-term, stable earnings foundations and contribute to society's development by growing infrastructure businesses that cater to market demand and increasing and improving logistics capabilities.

Masayuki Hyodo
General Manager,
Environment & Infrastructure Business Unit

Strengths

Project formation and advancement capabilities underpinned by experience and track record

Infrastructure businesses

- Project management capabilities that encompass stages from design through to construction and from business development through to management and industry network

Logistics & insurance and overseas industrial parks

- Experience in global logistics for a wide range of goods, insurance-based risk management capabilities, wealth of experience in development and management of industrial parks overseas, and capabilities for supporting tenant companies

Challenges

Establishment of organizations that empower diverse personnel to exercise leadership

- Aiming to optimize utilization and deployment of personnel on global basis to develop the businesses globally, cultivate markets and capture demand, and secure cost competitiveness

Opportunities

Creation of growth opportunities by combining environmental preservation with economic benefits

Infrastructure businesses

- Increase in demand for environment-friendly infrastructure due to growing environmental awareness and economic development of emerging countries and increase in business opportunities resulting from deregulation of electricity retail market in Japan

Logistics & insurance and overseas industrial parks

- Rise in need for logistics insurance services and overseas industrial parks as Japanese companies advance into overseas markets

Risks

Agile responses to uncertain, volatile conditions

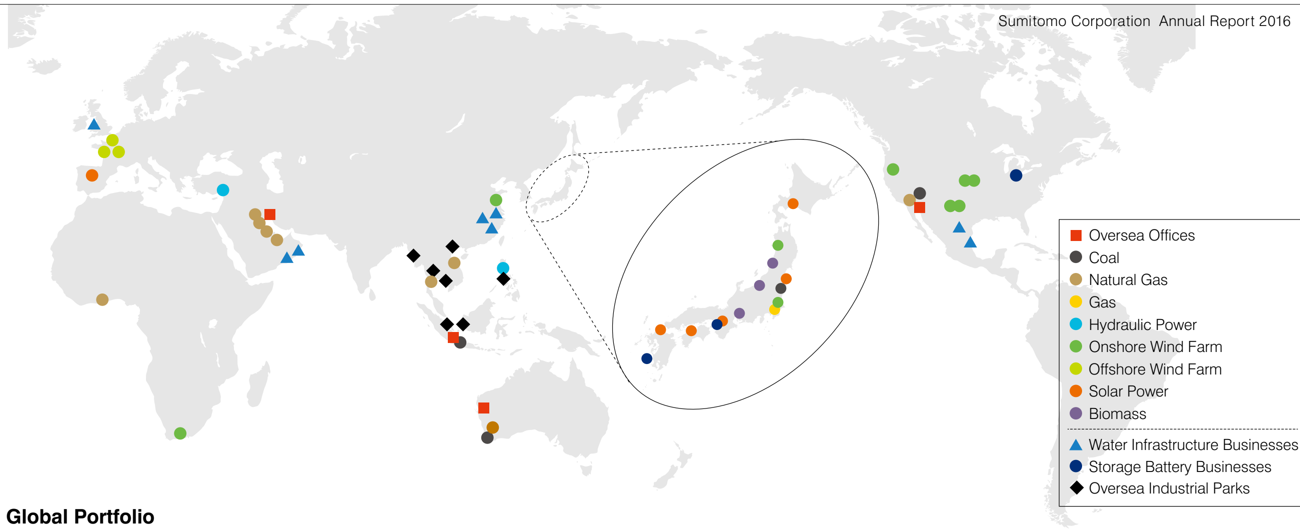
- Drastic changes in industries, such as realignment among heavy electrical machinery manufacturers in Japan, the United States, and Europe and the emergence of China
- Changes in conditions or regulatory strengthening for coal-fired power plants and changes to respective countries' incentive schemes for renewable energy power generation businesses

Performance Highlights
(Billions of yen)

	FY2014	FY2015	FY2016 Forecast
Gross profit	64.5	56.8	66.0
Operating profit	20.5	15.0	–
Share of profit of investments accounted for using the equity method	5.3	10.1	–
Profit for the year (attributable to owners of the parent)	22.9	25.6	33.0
Basic profit	17.5	19.6	–
Total assets	597.2	560.2	–

Fiscal 2015 Results

In fiscal 2015, the year ended March 31, 2016, profit for the year increased ¥2.7 billion year on year, to ¥25.6 billion, because steady performances by overseas power infrastructure businesses, such as the Tanjung Jati B Coal-Fired Power Plant in Indonesia, and the realization of value in the renewable energy field in Japan and overseas more than compensated for the effect of lower electricity wholesale prices on domestic electricity sales businesses.



Global Portfolio

Growth Strategies for Becoming What We Aim to Be

Earnings Pillars

- **Overseas power infrastructure businesses (power generation businesses and EPC (engineering, procurement, and construction) projects for power plants)**
  Enhance power infrastructure businesses in Asia, the Middle East, the Americas, and Sub-Saharan Africa
- **Overseas renewable energy power generation businesses**
  Develop new projects in response to respective countries' incentive schemes
  Focus on expanding in the offshore wind power generation field
  Replace assets strategically
- **Domestic electricity businesses**
  Secure additional competitive power sources and expand retailing
- **Logistics insurance and overseas industrial park businesses**
  Expand existing businesses and continue to develop new businesses
  Upgrade the capabilities and undertake global development of high-value-added businesses.
- **Domestic electrical machinery businesses**
  Capture demand from Japanese companies developing businesses overseas

Future Pillars

- **Water infrastructure businesses**
- **Storage battery businesses**

Fiscal 2015 Summary

In overseas power infrastructure businesses, gas-fired combined-cycle thermal power plant projects in Kuwait and Ghana progressed with construction, and we began EPC projects in Tanzania and Mozambique. Also, we concluded a power purchase agreement for the Tanjung Jati B Coal-Fired Power Plant Units 5 & 6 Expansion Project. Further, we began building an offshore wind farm in Belgium and a biomass power plant in Sakata City, Yamagata Prefecture. Other initiatives included opening an industrial park and a logistics company that provides logistics services in the industrial park in Myanmar and beginning commercial operations of a desalination plant in Oman. In addition, as part of efforts to replace assets strategically, we realized value in the renewable energy field in Japan and overseas.

BBBO2017 Growth Strategies

In overseas power infrastructure businesses, we will give priority to initiatives in regions in which we have abundant experience and expertise, such as Asia, the Middle East, and the Americas. At the same time, we will focus efforts on developing projects in Sub-Saharan Africa and other new markets. Overseas renewable energy power generation businesses will expand their business foundations centered on offshore wind power generation in Europe while focusing on strategic asset replacement.

As for domestic electricity sales businesses, we will increase our competitive power generation capacity and expand retailing. In logistics insurance and overseas industrial park businesses, plans call for expanding and upgrading the capabilities of existing businesses while developing new projects.

Initiatives Aimed at Addressing Social Issues

Construction of Power Plants in Sub-Saharan Africa

In recent years, power shortages have become a serious problem in Sub-Saharan Africa, which has seen economic development and marked population growth. We began building Mozambique's first natural gas-fired combined-cycle thermal power plant in February 2016 and Tanzania's first such plant in the following month. By introducing the latest highly efficient power generation equipment that uses local natural gas, we will help solve power shortage problems and contribute to the development of local communities.

A rendered image of the completed Kinyerezi natural gas-fired combined-cycle thermal power plant in Tanzania

Summary of Main Fields

Environment & Infrastructure Project Field

The Belwind offshore wind farm in Belgium

Opportunities and Risks

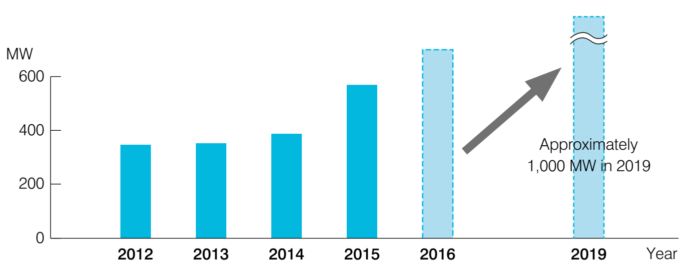
In relation to wind power and solar power generation businesses and other areas of the renewable energy field, although some developed countries are changing incentive schemes that encourage the introduction of renewable energy, its spread is likely to continue as a result of efforts to realize a low-carbon society. As for domestic electricity sales businesses, while the deregulation of the electricity retail market is creating opportunities to acquire new customers, competition is expected to intensify as a series of new companies enter the market.

Growth Strategies

With respect to overseas renewable energy businesses, we will proceed through growth cycles by accumulating new high-quality assets, mainly related to offshore wind power generation in Europe, while realizing the value of existing assets.

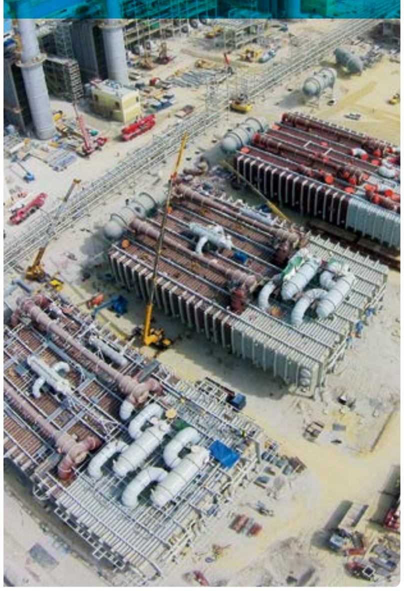
As for domestic electricity sales businesses, we will increase our competitive power generation capacity through such initiatives as steadily starting up biomass power plants that are under construction. At the same time, we aim to collaborate closely with Cable TV operator J:COM, to grow the scale of retail sales.

Electricity Supply Contracts of Domestic Electricity Sales Businesses



Following partial deregulation in March 2000, Japan's electricity retail market deregulated in stages and became fully deregulated in April 2016. Since establishing Summit Energy Corporation and entering this market in 2001, we have increased the scale of sales and expanded business foundations steadily. By exploiting the experience and expertise we have accumulated during this period, we aim to grow even more significantly.

Global Power Infrastructure Field



The Az-Zour North Independent Water and Power Producer (IWPP) project in Kuwait

Opportunities and Risks

Demand for power is likely to continue trending upward as emerging countries experience population increases and rapid economic growth. Given the building momentum worldwide of initiatives focused on realizing a low-carbon society—including the adoption of the Paris Agreement by COP21*1—we must monitor regulatory changes affecting such areas as the public financing of coal-fired power generation projects. Also, in response to the acceleration of infrastructural investment in China, competition to win new orders is expected to become fiercer.

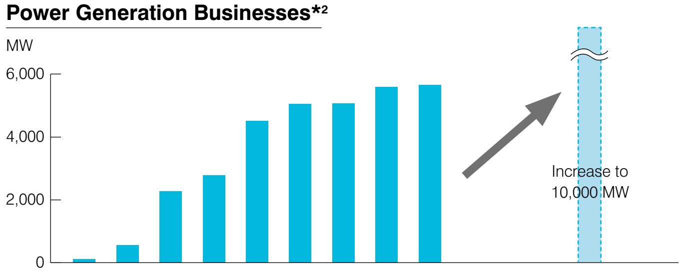
*1. The 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change

Growth Strategies

We aim to expand business foundations by contributing to the realization of a low-carbon society and providing emerging countries with stable power supplies through the export of high-quality infrastructure, such as highly efficient power plants based on Japanese technology.

Also, we will create opportunities to acquire further orders by implementing regional strategies focused on Asia, the Middle East, and Sub-Saharan Africa and building partnerships with customers.

Net Ownership Power Generation Capacity of Overseas Power Generation Businesses*2



*2. Not including renewable energy

The Sumitomo Corporation Group began full-fledged initiatives focused on overseas power generation businesses in 2000. Since then, we have steadily expanded business foundations. Currently, net ownership power generation capacity is approximately 5,600 MW. Our next step will be to increase this to 10,000 MW by advancing development of additional projects. In conjunction with these efforts, we will concentrate on fostering personnel able to contribute to the efficient management of power generation assets.

Logistics & Insurance Field

Thang Long Industrial Park in Vietnam

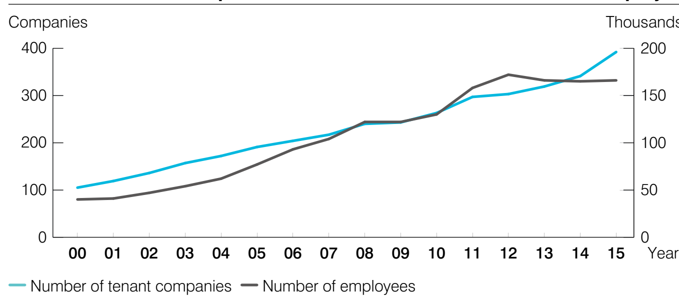
Risks and Opportunities

Demand for logistics and overseas industrial parks is expected to increase over the long term as economic partnership agreements (EPAs), such as the Trans-Pacific Partnership (TPP), invigorate intra-regional logistics and drive economic growth in emerging countries. Meanwhile, we will pay close attention to the effects that the stagnation of China's market and the economic slowdown among emerging countries are having on companies' overseas forays. Further, the growing scale and complexity of the Sumitomo Corporation Group's businesses calls for increasingly sophisticated logistics and insurance capabilities.

Growth Strategies

In overseas industrial park businesses, we will extend existing industrial parks and upgrade their capabilities. At the same time, we will expand our earnings base by developing new projects in India, Vietnam, and other emerging countries. Also, the Sumitomo Corporation Group will take advantage of its experience in providing global logistics for a wide range of goods as a general trading company and its expertise in insurance-based risk management to enhance the corporate value of the Group as a whole and concentrate on generating earnings and upgrading capabilities.

Number of Tenant Companies in Industrial Parks and Number of Employees in Industrial Park Businesses



Our overseas industrial park businesses not only support Japanese manufacturers in Asia but also help enrich local residents' lives by creating significant amounts of employment and encouraging the development and advancement of the surrounding areas.

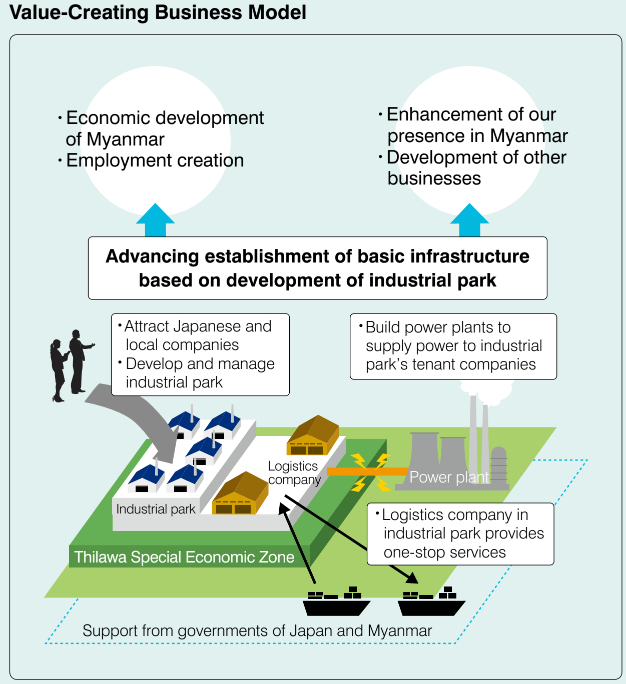
Project Overview

Developing Infrastructure Business in Myanmar's Thilawa Special Economic Zone

In Myanmar, the development of social and industrial infrastructure is a pressing issue. After the country transitioned to a civilian government in 2011, the Sumitomo Corporation Group was one of the first overseas corporations to begin business activities there. In 2013, we participated in an industrial park development project in the Thilawa Special Economic Zone. The Group led construction in this joint project, which involved the private and public sectors of Japan and Myanmar and opened for business in September 2015. Further, in partnership with a Japanese logistics company we established a logistics company in the industrial park, enabling us to offer one-stop logistics services to companies establishing bases in the Thilawa Special Economic Zone. Also, we are building a gas-fired thermal power plant on land next to the zone. Through such projects to develop basic infrastructure, we will help invigorate industry and advance economic development in Myanmar.

Main gate A of the Thilawa Special Economic Zone

Value-Creating Business Model



Media, Network, Lifestyle Related Goods & Services Business Unit

Main Fields

- Media and Network
- Retail and Food
- Materials, Supplies and Real Estate

Organization

- Planning & Coordination Dept., Media, Network, Lifestyle Related Goods & Services Business Unit
- Media Division
- Network Division
- Lifestyle & Retail Business Division
- Food & Agriculture Business Division
- Materials, Supplies & Real Estate Division
- General Construction Development & Coordination Dept.

"What We Aim to Be"

We will create new lifestyles by developing diverse consumer and lifestyle-related businesses globally.

Hirohiko Imura

General Manager,
Media, Network, Lifestyle Related Goods & Services Business Unit

Strengths

Media and network
- J:COM, with No. 1 share of Cable TV market
- Customer networks of SCSK and T-GAIA

Retail and food
- Expertise in retail business acquired through management of Summit, Tomod's, and Jupiter Shop Channel

Materials, supplies and real estate
- Comprehensive portfolio of real estate in Japan, including office buildings, retail facilities, and condominiums
- Operating companies with leading shares in Japanese construction materials-related markets
- Ownership of large-scale forest resources

Challenges

Media and network
- Further improvement of customer satisfaction for telecommunication business in Myanmar

Retail and food
- Expansion of revenue base of food businesses

Materials, supplies and real estate
- Establishment of biomass fuel manufacturing businesses
- Further expansion of forest resources
- Manage business against lower demand for construction materials in Japan and changing real estate market as depopulation advances

Opportunities

Media and network
- Deregulation of electricity retailing
- Extensive utilization of ICT

Retail and food
- Growth of e-commerce market
- Diversification and increased sophistication of food in emerging countries

Materials, supplies and real estate
- Increase in demand for real estate and construction materials thanks to holding of 2020 Tokyo Summer Olympic and Paralympic Games
- Increase in demand for timber products in China due to ban on logging of natural forests in China
- Increase in demand for biomass accompanying rise in renewable energy

Risks

Media and network
- Increased competition in pay TV and fixed broadband businesses
- Structural change in the mobile telecom industry

Retail and food
- Weather and climate risks in agricultural businesses
- Decline in consumer confidence due to worsening economic conditions

Materials, supplies and real estate
- Rise in forest values
- Overheating of real estate market

Performance Highlights
(Billions of yen)

	FY2014	FY2015	FY2016 Forecast
Gross profit	239.0	254.6	260.0
Operating profit	44.7	55.6	–
Share of profit of investments accounted for using the equity method	40.1	44.2	–
Profit for the year (attributable to owners of the parent)	57.1	64.8	66.0
Basic profit	57.8	70.8	–
Total assets	1,762.7	1,735.0	–

Fiscal 2015 Results

In fiscal 2015, the year ended March 31, 2016, profit for the year rose ¥7.7 billion year on year, to ¥64.8 billion, thanks to solid performances in Japan by major operating companies, such as J:COM, SCSK, and Jupiter Shop Channel, and real estate businesses and the realization of real estate value in Japan and overseas.

Global Portfolio

Growth Strategies for Becoming What We Aim to Be

Earnings Pillars

- **Strengthen foundations in media, ICT, and retail fields (J:COM, SCSK, Jupiter Shop Channel, etc.) further**
- **Heighten sophistication of operations and competitiveness of telecommunication business in Myanmar**
- **Strengthen foundations of food businesses**
- **Expand primary earning sources of wood resource businesses**
- **Advance general real estate businesses in Japan and overseas including office buildings, retail facilities, condominiums, and real estate finance**

Future Pillars

- **Develop businesses that have succeeded in Japan's media, ICT, and retail fields in emerging countries within Asia and in other regions**
- **Advance businesses related to solid biomass fuel**

Fiscal 2015 Overview

In March 2016, we reorganized Jupiter Shop Channel's capital, resulting in stakes of 50% for J:COM, 45% for Sumitomo Corporation, and 5% for KDDI Corporation. By realizing collaboration and synergies among the companies, we will grow the earnings of J:COM and Jupiter Shop Channel even further.

As for the telecommunication business in Myanmar, we built mobile base stations and developed the sales network with a view to offering the best network coverage, service quality, and customer support.

In the materials, supplies and real estate field, we reinforced business foundations by participating in a biomass fuel manufacturing business in Brazil and participating in a mixed-use building development project in Ginza.

BBBO2017 Growth Strategies

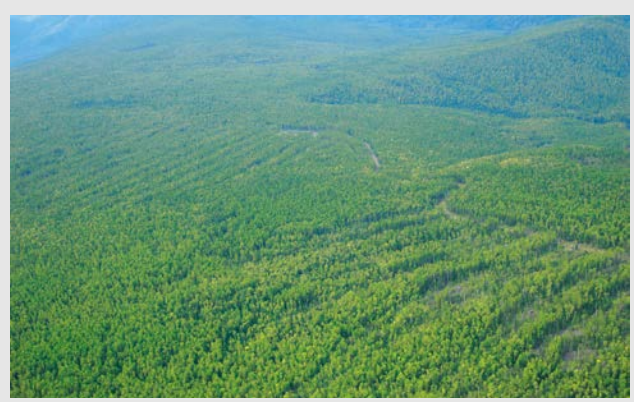
We will grow earnings by further expanding and strengthening the earnings foundations of major operating companies and other existing businesses in Japan while exploiting expertise and advantages fostered in existing businesses to advance global business development based on long-term perspectives.

Also, focusing on the five core businesses that are the strengths of this business unit and which comprise its earnings foundations—J:COM, SCSK, Jupiter Shop Channel, Summit, Inc., and real estate businesses—the business unit will bolster and expand collaboration among its various businesses and enhance the value of each business with a view to growing earnings even further.

Initiatives Aimed at Addressing Social Issues

Beginning of Sustainable Forestry Management

The Sumitomo Corporation Group has a stake in OAO Terneyles, which owns approximately 2.76 million hectares of forested land in the Russian Far East and operates a general forest products business. To preserve precious forest resources and ensure sustainability, the company uses a logging method called "ribbon cutting" or "strip felling," which leaves parent trees intact so that they can drop seeds, thereby allowing new trees to grow naturally. Based on this method, we will sustain its forests.



Adoption of ribbon-cutting method that leaves lines of trees

Summary of Main Fields

Media and Network Field

A sales store of our telecommunication business in Myanmar

Opportunities and Risks

In the media and telecommunications industry, users' lifestyles and market circumstances are changing in step with the rapid spread of smartphones, tablet computers, and higher speed data connectivity at lower prices.

Also, new business opportunities are increasing due to the increasingly widespread use of the Internet of Things (IoT) and other ICT across a range of industries and regulatory easing, such as the deregulation of electricity retailing.

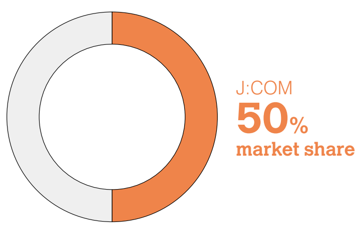
Growth Strategies

In Japan, focusing on J:COM and SCSK, which are leading companies in their industries, the Sumitomo Corporation Group will promote collaboration among divisions and expand earnings foundations. In addition, we will capitalize on expertise garnered through media businesses in Japan and telecommunications in emerging countries to advance global business development.

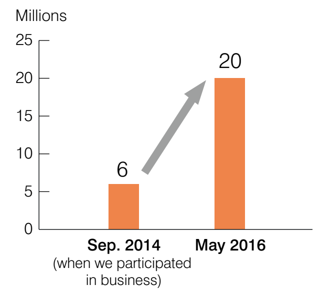
In the telecommunication business in Myanmar, aiming to win out intensifying customer acquisition competition, we will enhance the quality of our telecommunication service, expand the sales network, and offer value-added services such as mobile money.

Domestic Cable TV market

(As of Sep. 2015)



Number of Subscribers of Our Telecommunication Business in Myanmar



Retail and Food Field

Produce area at a Summit Store, the supermarket

Opportunities and Risks

Consumers' lifestyles are changing constantly, and catering to changes in purchasing behavior in the retail industry, including such sectors as TV shopping and supermarkets, is required.

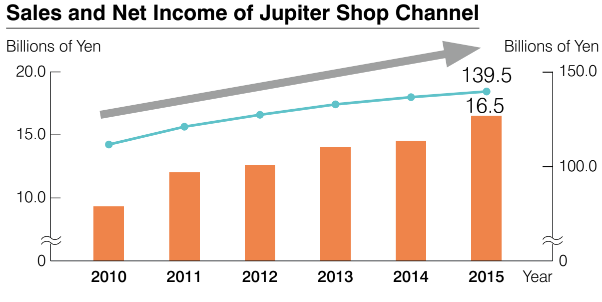
Further, due to the economic growth and rising populations of emerging countries within Asia and in other regions, securing a stable food supply is regarded as a global issue, and taking action in response to increasing demand is needed.

Growth Strategies

Based on the capital reorganization that involved J:COM and KDDI, we will further strengthen the business foundations of Jupiter Shop Channel and accelerate measures to create synergies.

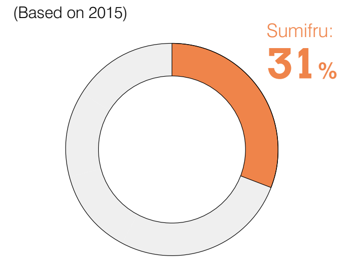
Regarding food businesses, we will reinforce food value chains in banana businesses, which are among our strongest businesses, and in the flour-milling, sugar-refining, and meat businesses to build an optimal business portfolio.

Sales and Net Income of Jupiter Shop Channel



Sumifru's Share of Japan's Banana Imports*

(Based on 2015)



* Source: Sumifru

Materials, Supplies and Real Estate Field

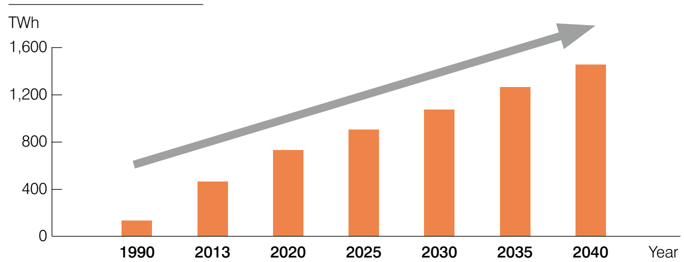
One of the largest mixed-use-building development projects in Ginza

Opportunities and Risks

The real estate property market in and around Tokyo is expected to remain solid as the 2020 Tokyo Summer Olympic and Paralympic Games approach. On the other hand, competition among developers has intensified due to a recent rise in the market.

In the materials and supplies field, reflecting the increasing momentum of environmental measures, interest in biomass fuel for power generation is growing worldwide. In addition, Japan is likely to see solid demand for construction materials in the run up to the 2020 Tokyo Summer Olympic and Paralympic Games.

Worldwide Biomass Power Generation Volume: Trend and Forecast



Growth Strategies

Our real estate businesses aims to expand further in the United States and Asia by exploiting comprehensive expertise fostered in Japan. With regard to domestic business, we have been focusing on accumulating high-quality assets in strategic areas as well as cultivating non-asset businesses in parallel with steady development of office buildings, retail facilities, and condominiums. In relation to materials and supplies businesses, we will take advantage of collaboration among organizations to strengthen the earnings foundations of businesses handling cement and other construction materials and develop manufacturing businesses to meet global demand for biomass fuel.

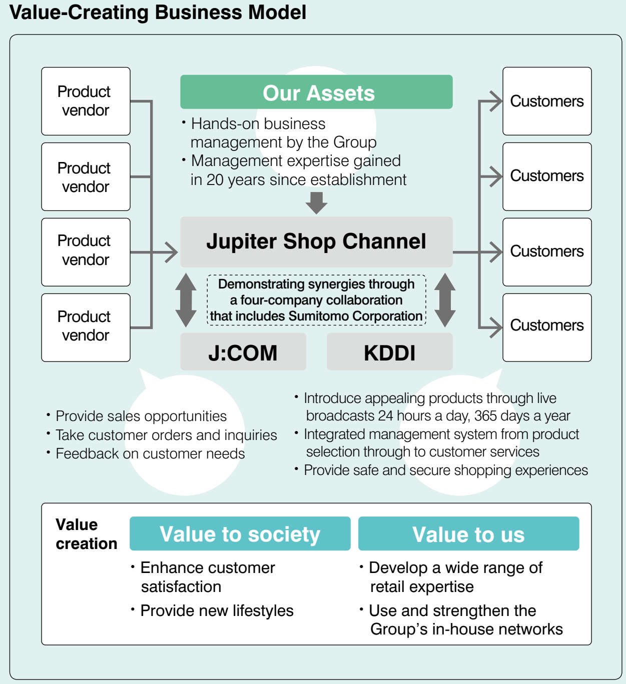
Project Overview

Capital Reorganization of TV Shopping Business

Since 1996, we have been operating a TV shopping business that caters to consumers' ever-changing needs through Jupiter Shop Channel. In March 2016, the ownership structure of Jupiter Shop Channel was altered by having J:COM and KDDI Corporation (KDDI) respectively acquire 50% and 5% of Jupiter Shop Channel shares, placing the company under the control of a new partnership among Sumitomo Corporation, J:COM, and KDDI. This will enable J:COM and Jupiter Shop Channel to conduct sales and promotional activities targeted at each other's customers to cultivate new customers and expand their businesses. This business unit is thus able to leverage the strength of each of its businesses while reinforcing collaborations among them to develop new services and businesses, which will lead to enhancing customer satisfaction and increasing earnings.

The building of J:COM Shonan, a J:COM operation station (top left)
TV screen image of "Shop Channel" broadcast (bottom right)

Value-Creating Business Model



Mineral Resources, Energy, Chemical & Electronics Business Unit

Main Fields

- Mineral Resources & Energy
- Chemical & Electronics

Organization

- Planning & Coordination Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit
- Project Management Dept. for Mining & E&P
- Mineral Resources Division No. 1
- Mineral Resources Division No. 2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division

"What We Aim to Be"

In the mineral resources and energy field, we aim to build a high-quality portfolio that is effectively diversified against risk, while in the chemical and electronics field our goal is to develop high-value-added businesses.

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

Strengths

Mineral resources and energy
- Equity interests in high-quality mines and oil and gas projects
- Track record of participating in operation and business management of mines and experience and expertise accumulated as a result
- Stable relationships with customers and business partners with global operations

Chemical and electronics
- Expertise and global customer base developed through many years of trading
- Electronics Manufacturing Services (EMS), which call for advanced production technology as well as quality control and supply chain management

Challenges

Mineral resources and energy
- Bringing forward completion and profit realization of projects that are in ramping up stages
- Strengthening of competitiveness through ongoing cost reduction in existing businesses

Chemical and electronics
- Rapid realization of profitability in new businesses in petrochemicals, crop protection products, and pharmaceuticals fields
- Participation in global fields for niche, high-value-added chemicals

Opportunities

Mineral resources and energy
- Increase in the demand for mineral resources and energy over medium-to-long term as economic growth continues
- Based on replacement of existing assets, careful consideration of acquisition of equity interests in highly cost-competitive projects that are in production

Chemical and electronics
- Acquisition of new businesses in step with population increases and economic development of emerging countries, mainly in Asia and South America
- Expansion and increasing sophistication of EMS value chains related to energy saving and resource saving

Risks

Mineral resources and energy
- Slumping demand and low resource prices stemming from slowdown of economic growth in China and emerging countries
- Competition to increase production among resource majors and continuation of oversupply
- Country risk associated with changes in legal systems of countries in which projects are located

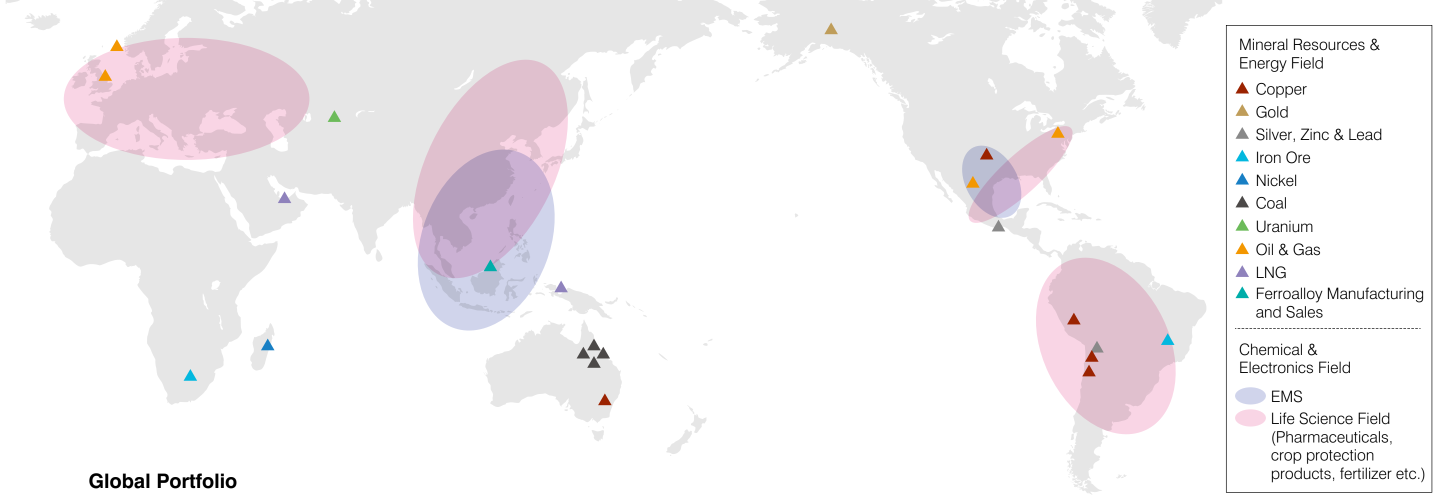
Chemical and electronics
- Slowdown of economic growth and currency depreciation among emerging countries
- Market downturns due to weather and other external factors
- Loss of advantages due to technological innovation, industry reorganization, or new entry of other companies

Performance Highlights
(Billions of yen)

	FY2014	FY2015	FY2016 Forecast
Gross profit	86.9	80.3	67.0
Operating profit (loss)	(170.3)	5.1	–
Share of profit of investments accounted for using the equity method	(53.8)	(155.4)	–
Profit (loss) for the year (attributable to owners of the parent)	(191.0)	(151.6)	(23.0)
Basic profit (loss)	(42.0)	(145.2)	–
Total assets	1,682.7	1,434.4	–

Fiscal 2015 Results

In fiscal 2015, loss for the year improved ¥39.4 billion year on year, to ¥151.6 billion. As a result of revising medium-to-long-term forecasts for resource prices and business plans, impairment losses of ¥156.8 billion arose, which included losses arising from the Ambatovy nickel project in Madagascar and iron ore businesses in South Africa and Brazil. Excluding the effect of impairment losses, the results of businesses in the mineral resources and energy field were lackluster due to a further fall in market prices. In the chemical and electronics field, however, businesses performed solidly overall.



Global Portfolio

Growth Strategies for Becoming What We Aim to Be

Earnings Pillars

- **Mineral resources and energy**
  Increase value by strengthening cost competitiveness of existing projects that are in production
- **Chemical and electronics**
  Expand earnings bases of businesses related to crop protection products
  Bolster foundations of Electronics Manufacturing Services (EMS) businesses for automobiles

Future Pillars

- **Mineral resources and energy**
  Bring forward completion and profit realization of projects that are in ramping up stages
  Advance trading centered on natural gas and LNG in the United States
- **Chemical and electronics**
  Maximize synergy benefits with phenol manufacturing businesses
  Enter the automotive parts business field
  Strengthen capabilities and services further in the pharmaceuticals field, including cosmetic ingredients

Fiscal 2015 Overview

In the mineral resources and energy field, we concentrated efforts on bringing forward the start-up of projects that are in ramping up stages. For example, Ambatovy nickel project in Madagascar has achieved financial completion under project financing. Also, we prepared policies for the management of our upstream resources portfolio and established a dedicated organization with a view to strengthening market analysis capabilities and technology evaluation capabilities.

As for the chemical and electronics field, we took steps to expand businesses and strengthen earnings bases, including the establishment of a multifaceted crop-production support business in Brazil and deciding to begin an EMS business in Cambodia, where the growth of manufacturing industries is promising.

BBBO2017 Growth Strategies

In the mineral resources and energy field, we will continue to make efforts to bring forward the completion and profit realization of projects that are in the ramping up stages. Also, based on the replacement of existing assets, we will carefully consider the acquisition of high-quality, cost-competitive assets. Regarding the chemical and electronics field, we aim to enhance profitability by establishing high-value-added, differentiated businesses and trading. With this in mind, we will anticipate needs in highly changeable industries, expand our business field into manufacturing, and realize synergies with the other business fields to heighten our capabilities even further.

Initiatives Aimed at Addressing Social Issues

The San Cristobal Mining Operation in Bolivia: Contributing to the Sustainable Development of Local Communities and Responding to the Rising Demand for Non-ferrous Metals

New mine development is necessary in order to respond to the expected medium-to-long-term growth in demand for non-ferrous metals, and contributing to the sustainable development of local communities is indispensable for the smooth development and operation of new mines. The San Cristobal mine in Bolivia, operated by the Sumitomo Corporation Group, contributes to the local economy through direct and indirect employment. Furthermore, the mine supports the sustainable development of local communities by establishing industrial and daily life infrastructure and developing human resources through technical training.

Providing instruction on vaccination of valuable livestock such as llamas

Summary of Main Fields

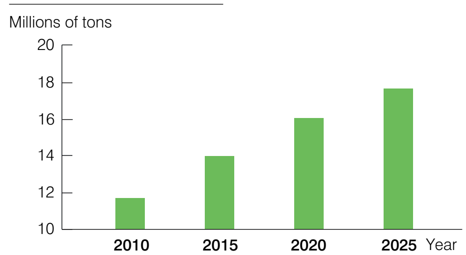
Mineral Resources and Energy Field

An offshore oil production platform in the British North Sea

Opportunities and Risks

Over the medium-to-long term, demand for mineral resources and energy, which are used in a wide range of industries, is expected to rise as an increase in population continues to drive economic growth. Currently, however, demand remains soft and prices continue to fall due to decelerating growth among emerging countries. In these conditions, mineral resources companies continue to increase production with a view to decreasing the unit cost of products, which consequently ends in continued oversupply. Other potential threats include country risks associated with changes in the legal systems of countries in which projects are located.

Zinc Demand Volume



Growth Strategies

We will take advantage of the experience and expertise we have acquired through operations and participation in business management to enhance the quality of our portfolio. We intend to keep focusing efforts on bringing forward the profit realization of such projects as the nickel project in Madagascar and bringing forward the completion and profit realization of projects that are in the ramping up stages, such as the copper and molybdenum mine in Chile. In conjunction with these efforts, we will continue reducing costs in existing businesses to improve earning power. Based on the replacement of existing assets and careful consideration of timing, we will continue to make efforts to make new investments with a view to acquiring truly high-quality projects.

As the economies of emerging countries develop, demand for zinc continues to increase due to the growth in demand for galvanized automotive steel sheets and steel sheets for railway and power infrastructure. The Sumitomo Corporation Group operates the San Cristobal mine, zinc production of which ranks 6th in the world, and we will contribute to the stable supply of zinc by further increasing the mine's operational efficiency and competitiveness.

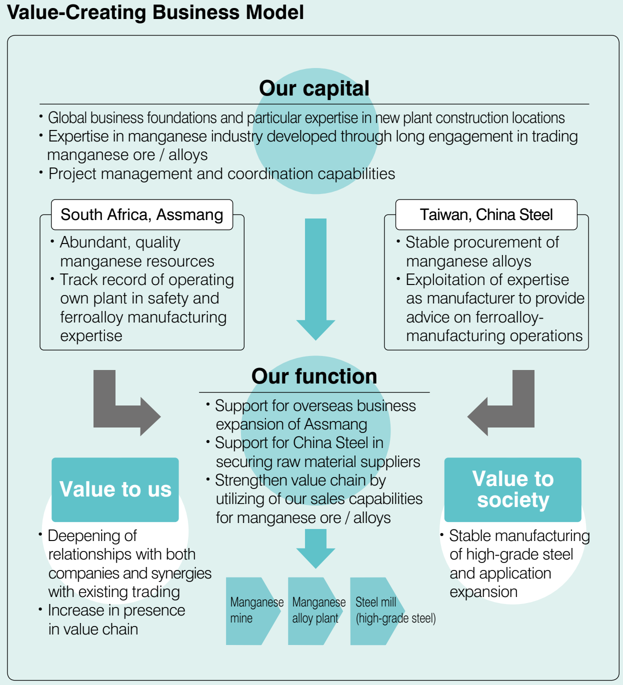
Project Overview

Ferroalloy Manufacturing and Sales Business That Enables an Optimal Value Chain Linking Supply and Demand Regions

A raw material added to enhance steel's strength and wear resistance, manganese is essential in the manufacturing of high-grade automotive steel sheets. Demand for high-grade steel sheets and manganese alloys is likely to rise as emerging economies develop. With this in mind, the Sumitomo Corporation Group is advancing a manganese alloy manufacturing and sales business in Malaysia in partnership with Assmang Ltd., of South Africa, and China Steel Corporation, of Taiwan. Assmang has a wealth of manganese resources and wants to step up overseas expansion, while China Steel needs a stable supply of manganese alloys. Based on relationships of trust fostered through many years of trading with both companies, Sumitomo Corporation has developed this project, which is contributing to the expansion of their businesses and the growth of the Sumitomo Corporation Group, which coordinates the overall business.

A manganese alloy manufacturing plant in Malaysia

Value-Creating Business Model



Chemical and Electronics Field

A Sumitomo Corporation Group Electronics Manufacturing Services (EMS) plant in Thailand

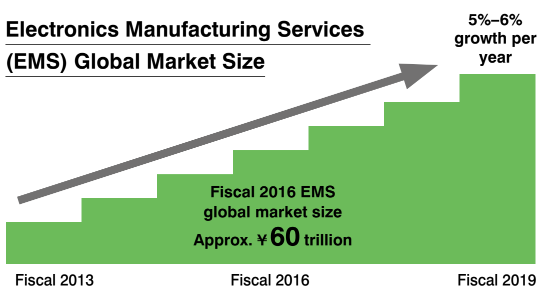
Opportunities and Risks

Given the likelihood of greater demand for food as populations rise and economies develop in emerging countries, demand is expected to increase for crop protection products and fertilizers as they are essential for enhancing the quality and yield of agricultural products. Further, we view the need for responses to the raw material procurement risk accompanying the steady decline in Japan's petrochemical production as a business opportunity. On the other hand, crop protection products businesses need to address risks that include market downturns due to external factors, such as currency depreciation in emerging countries or weather.

Growth Strategies

We will exploit the expertise and customer bases that we have acquired to develop high-value-added trading, maximize synergy benefits in phenol manufacturing businesses in China, and strengthen value chains for EMS businesses, which aim to expand in the vehicle installation field. Also, plans call for expanding our earnings base by extending our global sales network for crop protection products and bolstering existing businesses in such fields as fertilizers, pharmaceuticals, and cosmetic ingredients.

Electronics Manufacturing Services (EMS) Global Market Size



The global market for EMS continues to grow at a high rate of 5% to 6% annually, reflecting the increasing incorporation of electronics in automobiles and the spread of smartphones in emerging countries. In fiscal 2016, this market is likely to account for revenues of approximately ¥60 trillion.

Manufacturers of equipment installed in automobiles are stepping up outsourcing of manufacturing to providers of EMS. The Sumitomo Corporation Group will accurately identify such opportunities to expand EMS businesses.

Project Overview

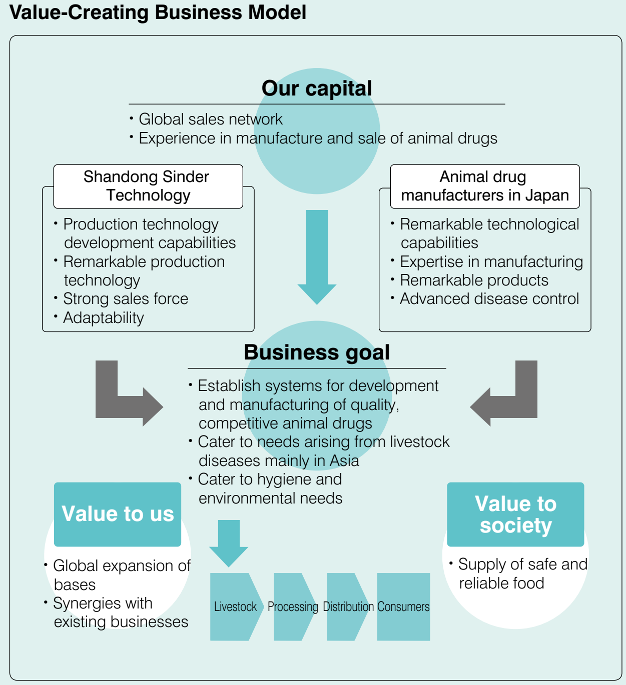
Animal Health Business: Addressing to Growing Demand for Meat and Food Safety

In accordance with the growth of the global population and living standards in emerging countries in Asia and other regions, demand for animal protein (meat) and food safety is rising. Further, in China, the world's largest livestock (LS) market, a new law more strictly controlling residual drugs in meat products has been enforced, and much safer livestock vaccines are required in the market.

The Sumitomo Corporation Group entered into the animal medicine business in China by acquiring 25% of the stock of Shandong Sinder Technology Co., Ltd., which has particularly been focusing on animal vaccines. We are confident of being in a leading position in the animal health field due to our long business experience. Therefore, the partnership with Shandong Sinder Technology will enable us to lead Japanese animal health companies into overseas markets and contribute more to food safety and its stable supply. Our goal is to expand the animal health business globally and to achieve around ¥100 billion sales in the future.

Shandong Sinder Technology Co., Ltd., and one of its production lines

Value-Creating Business Model



Overseas Four Broad Regions

East Asia

"What We Aim to Be"

We will help the Sumitomo Corporation Group advance its growth strategy and become what it aims to be by identifying qualitative changes in East Asia's economy and exploiting our unique capabilities as a regional organization.

Fumihiro Koba
General Manager for East Asia

Regional Strategies for Becoming What We Aim to Be

Comprising China, Taiwan, South Korea, and Mongolia, East Asia represents a market with burgeoning potential. In many fields in the region, economic growth and social change is giving rise to new business opportunities. Based on dynamic, timely business management decisions that take advantage of a wide-zone operation system, we will strengthen the earning power of the Group on a global basis by leveraging its global network and information acquired thanks to our strong presence in the region. In particular, we intend to continue focusing management resources on four fields that promise strong growth: mineral resources and energy, automobile-related, domestic consumption, and the environment related and energy saving business. Also, we aim to strengthen our earning power by advancing joint ventures with Chinese companies when they enter overseas markets. For example, we plan to deepen our relationship with China International Marine Containers (Group) Ltd., a world leading supplier of logistics and energy equipment in the logistics and energy fields.

Initiatives Aimed at Addressing Social Issues

Advancing Water Treatment Project in Partnership with a Major Company in China

While China has grown into the world's second largest economy, the country's rapid economic growth, industrialization, and urbanization have created serious environmental problems. In response, China's government is taking measures to prevent air, water, and soil pollution. With respect to water, the government announced an action plan for the prevention of water pollution in 2015. This plan calls for the treatment of 95% of sewage in urban areas by 2020 and sets emission standards for each region. To meet the target and standards, the government is promoting the building and upgrading of sewage treatment plants.

In response, the Sumitomo Corporation Group established a joint venture, Eastern Water Co., Limited, with Beijing Capital Co., Ltd., China's largest company in the water treatment field. In three Chinese cities, the joint venture treats approximately 380,000 tons of sewage per day. Moreover, in collaboration with Beijing Capital, we are developing new water treatment projects in China. In these projects, we are introducing Japan's water treatment-related technology and exploiting our experience and expertise in overseas infrastructure projects. Among our various environment-related projects in China, we view water treatment projects as one of our highest priority fields. By advancing water treatment projects, we will continue improving China's environment and contributing to the development of local communities.

The sewage treatment plant in Linyi, Shandong

Asia and Oceania

"What We Aim to Be"

We will identify emerging trends and demands in Asia and Oceania's highly dynamic market, work with business partners in each country to create new value and help local communities achieve prosperity and realize dreams.

Masao Sekiuchi
General Manager for Asia & Oceania

Regional Strategies for Becoming What We Aim to Be

In Asia and Oceania, deregulation in goods and services is set to progress further with the establishment of the ASEAN Economic Community and Trans-Pacific Partnership (TPP) in-principle agreement. Increased development of power, transportation and other social infrastructure, along with a rapidly growing middle class, will generate a wide array of business opportunities. Against this backdrop, the Sumitomo Corporation Group is actively deploying management resources to bring forth new value. For instance, we are strategically positioning retail, food, and agriculture in Asia as key industries to focus on, while strengthening our foothold in India and Myanmar aggressively. Asia and Oceania comprises countries of different cultures and stages of economic development. We will identify each country's social and economic needs, leverage our network in the region, and work with major business partners to steadily advance businesses that are rooted in local communities. Through these activities, we hope to help local communities achieve prosperity and realize dreams.

Initiatives Aimed at Addressing Social Issues

Developing Industrial Parks in Asian Countries that Help Advance Companies and Local Communities

The Sumitomo Corporation Group is developing industrial parks in Indonesia, the Philippines, Vietnam, and Myanmar. Our unstinting approach to customer service has earned these industrial parks an impressive reputation among local communities and tenant companies. When selecting candidate sites for industrial parks, as well as surveying ground, soil, and water quality, we carefully evaluate the impact on the living conditions of local residents. Also, we aim to exist in harmony with local communities. Gaining acceptance from local communities as good corporate citizens is important for industrial parks and tenant companies from the viewpoints of enabling tenant companies to conduct business activities with peace of mind and fulfilling corporate social responsibilities through employment of local residents. With this in mind, we coordinate with tenant companies to contribute to the education and welfare of local communities. For example, we provide stationery to nearby schools and kindergartens, donate fire trucks to municipal authorities, repair aged school buildings, and provide vocational training to local residents. Our goal is to create industrial parks that not only help companies establish bases and conduct business smoothly in Asia but also help develop local communities and invigorate their economies. Based on the track record and experience we have acquired over many years, we will continue developing industrial parks that reflect the needs of each region and country and which enrich tenant companies and help local communities achieve prosperity and realize dreams.

Presenting scholarships to an elementary school near the Thang Long Industrial Park in Vietnam

Overseas Four Broad Regions

Europe, the Middle East, Africa, and the Commonwealth of Independent States (CIS)

"What We Aim to Be"

We will make an all-out effort to advance business development, organically linking the Sumitomo Corporation Group's capabilities while strengthening our customer base and information networks even further in Europe, the Middle East, Africa, and the Commonwealth of Independent States (CIS), a region rich in diversity.

Kiyoshi Sunobe
General Manager for Europe, Middle East, Africa & CIS

Regional Strategies for Becoming What We Aim to Be

Working in Europe, the Middle East, Africa, and the CIS presents us with a wide spectrum of diverse markets with limitless business potential. Although markets in the region are facing a variety of challenges in their respective business environments, we are responding flexibly to market changes based on our networks and are developing businesses that capitalize on each area's unique characteristics. In Europe, focusing on advances in the development of innovative technology, we are creating businesses in fields related to the environment and innovation. Meanwhile, in Africa and the CIS, we are focusing particular efforts on pioneering in infrastructure-related businesses. Furthermore, in the Middle East, by forging partnerships with major local companies, we are generating business opportunities not only in the energy-related business fields but also across a broad variety of industries.

The Sumitomo Corporation Group's integrated corporate strength drives development forward, while our regional professionals and local networks support and enable such business development initiatives. In Europe, the Middle East, Africa, and the CIS, we will heighten these capabilities even further and continue forging ahead with ambitious initiatives in this region.

Initiatives Aimed at Addressing Social Issues

Aiming to Coexist and Prosper with Madagascar and Contribute to Its Sustained Development

In Madagascar, the Sumitomo Corporation Group is engaged in Ambatovy nickel project, one of the world's biggest nickel projects, integrating ore extraction through to metal production. Given that this is Madagascar's largest ever natural resource project, we are paying the utmost attention not only to safety but also to the project's effect on the environment and society as the project proceeds. For this project, we are conducting an environmental program in collaboration with government bodies as well as NGOs in and out of Madagascar that specialize in environmental conservation. The mine is located in the eastern part of the country on the southern edge of a tropical rainforest, where slash-and-burn farming and hunting have taken a toll on the area's environment. We are taking steps to ensure that our presence results in no net loss, and preferably, a net gain of biodiversity for the area's ecosystem. For example, we have established a buffer zone around the mine and are restoring the surrounding area to protect rare plants and animals. Also, at a site distant from the mine, we have chosen a nature preserve with similar ecological conditions as the mine area.

Further, the project has established the Social Investment Fund of US$25 million principally tasked with developing social infrastructure. Collaborating with Madagascar's government, municipal governments, and project partners and drawing on the experience and expertise of those involved in the project, we are selecting and executing infrastructure projects. In addition, we are using the fund to help establish systems and develop personnel to ensure the transparent management and use of the significant amount of royalties that the project will pay to Madagascar's national and municipal governments.

Local farmers receiving agricultural training, one of our many projects contributing to the local community

The Americas

"What We Aim to Be"

The Americas is a region filled with infinite opportunity. We identify the characteristics of each market and focus efforts on expanding businesses in fields where we can effectively apply our strengths and take on challenges to drive growth.

Toshikazu Nambu
General Manager for the Americas

Regional Strategies for Becoming What We Aim to Be

In the Americas, we mainly deploy management resources in four strategic fields: energy, infrastructure, consumer, and food and agriculture. In fields where we can benefit from the favorable conditions that North America's steady growth provides, we will accumulate high-quality assets and further strengthen the robust foundations and presence of our businesses. Also, through multiple working groups, we are engaged in collaborative projects that span our organization laterally. And, by strengthening relationships with customers and major partners, we are discovering new business opportunities. In Central and South America, a region with abundant potential, we identify particular needs and changing conditions ahead of competitors and build businesses in which we can realize our strengths. We intend to become thoroughly familiar with the market and acquire competence in proposing ideas for developing businesses rooted in the region. At the same time, we emphasize operational excellence. Our goal is to be the most trusted partner with businesses and customers. Through these efforts, we will contribute to the continued growth of the Sumitomo Corporation Group and the enrichment and development of respective regions.

Initiatives Aimed at Addressing Social Issues

Investing in a Biomass Fuel Manufacturing Business in Brazil

We concluded an agreement to take a 20% stake in Cosan Biomassa S.A., which is engaged in the manufacture and sale of sugarcane biomass pellets used in biomass power generation. Cosan Biomassa is part of the Cosan Group, a Brazilian conglomerate which owns the world's largest producer of sugar and sugarcane-based ethanol. In May 2016, we began participating in the business management of Cosan Biomassa, which has developed original technology for compression molding into solid fuel pellets, sugarcane residues such as bagasse from sugar mills and left-over straw from sugarcane fields. Commercial production is under way at the company's first plant. However, as a result of our participation in business management, the company plans to expand the plant and step up exports to Japan and Europe as well as domestic sales in Brazil.

The state of São Paulo, where Cosan Biomassa is headquartered, produces sugarcane residue equivalent to 45 million tons of solid fuel pellets. As the market expands, we plan to increase production capacity to 2 million tons by 2025. Further in the future, we want to ramp up production capacity to 8 million tons—equivalent to 5% of the annual fuel consumption of all coal-fired thermal power plants in Japan.

Plant-derived biomass is a form of renewable energy that is carbon neutral: it does not add to the volume of CO_2 in the atmosphere. The CO_2 it produces when combusted is CO_2 that plants absorbed from the atmosphere through photosynthesis. Because it fuels power generation, reduces fossil fuel use, and curbs CO_2 emissions, plant-derived biomass is an energy resource that will contribute to the prevention of global warming and the realization of a recycling-based society. By securing and supplying biomass resources, the Sumitomo Corporation Group is helping to promote global warming countermeasures worldwide.

Signing ceremony attended by (from left) the Vice Minister of Foreign Affairs and the Ambassador to Japan

Appointment of General Manager for Japan Region to Support Cross-Organizational Collaboration

In April 2016, we changed our domestic organizational structure and appointed a general manager for Japan region. The aim of the new structure is to accelerate coordination between business units in formulating and advancing domestic market strategies that treat Japan as a single unified market. In addition, we will encourage cross-organizational collaboration among regional offices in the Kansai, Chubu, Kyushu, Hokkaido, and Tohoku regions; business units; and corporate groups, thereby reinforcing consolidated Group management and further exercising the Company's integrated corporate strength.

Hiroki Inoue
General Manager for Japan Region

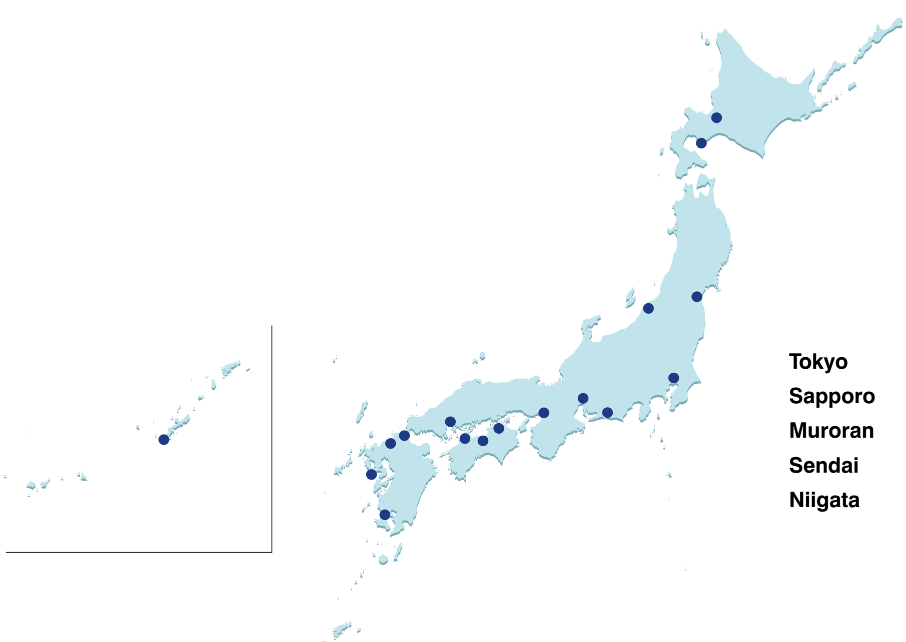
Message from the General Manager for Japan Region

The operating environment for the Japanese market is in a state of constant and significant change stimulated by the recent surge in inbound visitors from overseas and the utilization of private-sector funds and expertise to operate public facilities and provide public services.

In 2014, the second Abe Cabinet unveiled a new growth strategy that entails directly targeting local economic spheres to create virtuous cycles in regional economies through regional development in a type of "local Abenomics."

Against this background, we have chosen to once again position the Japanese market as a growth market. Accordingly, regional strategies will be formulated from an all-encompassing perspective, and cross-organizational collaboration will be promoted among the Japan Head Office, regional offices, operating companies, and local independent corporations. My duty is to facilitate these efforts.

By providing various forms of support to the domestic business efforts of each organization, I hope to contribute to increases in domestic earnings for the entire Sumitomo Corporation Group.

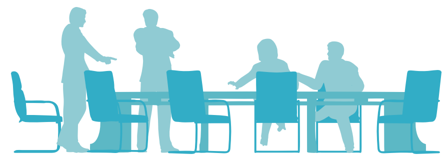


Tokyo	**Hamamatsu**	**Kita-Kyushu**
Sapporo	**Nagoya**	**Fukuoka**
Muroran	**Osaka**	**Nagasaki**
Sendai	**Hiroshima**	**Kagoshima**
Niigata	**Imabari**	**Naha**
	Takamatsu	
	Niihama	

Management Bases

Corporate Governance System

The backbone of our corporate ethics comprises Sumitomo's business philosophy and the Company's Management Principles. Keeping this in mind and complying with the Sumitomo Corporation Corporate Governance Principles, we work to enhance corporate governance even further to realize management that serves the interests of all of our stakeholders, including shareholders.



The Sumitomo Corporation Corporate Governance Principles can be accessed from the following web page.
http://www.sumitomocorp.co.jp/english/company/governance/detail/

Features of Our Corporate Governance System

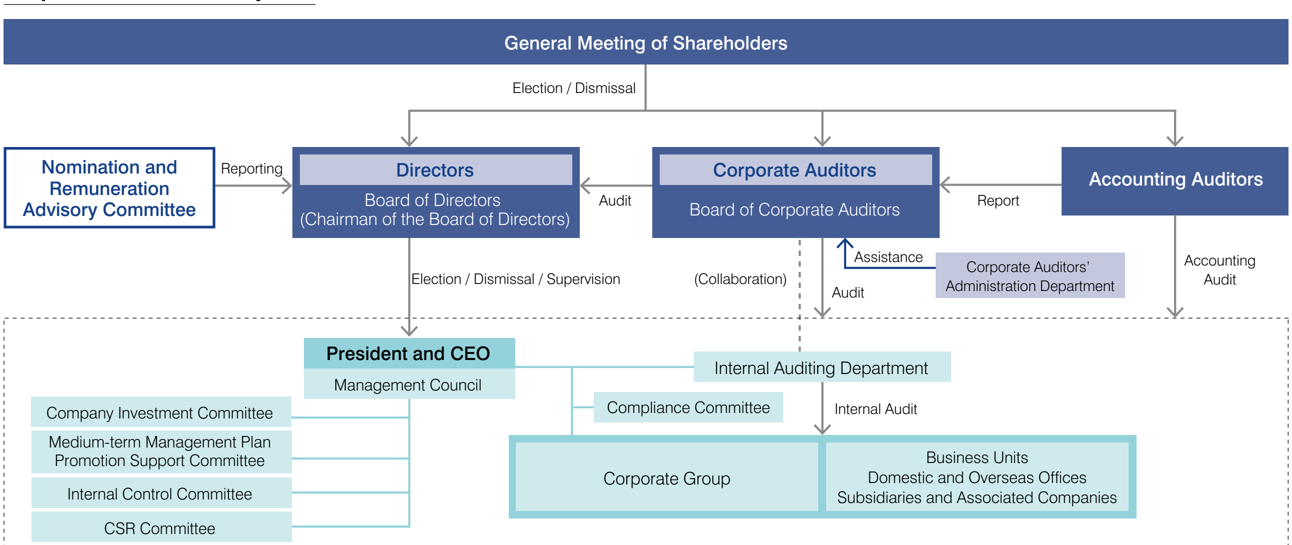
We have adopted a company with corporate auditors system because we believe that strengthening and enhancing our corporate auditor system is the most reasonable way of heightening the effectiveness of corporate governance. In addition, we have appointed four outside directors with a view to ensuring appropriate decision making by the Board of Directors and strengthening supervision further.

In accordance with our medium-term management plan "Be the Best, Be the One 2017" (BBBO2017), we have revised governance and decision-making processes to sustain growth and benefit all of our stakeholders. Specifically, we have established the Management Council as the highest executive-level body for decision making on operational implementation and strengthened the monitoring capabilities of the Board of Directors.

Evolving Stronger Corporate Governance

1993	**Introduces outside corporate auditor** Increases to 3 outside corporate auditors in 2003
April 2003	**Establishes Sumitomo Corporation Corporate Governance Principles**
	Reduces number of directors States that "We view approximately 15 directors as an appropriate number" in Sumitomo Corporation Corporate Governance Principles
	Introduces executive officer system
	Limits terms of office of President and CEO and Chairman of the Board of Directors States that terms of office shall not exceed six years in Sumitomo Corporation Corporate Governance Principles
June 2005	**Shortens terms of office of directors and executive officers to one year**
2007	**Establishes advisory body to the Board of Directors** Establishes Remuneration Committee, which has a majority of the Committee members from outside the Company Reorganizes into Nomination and Remuneration Advisory Committee, which has a majority of outside directors, in November 2015
June 2013	**Introduces outside directors system**
July 2015	**Revises governance and decision-making processes**

Corporate Governance System



Directors and the Board of Directors

Enhancing the Deliberation and Monitoring Capabilities of the Board of Directors

In July 2015, we amended criteria for submitting matters to the Board of Directors to enable its deliberations to concentrate more on important Companywide matters, such as business management strategies and plans. At the same time, we expanded the range of matters submitted to the Board of Directors so that it can increase its focus on monitoring operational implementation. Also, we established opportunities for free exchanges of opinions before decisions on important matters.

Qualifications of Outside Directors and Regular Meetings for Exchanges of Opinions

Our four outside directors satisfy standards for independence stipulated by Tokyo Stock Exchange, Inc., and other financial instruments exchanges on which the Company is listed and our in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Corporate Auditors. Each outside director has a different type of experience and expertise, and outside directors contribute to our corporate governance by providing a variety of independent viewpoints. Further, outside directors hold discussions and exchanges of opinions with the Chairman of the Board of Directors, the President and CEO, internal corporate auditors, and outside corporate auditors once a month in principle.

Reasons for Appointing Outside Directors

We deemed respective outside directors to be qualified for appointment because they have the experience stated below, contribute to appropriate decision making at meetings of the Board of Directors, and strengthen supervision even further.

Name	Reasons for appointment
Akio Harada	Highly specialized knowledge and a wealth of experience accumulated over many years as a prosecutor and lawyer
Yayoi Tanaka	Highly specialized knowledge and extensive experience accumulated through long engagement in research in the fields of evaluation studies and civil society organizational theory and the holding of a number of positions on government committees, including the Administrative Reform Promotion Council (private-sector member)
Hideji Sugiyama	Wide-ranging knowledge and a wealth of experience in relation to the industrial policy and finance fields and business management accumulated during many years of engagement in the Ministry of Economy, Trade and Industry and financial institutions
Nobuyoshi Ehara	Wide-ranging knowledge and a wealth of experience in relation to finance and business management accumulated during many years of engagement in a major U.S. financial institution and the management of a private-equity firm

Establishment of the Nomination and Remuneration Advisory Committee

In November 2015, we dissolved the Remuneration Committee for constructive reasons and replaced it with the Nomination and Remuneration Advisory Committee, which has a majority of outside directors and is chaired by an outside director. The new committee nominates candidates for the positions of director and corporate auditor; examines the remuneration of directors, corporate auditors, and executive officers; and reports its findings to the Board of Directors. Further, we have undertaken innovations to give outside directors more opportunities to meet the executive officers who are candidates for the position of internal director by creating opportunities for executive officers to attend meetings of the Board of Directors and explain proposals.

Breakdown of the Nomination and Remuneration Advisory Committee

Total members	Internal directors	Outside directors	Committee chairman
5	2 (President and CEO, Chairman of the Board of Directors)	3	Outside director

Evaluation of the Board of Directors

To maintain and heighten the effectiveness of the Board of Directors, each year directors and corporate auditors analyze and evaluate its effectiveness through such methods as self-evaluations. We disclose the results of these efforts.

In relation to fiscal 2015, from March to April 2016 we conducted a questionnaire targeting all directors and corporate auditors and had an outside consultant analyze and evaluate the results as a third party. Further, the evaluation recognized that we are implementing a variety of reforms aimed at realizing an effective Board of Directors and that these efforts are producing benefits steadily.

On the other hand, the evaluation recommended further enhancing the effectiveness of the Board of Directors by providing outside directors and outside corporate auditors with more information about business management and creating more opportunities for exchanges of opinions among executives, including executive officers.

In light of more-detailed analysis and the deliberations of the Board of Directors, we will take measures to improve the effectiveness of the Board of Directors.

Corporate Auditors and the Board of Corporate Auditors

Enhancing Auditing Capabilities

To strengthen corporate auditing capabilities from an external viewpoint, three of our five corporate auditors are outside corporate auditors. Two outside corporate auditors are legal experts, and one outside corporate auditor is an accounting expert, which contributes to our aim of conducting audits from diverse perspectives. Moreover, our three outside corporate auditors satisfy standards on independence stipulated by Tokyo Stock Exchange, Inc., and other financial instruments exchanges on which the Company is listed and our in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Corporate Auditors.

Collaboration between Internal Auditing Department and Accounting Auditors

To ensure audit efficiency, corporate auditors interact closely with the Internal Auditing Department, receiving reports on internal audit plans and their results in a timely manner.

In addition, corporate auditors exchange information with and monitor the auditing activities of the accounting auditors through regular meetings. By attending audit review meetings and observing inventory audits with the accounting auditors, the corporate auditors constantly work to improve audit efficiency and quality. Furthermore, corporate auditors attend meetings of the Internal Control Committee and request reports on the status of internal control systems from other departments responsible for internal control along with their cooperation on audits.

Reasons for Appointing Outside Corporate Auditors

We deemed respective outside corporate auditors to be qualified for appointment because they have the experience stated below and contribute to our aim of conducting audits from diverse perspectives.

Name	Reasons for appointment
Haruo Kasama	Highly specialized knowledge and a wealth of experience accumulated over many years as a prosecutor and lawyer
Toshio Nagai	Highly specialized knowledge and a wealth of experience accumulated over many years as a judge and lawyer
Yoshitaka Kato	Highly specialized knowledge and a wealth of experience in finance, accounting, and corporate auditing accumulated over many years as a certified public accountant

Ensuring Audit Effectiveness

To obtain the information necessary for proper auditing, corporate auditors attend meetings of the Board of Directors and all other important internal meetings. Further, corporate auditors hold discussions and exchanges of opinions with the Chairman of the Board of Directors, the President and CEO, and outside directors once a month in principle. Also, the Corporate Auditors' Administration Department is assigned to assist corporate auditors and ensure the auditing system functions effectively and without hindrance.

Internal Audits

The Internal Auditing Department, which reports directly to the president and CEO, is an independent organization that monitors the operations of the Company and its Group companies. The department reports the status of the audits being carried out in addition to all the internal audit reports to the president and CEO directly and the results of audits to the Board of Directors periodically. The department conducts comprehensive checks that encompass assets and risk management, compliance, and business processes; identifies inherent risks and issues; and evaluates the effectiveness and appropriateness of respective processes. Based on its findings, the department explores solutions with audited organizations and encourages voluntary improvements. Through these activities the department helps heighten the value of each organization.

Particulars Regarding the Remuneration of the Company's Directors

Particulars regarding the remuneration of the Company's Directors and Corporate Auditors for fiscal 2015 are as follows:

Classification	Number of payees	Total amount of remuneration, etc., pertaining to fiscal 2015	Breakdown		
			Monthly remuneration	Bonuses	New Share Acquisition Rights
Directors (particulars relating to Outside Directors)	17 persons (3 persons)	¥877 million (¥34 million)	¥720 million (¥34 million)	¥67 million	¥90 million (—)
Corporate Auditors (particulars relating to Outside Corporate Auditors)	5 persons (3 persons)	¥122 million (¥35 million)	¥122 million (¥35 million)	— (—)	— (—)

Notes:
1. The numbers in the table above include one Outside Corporate Auditor who passed away (and thus effectively retired) on November 2, 2015.
2. As of the end of this fiscal year, we had 13 Directors and 4 Corporate Auditors (including 3 Outside Directors and 2 Outside Corporate Auditors).
3. No Director of the Company is concurrently an employee of the Company.
4. The amounts in the Bonuses above are the upper limit of the total payments to be proposed at the 148th Ordinary General Meeting of Shareholders scheduled on June 24, 2016.
5. The above stock options are the total amounts recorded as expenses in this fiscal year for granting the Fourteenth New Share Acquisition Rights (issued on July 31, 2015), the Ninth New Share Acquisition Rights (stock-linked compensation) (issued on August 1, 2014) and the Tenth New Share Acquisition Rights (stock-linked compensation) (issued on July 31, 2015).
6. The maximum amount of remuneration to Directors comprising monthly remuneration, new share acquisition rights in the form of stock options, and new share acquisition rights in the form of stock options for a stock-linked compensation plan is 1.2 billion yen per year (the maximum amount of remuneration to Outside Directors is 60 million yen per year), as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.
7. The maximum amount of monthly remuneration to Corporate Auditors is 180 million yen per year, as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.

Message from an Outside Director

Nobuyoshi Ehara
Outside Director

I am honored to accept my new role as Independent Director of Sumitomo Corporation after developing a long relationship and admiration for the Company extending 30 years.

Entrepreneurship and challenge have been the core foundations of my professional career. My ambition of creating value through introducing new businesses to Japan comes from these foundations. Back when investment banking business was not yet acknowledged in Japan, I established and built the franchise for a foreign investment bank in Japan. As a new challenge following my investment banking career, I pioneered the private equity business in Japan. The most valuable lessons from these experiences are the importance of taking direct responsibility of the outcome, both successful and unsuccessful, as well as conducting thorough risk assessment. In my new role as Independent Director, I believe these experiences and lessons will allow me support Sumitomo Corporation refine its strategy and further evolve its business.

Turning points in my career have been defined by decisions that did not always conform to others. That is not to understate the value of peer input; however, the ultimate decision must come from none other than one's self. I believe the same is applicable to managing a trading company. A strategy that is no different from competitors is no strategy at all. A strategy must be established on the foundation of introspection and rigorous assessment of one's competitive advantage, followed by disciplined execution. That is what shareholders and stakeholders alike demand. I have personally come across many of Sumitomo Corporation's strengths. Now is the time for Sumitomo Corporation to reevaluate these strengths and evolve its strategies. In this process, objective perspective will certainly be helpful, which I hope to shed.

As it is my duty to represent the voices of the shareholders, I would like to ask the employees and management of Sumitomo Corporation not to fear changes and challenges; to perceive difficult business environment as opportunity; i.e. to think how they can contribute to the organization, rather than relying on the organization. Furthermore, it is important that this mentality becomes rooted in the corporate culture. I look forward to exchanging views with each and every member of Sumitomo Corporation and hope to contribute to the future development of the Company.

Systems to Ensure Transparency of Business Management

Establishment of Disclosure Policy

To ensure that all stakeholders correctly understand its business management policy and business activities, the Company not only discloses statutorily required information but also actively discloses information on a voluntary basis. Moreover, the Company established a disclosure policy in July 2016.

Encouraging the Exercise of Voting Rights at the General Meeting of Shareholders

We send out a Notice of Convocation to shareholders approximately three weeks prior to each regularly scheduled General Meeting of Shareholders. For the convenience of overseas shareholders, we also provide an English translation of the notice on our website before sending the Notice of Convocation. We have enabled our shareholders to exercise their voting rights via the Internet using personal computers since 2004 and via the Internet using mobile phones since 2005. In 2007, we introduced the Electronic Voting Platform for institutional investors, which was established by Tokyo Stock Exchange, Inc., and is operated by Investor Communications Japan, Inc. The new platform allows institutional investors sufficient time to examine thoroughly details of proposals for consideration at the meeting.

Investor Relations

As well as enhancing disclosure on our website, we facilitate direct communication with shareholders and other investors by holding quarterly financial results briefings for analysts and institutional investors in Japan. For overseas investors, we periodically visit the United States, the United Kingdom, other countries in Europe, and Asia to hold individual meetings with investors in each region. Moreover, since fiscal 2004 we have held regular meetings for individual investors in Japan. In fiscal 2015, we held five such meetings in four cities, which approximately 1,100 individual investors attended.

An executive officer who has responsibility for dialogue with shareholders and other investors exercises overall control of and coordinates such investor relations initiatives. Also, related in-house departments contribute to investor relations initiatives by distributing information and collecting feedback from shareholders and other investors. The Company will continue heightening the transparency of business management while strengthening relationships of trust with shareholders and other investors.

Internal Control

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

The Sumitomo Corporation Group comprises five Business Units as well as regional organizations in Japan and overseas. Business Units, organizations, and Group companies collectively work together in a broad range of business fields. It is essential that we provide a uniform standard for operational quality at these businesses, irrespective of their business sector or region. Also, this standard must meet the expectations of our stakeholders. Mindful of this, since 2004, we have strengthened internal control by taking the measures shown below.

FY	Developments in Japan and Overseas	The Sumitomo Corporation Group's progress		
	December 2001 Bankruptcy of Enron July 2002 Enactment of SOX Act in U.S.	**Preparation and introduction of basic policies for overall internal control**		
2004		**July 2004: Established Internal Control Committee** • Integrated and upgraded internal control system and risk management measures by constructing internal control system based on COSO framework	**Establishment of foundations for evaluation system and implementation of measures for comprehensive evaluations** —Established systems compliant with Companies Act before its enforcement—	**Strengthening of education**
2005	June 2005 Enactment of Companies Act in Japan		**July 2005: Began evaluations that use checklists based on COSO framework** • Implemented improvements after inspecting status of control in overall management of organizations, including risk management, accounting and financial management, and compliance	
2006	May 2006 Enforcement of Companies Act June 2006 Establishment of J-SOX system		**Maintenance of internal control system in compliance with the Companies Act**	**August 2006: Released "essence of control"** • Explained basic aim and main points of important monitoring items for internal control
2007			**FY 2006~: Confirmed compliance of existing systems**	
2008	April 2008 Commencement of adoption of J-SOX system		**Response to stipulations of Financial Instruments and Exchange Act**	
2009			**FY 2008~: Began to respond to stipulations of J-SOX**	
2010		**August 2010: Established basic regulations for internal control** • Conducted overall management and timely evaluation of internal control • Identified important internal control issues and prepared and implemented basic policies for improvement • Responded to stipulations of the Companies Act and Financial Instruments and Exchange Act		**FY2010~: Increased and improved educational tools** • **Established "focused controls"** Established nine focused controls as important internal control actions based on analysis of cases of inadequate internal control • **Distributed case studies showing of consequences of inadequate internal control** • **Prepared standard checklist for internal control** • **Established e-learning on internal control**
Present				**FY 2012~: Strengthened in-house training**

Compliance

The Activity Guidelines serve as the fundamental basis of the Sumitomo Corporation Group's compliance initiatives: "To comply with laws and regulations, while maintaining the highest ethical standards." Giving first priority to compliance and reporting compliance issues immediately are fundamental principles of our corporate activities.

Giving First Priority to Compliance

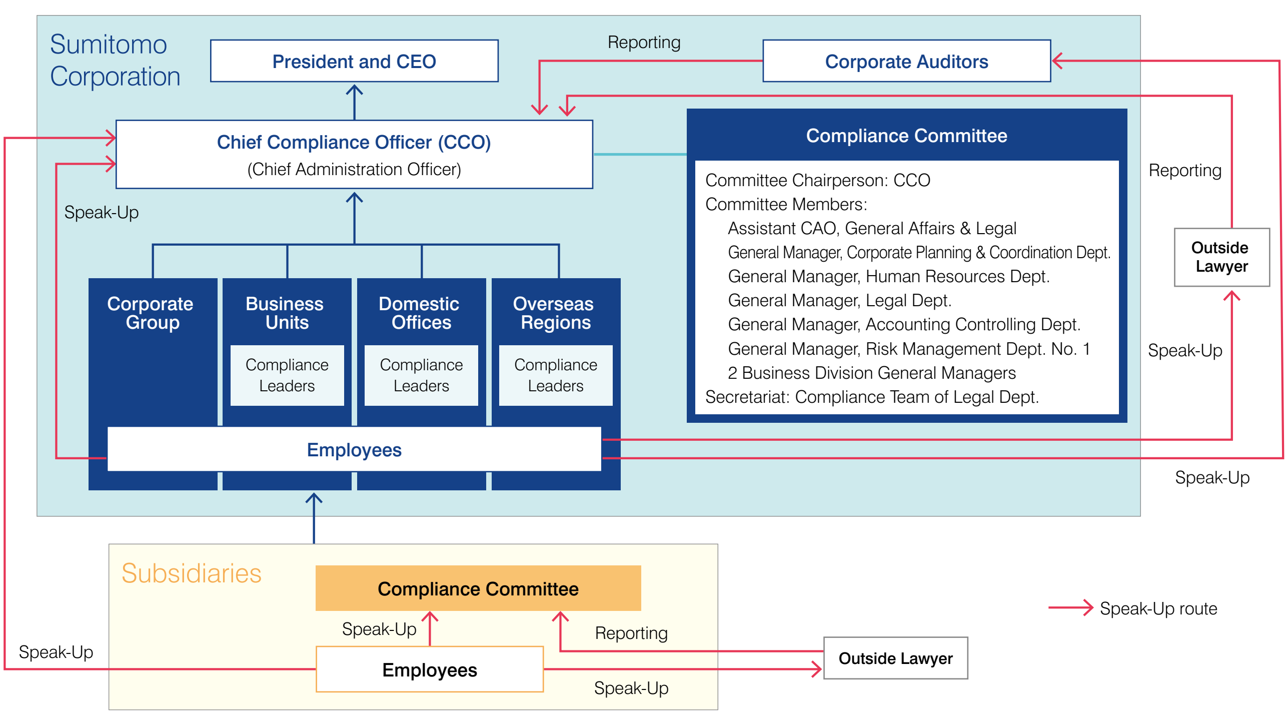
Giving first priority to compliance means that compliance takes priority over all corporate activities, and that the Group must never violate compliance as a result of giving priority to the pursuit of profit. To heighten the awareness of our officers and employees towards compliance principles, we distribute compliance manuals covering our Compliance Guiding Principles and conduct various types of compliance education programs.

Reporting Compliance Issues Immediately

In the Sumitomo Corporation Group, we constantly remind our officers and employees about the importance of reporting compliance issues immediately. If a compliance issue arises, they must report the issue to their superiors or the relevant department without delay and take the most appropriate measures in response. To ensure the rapid and early discovery of potential compliance issues and timely responses to them, we have implemented a so-called "Speak-Up System," which enables officers and employees to report any compliance issues directly to the Chief Compliance Officer in addition to through their normal reporting lines.

New Compliance Regime

Aiming to enable more agile responses to compliance issues, in 2015 Sumitomo Corporation established the position of Chief Compliance Officer, who has ultimate responsibility for compliance matters. Further, the Compliance Committee, which plans and prepares compliance related measures, includes not just general managers of the Corporate Group but also general managers of the business divisions, enabling it to examine compliance related measures in a multifaceted manner that reflects our actual business operations. In addition to such initiatives at Sumitomo Corporation, our Group companies are also endeavoring to establish internal systems giving first priority to compliance, and we are fully committed to the continued advancement of such efforts.



Risk Management

To cope effectively with the diversifying risk environment, Sumitomo Corporation has built a framework for micromanagement, with the objective of “minimizing losses from individual transactions,” and for macro-management, with the objective of “maximizing corporate value.” The frameworks support the efficient management of our corporate resources and are strongly linked to the management plan.

Purpose of Risk Management

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

1. Stabilize Performance: Minimize discrepancies between the plan and the actual results
2. Strengthen Financial Base: Maintain Risk-adjusted Assets within the buffer (shareholders’ equity)
3. Maintain Corporate Reputation: Fulfill CSR requirements and preserve corporate reputation

Risk Management Basic Policy

We classify our risks into two categories: Quantifiable risk and Non-quantifiable risk. Quantifiable risk is defined as “value creating risk,” which we proactively take to generate a return. Our policy is to maximize the Risk-adjusted Return while maintaining Risk-adjusted Assets within our buffer. Non-quantifiable risk is defined as “value breaking risk,” which only generates losses when it surfaces. We are engaged in efforts to prevent or minimize the probability of this risk materializing.

Risk Management Framework

Quantifiable risk includes credit risk, related to changes in the creditworthiness of business partners; market risk, such as fluctuation in the prices or liquidity of owned commodities; and investment risk, which is the risk of investee’s businesses not progressing according to initial expectations. Also, the excessive concentration of these risks in a specific area is concentration risk. We maintain the amount of Companywide risk within the scope of our buffer and manage risk based on frameworks that are designed to maximize return and realize return befitting respective risk.

Quantifiable risks

Investment risks
- Establishing an integrated management framework covering the entry process to the exit process

(Details below)

Credit risks
- Based on original credit rating model (Sumisho Credit Rating), establishing authority level required to set credit limits
- Reevaluating credit limits periodically and taking collateral to secure receivables

Market risks
- Monitoring the loss limits based on the potential amount of loss (value at risk (VaR) or total of VaR and deficit, if there is a deficit at the time of monitoring)
- Separating and controlling front, middle, and back office functions

Concentration risks
- Controlling exposure to each country and region based on country risk management system
- Portfolio management / Risk-adjusted Assets of each business line
- Controlling exposure to mineral resources and energy upstream projects

Non-quantifiable risks

Legal risks | **Fraud or illegal acts by management or employees** | **IT system management risks** …

Planning, implementation, evaluation, and improvement of internal control

Education
- Various training materials / Review
- Use of knowledge management

Management of database on the incidence of loss

Managing Investment Risk

Once an investment is made, it can be difficult to make a withdrawal decision, and the loss encountered in this situation can be significant. Therefore, in light of the recognition of impairment losses in fiscal 2014, we have significantly reformed our assessment and follow-up processes for investments, establishing an integrated framework to manage investment risk that covers the investment entry process through to the exit process.

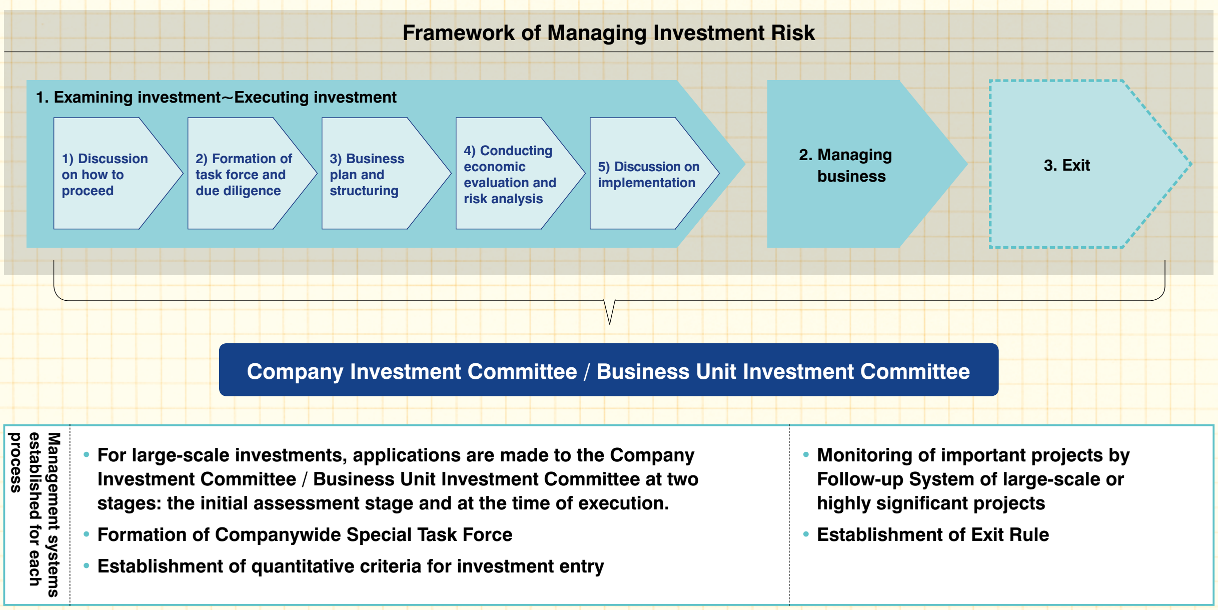
For the entry process, we set a rigid hurdle rate to ensure that the returns expected on projects are enough to justify their risks.

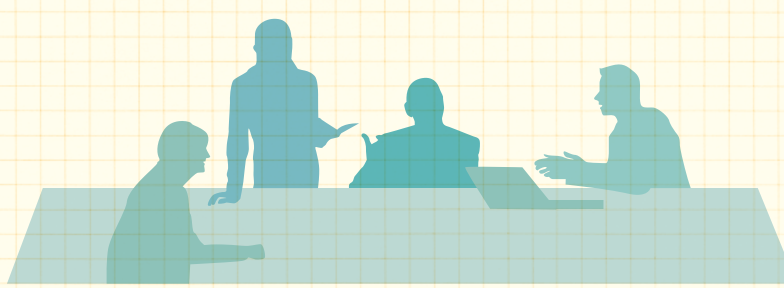
Further, in relation to decision making for investment candidates, in accordance with the criteria of exposure and importance of the investment, we hold meetings of the Business Unit Investment Committees of respective business units and the Company Investment Committee to ensure wide-ranging discussions early in the assessment and implementation stages concerning Head Office strategies, the background and reason for its selection, and various conditions that could affect the success of the investment.

In particular, for large-scale or highly significant projects, we ensure adequate assessment of whether or not to proceed by forming a Companywide Special Task Force, which comprises not only the business unit directly responsible for the project but also related business units and corporate groups, and concentrates all resources we have available.

Furthermore, regarding monitoring after investment, for important investments the Company Investment Committee leads follow-up activities that include planning and implementation of measures to improve business results.

Also, when the performance of an investment falls short of required standards after a certain period from its inception, we have an Exit Rule that designates such investment as an "Investment to withdraw from."





Human Resource Management

The Sumitomo Corporation Group is actively pursuing human resource policies for the strategic and well-planned recruitment, development, and utilization of human resources who can understand and practice the Group's Management Principles and Activity Guidelines in order to contribute broadly to society and continue creating new value over the medium and long terms.

Human Resource Management Policy

Aiming to "Be the Best, Be the One"

Effective recruitment, development, and utilization and the active involvement of human resources who can lead global businesses are the most important issues for the Sumitomo Corporation Group to win out the current ever-changing business environment and achieve sustainable growth.

For this reason, we are making continuous efforts toward training and fostering new employees on a Companywide basis, the dissemination of Sumitomo's business philosophy—the basis of the Management Principles—and developing human resources. We use a combination of on-the-job training and off-the-job training to promote effective development of human resources, with the former based on job rotations and the latter reflecting the characteristics of each business, while encouraging the active involvement of diverse human resources.

Under the medium-term management plan "Be the Best, Be the One 2017," to strengthen individual ability on a global basis, in April 2016 we introduced a new Human Resource System aiming to accelerate human resources development. In addition, we will promote the appropriate allocation of human resources in line with the medium-to-long-term strategy.

Vision of the Human Resources We Seek

Human resource development will play an essential role in realizing the vision for the Company in its centennial year in 2019.

In developing a vision of the human resources we are seeking to build our foundation for the next 100 years, we are promoting the following three factors, starting with the necessary qualities, action, and abilities:

1. People with spirit and a lofty sense of ethics

2. People who accept diverse values but think for themselves and act on their own initiative

3. People who can create new businesses themselves without being constrained by existing frameworks

This vision of human resources has been determined on the basis of the value standards defined by the Management Principles and Activity Guidelines of the Sumitomo Corporation Group as well as in light of the nine core behaviors of the SC VALUES, which all employees are expected to share and practice. Sumitomo Corporation is seeking human resources who have a clear vision and strong commitment, as well as demonstrate leadership at their respective levels of the organization, through the practice of the SC VALUES. We also seek professionals who can take responsibility for what they do, display a broad spectrum of knowledge and high-level expertise in a particular area, and achieve superior performance.

SC VALUES

1. Integrity and Sound Management	To comply with laws and regulations, while maintaining the highest ethical standards.
2. Integrated Corporate Strength	To create no boundaries within the organization; always to act with a Companywide perspective.
3. Vision	To create a clear vision of the future, and to communicate to share it within the organization.
4. Change and Innovation	To accept and integrate diversity in values and behavior, and to embrace change as an opportunity for action.
5. Commitment	To initiate, own, and achieve organizational objectives.
6. Enthusiasm	To act with enthusiasm and confidence, and to motivate others through such action.
7. Speed	To make quick decisions and act promptly.
8. Human Development	To fully support the development of others' potential.
9. Professionalism	To achieve and maintain high levels of expertise and skills.

Human Resource Management Initiatives

Recruitment

Based on a fair employment policy that respects basic human rights, we employ diverse personnel who are able and eager to work in the global business arena.

A large recruitment seminar in which the president and CEO participated

Development

Promoting global talent development through a combination of on-the-job and off-the-job training

Long-term training for selected employees to develop future executives

Utilization

Enabling active involvement of diverse employees and motivating each employee

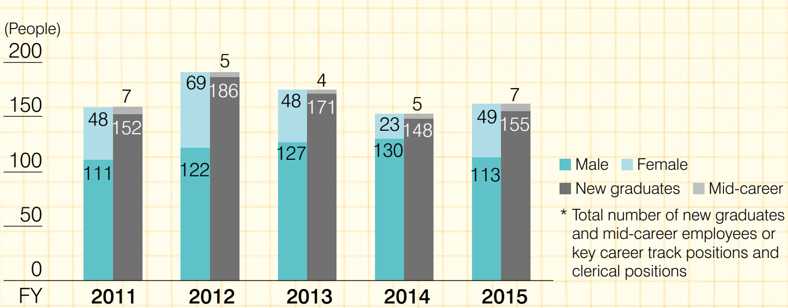
Triton Sukusuku Square in-house nursery

Recruitment

Recruiting Personnel Who Will Lead Global Development

As a global business, we seek talented personnel who are able and eager to work in the global business arena. To this end, we conduct fair recruitment activities with respect for fundamental human rights. Specifically, we apply the same screening process to all employee candidates, irrespective of their gender, academic background, or nationality, and our selection criteria consist only of applicants' aptitudes and abilities.

As part of our human resource strategy, in addition to new graduates, we regularly recruit mid-career employees to secure capable personnel who can contribute to operations immediately.



Number of New Employees and Breakdown

Promoting Employment of the Disabled Sumisho Well Support

In 2014, we established Sumisho Well Support Co., Ltd., as a special subsidiary company. Currently, 12 employees are engaged in a variety of jobs, including the production of business cards and data entry operations. Through this subsidiary, we promote the employment of the disabled. As of June 1, 2016, the employment rate of the disabled was 2.13%* of our workforce, above the 2.0% statutory level.

* Total for the Company on a nonconsolidated basis and Sumisho Well Support Co., Ltd.

住商ウェルサポート株式会社
Sumisho Well Support Co., Ltd.

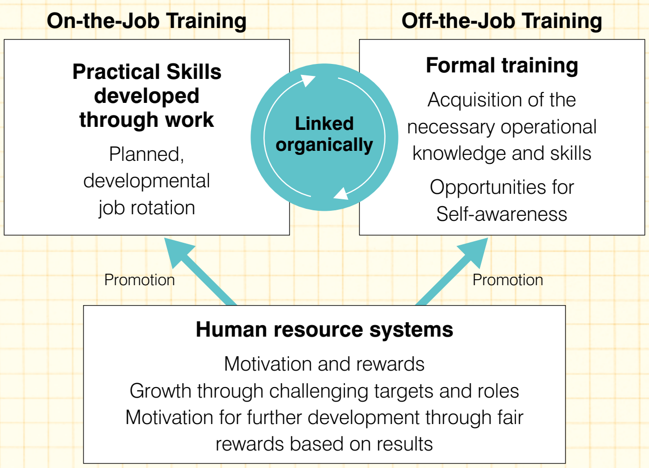
Human Resource Management

Development

Reorganizing and Developing the Head Office's Diverse Training Systems

Sumisho Business College (SBC) offers about 300 programs per year that are designed to nurture the Human Resources We Seek. The programs focus on three areas: 1) Management Principles, Activity Guidelines, and SC VALUES; 2) Leadership; and 3) Professional. In fiscal 2015, 12,351 trainees attended the programs from Sumitomo Corporation alone.

Through a variety of Human Resources Development (HRD) programs provided by SBC, we provide systematic leadership development as well as instruction in the common basic business knowledge and skills required to work in our business activities. Various other programs include advanced specific knowledge and skills necessary for investment, business management, and business creation and reform.



Development of the On-the-Job and Off-the-Job Training Program "Human Resources We Seek"

One program includes visiting the Besshi Copper Mine, the starting point of the Sumitomo Corporation Group. The main objective of this program is to give leaders of in-house organizations an opportunity to experience and assimilate Sumitomo's business philosophy, which is the basis of the Group's Management Principles, and to ensure that the business philosophy is passed on to younger employees.

We will continue reorganizing and developing the HRD programs that employees need to acquire new skills and knowledge, thereby enhancing the abilities of individuals and accelerating HRD even further.

Visit to the Besshi Copper Mine

Overview of Sumisho Business College (SBC)

Advancing Global Measures to Develop Human Resources

Aiming to recruit and develop personnel who can lead global business operations, the Sumitomo Corporation Group is focusing on promoting and developing locally hired employees in its overseas offices and Group companies.

As part of these efforts, we conduct training programs for locally hired employees at different career levels, such as managers, general managers, and senior executives. Through these training programs, nearly 300 participants each year come from all over the world to the Head Office in Tokyo. The programs establish a shared sense of the Sumitomo Corporation Group's corporate DNA and strengthen the sense of unity among employees as members of the Group by reaffirming participants' understanding of Sumitomo's business philosophy and the Group's Management Principles. In addition, participants share information on the Group's management policies and strategies and improve their skills by attending various lectures.

In fiscal 2013, we reorganized our overseas offices into four broad regions. Under this system, we are promoting the development and utilization of local personnel by organizations in each region. Specific measures include the rotation of locally recruited personnel within each region and promoting personnel from overseas offices and Group companies to important positions. Furthermore, to promote global human resource development and utilization, the Head Office in Tokyo provides wide-ranging support to regional organizations in relation to such areas as recruitment and establishing training systems.

Global Measures to Develop Human Resources

Utilization

Encouraging Work-Life Management

Since establishing the Groupwide Work-Life Balance Promotion Project Team in April 2005, we have implemented an array of different measures. In December 2015, we renamed this initiative Work-Life Management to emphasize that employees should independently manage work practices on a day-to-day basis and over the medium-to-long term to establish a clear distinction between work and private life.

Given that everyone has a different lifestyle and set of values, methods of realizing Work-Life Management will differ for each employee. However, we believe that lifestyles comprising fulfilling professional and private lives will revitalize employees and drive the creation of new value and advance business development. Examples from our many different initiatives include the encouragement of employees to take paid vacations, the establishment of the SCG Counseling Center, and the holding of seminars aimed at reforming attitudes to work practices.

Ensuring the Active Involvement of Diverse Personnel

The Sumitomo Corporation Group promotes respect for diversity so that employees with various talents can capitalize on their different backgrounds to create new value and achievements in their respective fields, thereby helping sustain the Group's growth.

As part of efforts to promote diversity, enabling female employees to become more actively involved in operations is one of our key management strategies. Based on this strategy, we are implementing a range of initiatives.

Aware of the support needed to balance family and professional commitments, the Sumitomo Corporation Group provides extensive support systems that exceed legal requirements. Furthermore, we have introduced programs to encourage female employees to play active roles in the Group following maternity and child-care leave. For example, in 2008, we established the Triton Sukusuku Square in-house nursery to provide childcare services for our employees; in 2014, we distributed a handbook to all employees that offers guidance on balancing a career and childcare; and in the same year, we introduced a program enabling female employees assigned overseas to take their children with them.

Also, in June 2015, the Sumitomo Corporation Group was granted Platinum "Kurumin" certification under an accreditation system that was established based on the revised Act on Advancement of Measures to Support Raising Next-Generation Children. We were one of the first five companies in Tokyo certified as providing superior childcare support.

Further, in May 2016, Sumitomo Corporation was certified as a second-highest-class "Eruboshi" company in recognition of its efforts to promote the active involvement of female employees on the basis of the Act on Promotion of Women's Participation and Advancement in the Workplace.

Platinum "Kurumin" Mark

"Eruboshi"

COLUMN Going on an Overseas Assignment with a Child

Q What were your initial thoughts when you were offered an overseas assignment?

For a long time, I had wanted to work overseas. However, because I have a child, I had given up on the idea. So, when I was offered an overseas assignment and told I could take my child with me, I was really surprised and moved.

Q Did you find living overseas with your child tough?

Even in Japan, working and bringing up a child is stressful. However, because I was alone with my child, every day I thought, "If something happens to me, what will happen to my child?" This motivated me to take care and stay healthy and safe.

Q Looking back, how did you find the assignment?

As an employee posted overseas, doing every part of work and child rearing perfectly is difficult, and I got frustrated sometimes. However, the posting let me experience a different world. If asked whether I enjoyed the overseas posting, my reply would definitely be "yes." Thanks to the greater diversity of the U.S. workforce, I met people with a variety of different outlooks. A major benefit of this experience is that it has made me more optimistic. Even when I have short-term concerns about something, I am now able to envision the long-term future.

Sari Kako
Risk Management Dept. No. 3

Sari Kako has belonged to the Construction & Mining Systems Division since joining the Company, working as a manager at operating companies in North America, India, and Europe. In 2014, taking advantage of our program to help female employees assigned overseas take their children with them, she was assigned as a trainee to an operating company in Florida, the United States, and participated in the company's business management. She returned to her post at the end of 2015.

CSR Initiatives

Our Management Principles set out a Corporate Mission calling on us "To achieve prosperity and realize dreams through sound business activities." Accordingly, we aim to create value by solving social issues while taking responsibility for our value creation activities' effect on society and the environment. We advance CSR initiatives based on the belief that the efforts of each employee will realize this goal.

Our Approach to CSR

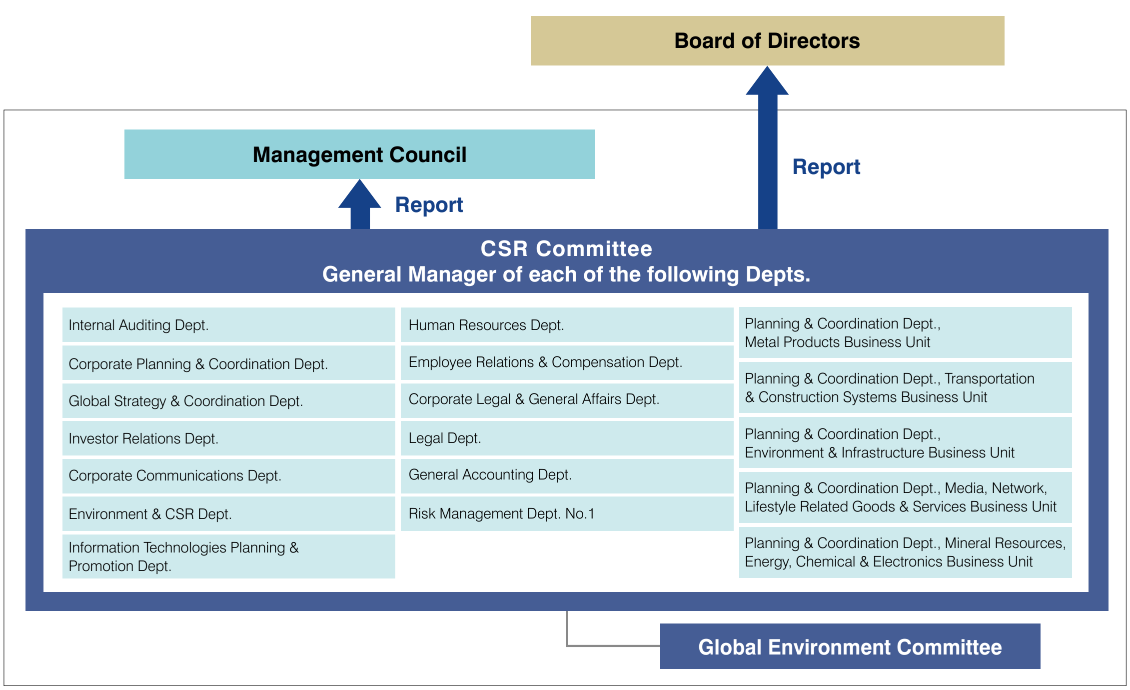
We believe that it is our CSR to contribute the sustainable development of society by solving social issues through business activities. This belief is based on a core concept of the Sumitomo's 400-year-old business philosophy: "Benefit for self and others, private and public interests are one and the same," meaning that our business activities must benefit not only Sumitomo's own business but also society and the nation. The Sumitomo Corporation Group's Management Principles reflect this business philosophy. Therefore, we believe that acting in accordance with our Management Principles is the best way to fulfill our CSR.

UN GLOBAL COMPACT
Network Japan
WE SUPPORT

Structure for Promoting CSR Initiatives

In 2008, we established the Environment & CSR Department, tasked with promoting CSR initiatives. Furthermore, the CSR Committee, an advisory body to the Management Council, analyzes and discusses CSR promotion measures that are based on the ISO 26000 standards. In addition, the Global Environment Committee, which advises the CSR Committee, promotes environmental management activities based on the ISO 14001 standards.

The Sumitomo Corporation Group enhances its corporate value by providing solutions, derived from the Group's integrated strengths, to social issues and new needs identified through dialogue with stakeholders. In this process, aiming to take responsibility for our impact on society and the environment, we analyze how we can improve in light of the 10 principles of the United Nations Global Compact, thereby enhancing our corporate value even further.



Examples of Specific Initiatives

Holding Seminars Aimed at Considering Business from the Perspective of Global Social Issues

At all levels of its organization, the Sumitomo Corporation Group furthers employees' understanding of the Management Principles and the business philosophy underpinning them. In fiscal 2015, we twice invited expert from the United Nations Development Program to conduct workshops on Sustainable Development Goals (SDGs), which the United Nations adopted in September 2015. Speaking about their impressions, participants commented that the workshops had reminded them of their aspirations when they decided to join an integrated trading company. Others remarked that the workshops had increased their understanding of how the operations they are engaged in can help address a range of social issues. In fiscal 2016, we plan to hold additional workshops on SDGs. Our goal is to promote an understanding among personnel in all of our businesses that CSR initiatives have real value, because addressing social issues through businesses leads to collaborations that transcend organizational boundaries and become growth drivers.

A seminar on the business opportunities SDGs present

COP21 Seminar

The Sumitomo Corporation Group Environmental Policy states that "the Sumitomo Corporation Group, through sound business activities, will strive to achieve sustainable development aimed at symbiosis between social and economic progress and environmental preservation." Aiming to heighten awareness of environmental issues throughout our organization, we conduct various types of in-house education. Given the adoption of a new legal framework for worldwide efforts to reduce greenhouse gases—namely, the adoption of the Paris Agreement by the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21)—in fiscal 2015, with the cooperation of Sumitomo Corporation Global Research Co., Ltd., we invited an outside expert to conduct a seminar for all employees entitled "The Outlook for COP21 and Strategies in Response to Global Warming." Other initiatives to heighten the environmental awareness of each employee included seminars on environmental regulations, the revisions to the ISO 14001 standards, and the provision of environmental courses through e-learning.


A COP21 seminar

For more information about the Group's environmental management activities, please use the link below.
http://www.sumitomocorp.co.jp/english/csr/environment/

The Sumitomo Corporation Group's Basic Principles on Social Contribution Activities

In 2010, the Sumitomo Corporation Group established its Basic Principles on Social Contribution Activities. With the aim of building a sustainable society, as a global organization, we will work on social issues through our business activities and social contribution activities by implementing the Sumitomo Corporation Group's Management Principles and Activity Guidelines.

We will engage in activities aimed at developing the next generation of human resources who will drive the sustainable development of society and contributing to local communities in areas we do business all over the world. In conjunction with these activities, we will perform and seek to continuously improve our activities with modesty and high aspirations. Also, we will endeavor to maintain a high level of transparency while strengthening our relationships with our stakeholders.

Aiming to help develop globally minded young leaders

For more information about the Group's social contribution activities worldwide, please use the link below.
http://www.sumitomocorp.co.jp/english/csr/contribution/

Corporate Information

Business Operating Structure

Financial Section

Business Operating Structure

Directors, Corporate Auditors and Executive Officers (As of July 1, 2016)

Directors

1 **Chairman**
Kazuo Ohmori

2 **President and CEO**
Kuniharu Nakamura*

3 **Director**
Naoki Hidaka*

4 **Director**
Hideki Iwasawa*

5 **Director**
Masahiro Fujita*

6 **Director**
Koichi Takahata*

7 **Director**
Masao Tabuchi*

8 **Director**
Hirohiko Imura*

9 **Director**
Makoto Horie*

10 **Director**
Masayuki Hyodo*

11 **Director**
Akio Harada*1

12 **Director**
Yayoi Tanaka*1

13 **Director**
Hideji Sugiyama*1

14 **Director**
Nobuyoshi Ehara*1

Corporate Auditors

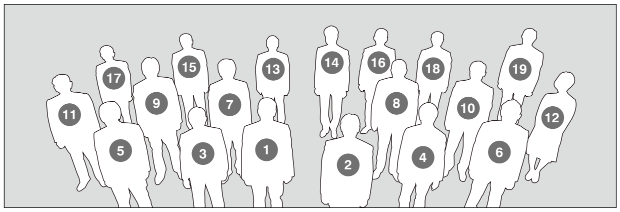
15 **Standing Corporate Auditor (Full-Time)**
Takuro Kawahara

16 **Corporate Auditor (Full-Time)**
Nobuhiko Yuki

17 **Corporate Auditor (Lawyer)**
Haruo Kasama*2

18 **Corporate Auditor (Lawyer)**
Toshio Nagai*2

19 **Corporate Auditor (Certified Public Accountant)**
Yoshitaka Kato*2



Notes: 1. Representative Directors are indicated by an asterisk (*).
2. Outside Directors are indicated by "*1".
Outside Corporate Auditors are indicated by "*2".

Executive Officers

President and CEO
Kuniharu Nakamura

Executive Vice Presidents
Naoki Hidaka
General Manager, Transportation & Construction Systems Business Unit

Hideki Iwasawa
Chief Administration Officer

Senior Managing Executive Officers
Masahiro Fujita
General Manager,
Mineral Resources, Energy, Chemical & Electronics Business Unit

Koichi Takahata
Chief Financial Officer

Masao Sekiuchi
General Manager for Asia & Oceania

Masato Sugimori
Assistant CFO, Risk Management

Akira Satake
Assistant CFO, Finance

Managing Executive Officers
Hiroki Inoue
General Manager for Japan Region;
General Manager, Kansai Office

Masao Tabuchi
Chief Strategy Officer

Hirohiko Imura
General Manager,
Media, Network, Lifestyle Related Goods & Services Business Unit

Kiyoshi Sunobe
General Manager for Europe,
Middle East, Africa & CIS

Makoto Horie
General Manager,
Metal Products Business Unit

Toshikazu Nambu
General Manager for the Americas

Masayuki Hyodo
General Manager,
Environment & Infrastructure Business Unit

Fumihiro Koba
General Manager for East Asia

Shingo Ueno
Assistant General Manager,
Mineral Resources, Energy, Chemical & Electronics Business Unit;
General Manager, Planning & Coordination Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit;
General Manager, Energy Division

Michihiko Hosono
Assistant CAO,
General Affairs & Legal

Executive Officers
Atsushi Shinohara
President and CEO,
Jupiter Shop Channel Co., Ltd.

Hiroyuki Takai
President,
Sumitomo Corporation Global Research Co., Ltd.

Takeshi Saraoka
General Manager,
Risk Management Dept. No. 4

Shuichi Suzuki
General Manager,
Tubular Products Division

Hideo Ogawa
General Manager,
Risk Management Dept. No. 3

Daisuke Mikogami
Director, Executive Vice President,
Jupiter Telecommunications Co., Ltd.

Shoichiro Oka
General Manager,
Planning & Coordination Dept., Transportation & Construction Systems Business Unit;
General Manager, Automotive Division, No. 2

Tsuyoshi Oikawa
General Manager,
Mineral Resources Division No. 2

Tsutomu Akimoto
General Manager,
Global Power Infrastructure Business Division

Masato Ishida
Assistant General Manager for Europe,
Middle East, Africa & CIS;
General Manager for Middle East

Takeshi Murata
General Manager, Ship, Aerospace & Transportation Systems Division

Nobuki Ando
Assistant General Manager, Media, Network, Lifestyle Related Goods & Services Business Unit;
General Manager,
Planning & Coordination Dept., Media, Network, Lifestyle Related Goods & Services Business Unit

Keiji Tanaka
Assistant General Manager,
Media, Network, Lifestyle Related Goods & Services Business Unit

Reiji Morooka
Assistant CFO, Accounting;
General Manager, Accounting Controlling Dept.

Takayuki Seishima
Assistant General Manager for the Americas;
Executive Vice President and CFO of Sumitomo Corporation of Americas Group;
Executive Vice President and CFO of Sumitomo Corporation of Americas

Toyoaki Funakoshi
General Manager,
Environment & Infrastructure Project Business Division

Masaki Nakajima
General Manager,
Automotive Division, No. 1

Toshiaki Murai
General Manager,
Mineral Resources Division No. 1

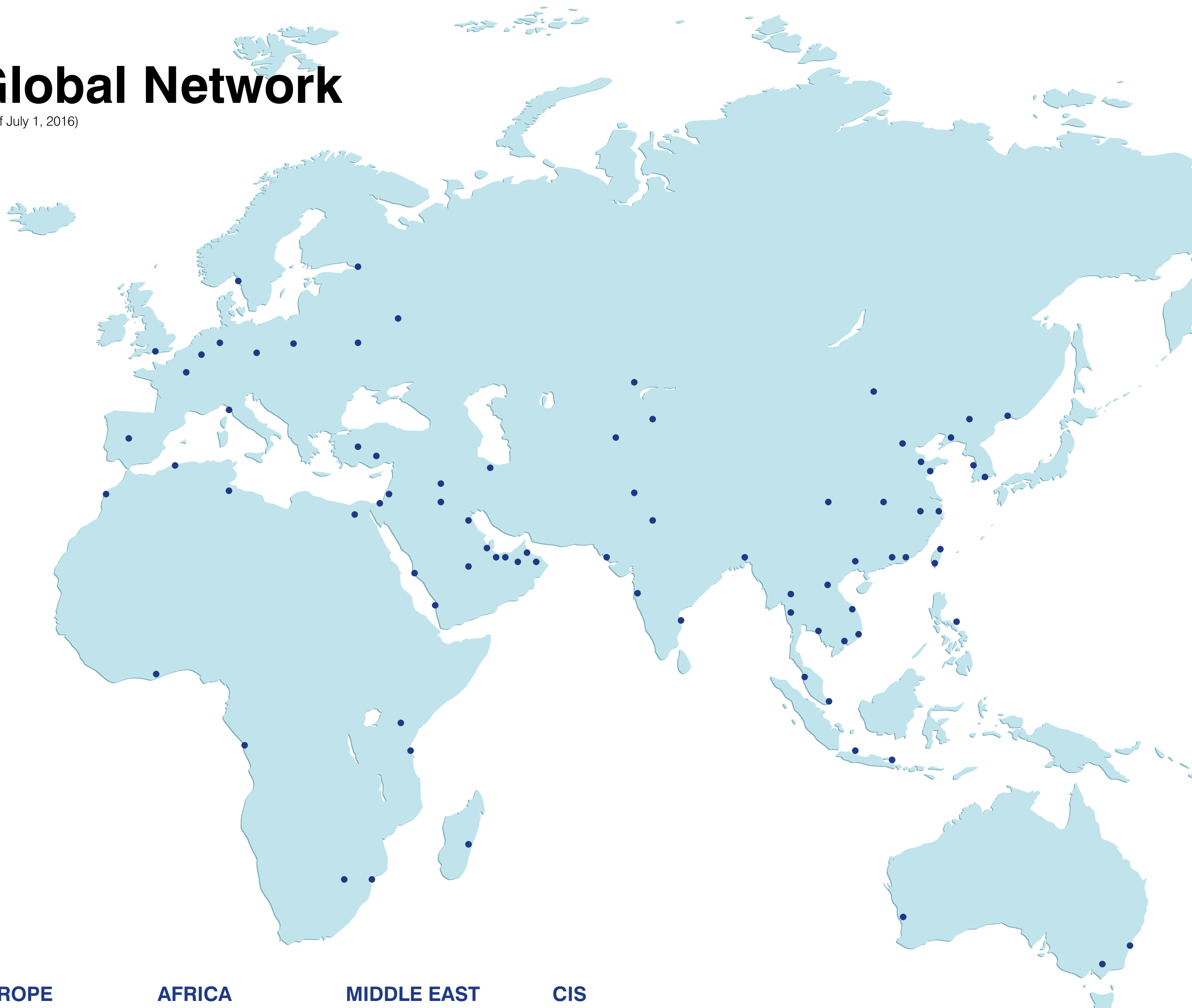
Hideki Yamano
General Manager,
Corporate Planning & Coordination Dept.

Keigo Shiomi
General Manager,
Light Metals & Specialty Steel Sheet Division

Business Operating Structure

Global Network

(As of July 1, 2016)



EUROPE
London
Oslo
Praha
Warsaw
Milan
Madrid
Dusseldorf
Paris
Brussels

AFRICA
Algiers
Casablanca
Johannesburg
Nairobi
Dar es Salaam
Luanda
Antananarivo
Accra
Maputo

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

CIS
Moscow
Vladivostok
St. Petersburg
Kiev
Almaty
Astana
Tashkent

Overseas:	**66 countries**
38 Subsidiaries	/ 81 locations
2 Branches	/ 2 locations
1 Sub-Branch	/ 1 location
26 Offices	/ 26 locations
Total	**110 locations**

Japan:	
	Headquarters
3 Subsidiaries	/ 9 locations
6 Offices	/ 12 locations
Total	**22 locations**

SOUTHEAST AND SOUTHWEST ASIA
Singapore
Kuala Lumpur
Phnom Penh
Vientiane
Yangon
Nay Pyi Taw
Dhaka
Karachi
Islamabad
Bangkok
Manila
Jakarta
Surabaya
Hanoi
Ho Chi Minh City
Danang
New Delhi
Mumbai
Chennai

EAST ASIA
Beijing
Chengdu
Changchun
Wuhan
Dalian
Shanghai
Suzhou
Tianjin
Qingdao
Guangzhou
Hong Kong
Ulaanbaatar
Taipei
Kaohsiung
Seoul
Busan

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

CENTRAL AMERICA AND SOUTH AMERICA
Mexico City
Guatemala
Havana
Sao Paulo
Rio de Janeiro
Quito
Caracas
Bogota
Lima
Buenos Aires
Santiago

OCEANIA
Sydney
Melbourne
Perth
Auckland

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

Organization

(As of July 1, 2016)

- General Meeting of Shareholders
  - Board of Corporate Auditors
    - Corporate Auditors
      - Corporate Auditor's Administration Dept.
  - Board of Directors
    - President and CEO
    - Management Council

Corporate Group

- Internal Auditing Dept.
- Corporate Planning & Coordination Dept.
- Global Strategy & Coordination Dept.
- Investor Relations Dept.
- Corporate Communications Dept.
- Environment & CSR Dept.
- Information Technologies Planning & Promotion Dept.
- Secretarial Dept.
- Human Resources Dept.
- Employee Relations & Compensation Dept.
- Corporate Legal & General Affairs Dept.
- Legal Dept.
- Logistics Management Dept.
- Finance Dept.
- Structured Finance Dept.
- Accounting Controlling Dept.
- General Accounting Dept.
- Risk Management Dept. No. 1
- Risk Management Dept. No. 2
- Risk Management Dept. No. 3
- Risk Management Dept. No. 4
- Risk Management Dept. No. 5
- Treasury Services Dept.
- Treasury Administrative Dept.
- Accounting Dept., Corporate Group
- Accounting Dept., Metal Products Business Unit
- Accounting Dept., Transportation & Construction Systems Business Unit
- Accounting Dept., Environment & Infrastructure Business Unit
- Accounting Dept., Media, Network, Lifestyle Related Goods & Services Business Unit
- Accounting Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit

Business Units

Metal Products Business Unit

- Planning & Coordination Dept., Metal Products Business Unit
- Steel Sheet & Construction Steel Products Division
- Metal Products for Automotive & Railway Industry Division
- Light Metals & Specialty Steel Sheet Division
- Tubular Products Division

Transportation & Construction Systems Business Unit

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

Environment & Infrastructure Business Unit

- Planning & Coordination Dept., Environment & Infrastructure Business Unit
- Environment & Infrastructure Project Business Division
- Global Power Infrastructure Business Division
- Logistics & Insurance Business Division

Media, Network, Lifestyle Related Goods & Services Business Unit

- Planning & Coordination Dept., Media, Network, Lifestyle Related Goods & Services Business Unit
- Media Division
- Network Division
- Lifestyle & Retail Business Division
- Food & Agriculture Business Division
- Materials, Supplies & Real Estate Division
- General Construction Development & Coordination Dept.

Mineral Resources, Energy, Chemical & Electronics Business Unit

- Planning & Coordination Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit
- Project Management Dept. for Mining & E&P
- Mineral Resources Division No. 1
- Mineral Resources Division No. 2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division

Japan	Overseas
3 Subsidiaries 6 Offices	38 Subsidiaries 2 Branches 1 Sub-Branch Office 26 Offices

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

1. Economic Environment

During the period under review (fiscal 2015, i.e., April 1, 2015 through March 31, 2016), the global economy reached only moderate growth, with strong growth in developed economies offset by more sluggish growth in emerging economies. Uncertainty about the future of the global economy grew stronger with the impact of U.S. interest rate hikes and structural changes in the Chinese economy. For international commodity markets, oversupply and slowdown in growth of demand put greater downward pressure on prices. In Japan, the improved employment and income environment as well as a substantial increase in foreign tourists supported consumption. Capital investment shows signs of recovery due to improved corporate performance. On the other hand, slowed growth of emerging economies, and the sluggish exports to Asia led production in the second half of fiscal 2015 to remain stagnant.

2. Overall Business Performance and Financial Condition

(1) Business Performance

Consolidated net income (loss) for fiscal 2015 amounted to ¥74.5 billion, an increase of ¥147.7 billion from the previous fiscal year. Non-mineral resources businesses continued on uptrend in earnings led by strong performance of our core businesses, such as media-related domestic group companies and leasing business. However, the impact of drop in mineral resources prices caused mineral resources businesses and tubular products business to deteriorate, and a total of ¥195.1 billion of impairment losses in mainly upstream mineral resources projects, were posted.

- ***Gross Profit.*** Gross profit totaled ¥894.1 billion, down by ¥58.9 billion from ¥952.9 billion in the previous year. This was due to a decrease in profit of tubular products business in North America and silver, zinc and lead business in Bolivia.
- ***Selling, General and Administrative Expenses.*** Selling, general and administrative expenses totaled ¥762.7 billion, representing an increase of ¥7.5 billion from ¥755.2 billion in the previous year. This was owing mainly to the yen's depreciation.
- ***Impairment losses on long-lived assets.*** Impairment losses on long-lived assets totaled ¥57.2 billion, down by ¥221.4 billion from ¥278.6 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 in the previous year.
- ***Share of profit of investments accounted for using the equity method.*** Share of profit (loss) of investments accounted for using the equity method totaled a loss of ¥53.8 billion, a decrease of ¥102.9 billion from ¥49.1 billion in the previous year. This was owing mainly to impairment losses on several businesses, including Nickel mining and refining business in Madagascar, Iron ore mining project in South Africa, Iron ore mining project in Brazil and Copper and molybdenum mining business in Chile.

(2) Financial Condition

1) Assets, Liabilities and Equity

As of March 31, 2016, Total assets stood at ¥7,817.8 billion, representing a decrease of ¥1,203.6 billion from the previous fiscal year-end. Key factors causing the net decrease were a decrease resulting from asset replacements such as the business reorganization of the automobile financing business in Indonesia and the sales of renewable energy power generation businesses, impairment losses including in Nickel mining and refining business in Madagascar and Iron ore mining project in South Africa, in addition to a decrease in Trade receivables and Inventories. As of March 31, 2016, Equity attributable to owners of the parent totaled to ¥2,251.5 billion, a decrease of ¥229.9 billion from the previous fiscal year-end, due primarily to a decrease in Exchange differences on translating foreign operations caused by the yen's appreciation. The ratio of Equity attributable to owners of the parent to Total assets was 28.8%. Meanwhile, Interest-bearing liabilities (net) decreased by ¥747.2 billion from the previous fiscal year-end, to ¥2,770.3 billion. Consequently, the net debt-equity ratio (Interest-bearing liabilities (net)/ Equity attributable to owners of the parent) was 1.2.

2) Cash Flows

Net cash provided by operating activities totaled ¥599.7 billion due to the cash inflow stemming from a decrease in working capital in addition to our core businesses that performed well in generating cash. Net cash used in investing activities totaled ¥85.4 billion due mainly to new investments of approx. ¥270.0 billion, despite collection of funds by asset replacements. As a result, Free cash flow, calculated as Net cash provided by operating activities plus Net cash used in investing activities, totaled ¥514.3 billion inflow. Net cash used in financing activities was ¥507.2 billion. As a result, Cash and cash equivalents as of March 31, 2016 decreased by ¥27.1 billion from March 31, 2015 to ¥868.8 billion.

Financial Highlights

For the years ended March 31

We have prepared consolidated financial statements in accordance with U.S. GAAP for 2010 or earlier and International Financial Reporting Standards ("IFRSs") for 2011 or later.

	AG Plan		GG Plan	
Financial Data	2006	2007	2008	2009
Results of operations:				
Gross profit	¥ 706.6	¥ 857.7	¥ 934.5	¥ 935.2
Financial income (expense)	(9.5)	(23.0)	(27.6)	(21.5)
Interest expense, net	(20.0)	(37.1)	(42.8)	(36.1)
Dividends	10.4	14.1	15.3	14.6
Share of profit (loss) of investments accounted for using the equity method*	51.4	70.3	56.9	90.0
Profit (loss) for the year attributable to owners of the parent*	160.2	211.0	238.9	215.1
Financial position at year end:				
Total assets	6,711.9	8,430.5	7,571.4	7,018.2
Equity attributable to owners of the parent*	1,304.0	1,473.1	1,492.7	1,353.1
Interest-bearing liabilities (net)*1	2,622.2	2,913.3	3,247.6	3,186.8
Cash flows:				
Net cash from operating activities	(60.8)	194.3	323.7	348.8
Net cash used in investing activities	(137.9)	(449.7)	(298.0)	(261.5)
Free cash flows	(198.7)	(255.5)	25.6	87.3
Net cash from (used in) financing activities	256.7	169.7	7.9	(5.8)
Amounts per share:				
Profit (loss) for the year attributable to owners of the parent*:				
Basic	¥ 130.18	¥ 169.93	¥ 192.51	¥ 172.06
Diluted*	130.17	169.90	192.47	172.03
Equity attributable to owners of the parent*	1,047.88	1,192.35	1,194.20	1,082.47
Cash dividends declared for the year*2	25.00	33.00	38.00	34.00
Ratios:				
Equity attributable to owners of the parent ratio (%)*	19.4	17.5	19.7	19.3
ROE (%)	14.3	15.2	16.1	15.1
ROA (%)	2.6	2.8	3.0	2.9
Debt-Equity Ratio (net) (times)	2.0	2.0	2.2	2.4
For reference:				
Total trading transactions*3	¥10,336.3	¥10,528.3	¥11,484.6	¥10,750.0
Basic profit*4	158.3	202.9	197.1	243.0

* Under U.S. GAAP, "Share of profit (loss) of investments accounted for using the equity method" corresponds to "Equity in earnings of associated companies, net," "Profit (loss) for the year attributable to owners of the parent" corresponds to "Net income (loss) attributable to Sumitomo Corporation," "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."

*1 Interest-bearing liabilities (net) excludes cash and cash equivalents and time deposits from interest-bearing liabilities.

*2 Cash dividends per share represents the cash dividends declared applicable to each respective year, including dividends paid after the year-end.

*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 and is presented in a manner customarily used in Japan solely for Japanese investors' purposes. It is not to be construed as equivalent to, or a substitute for, sales or revenues under accounting principles generally accepted in the United States of America ("U.S. GAAP") or IFRSs.

*4 Basic Profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net + Dividends) × (1 – Tax rate) + Share of profit (loss) of investments accounted for using the equity method
<Tax rate was 41% for 2006 through 2012, 38% for 2013 and 2014, 36% for 2015, and 33% for 2016.>

*5 The U.S. Dollar amounts represent transactions of Japanese yen amounts at the rate of ¥112 = U.S.$1.

Non-Financial Data

Number of women in managerial roles (People)
Ratio of women in managerial roles (%)
Number of outside directors (People)
Number of internal directors (People)
Number of directors (People)

FOCUS' 10		ƒ(x)		BBBO2014		BBBO2017	BBBO2017
						Billions of Yen	Millions of U.S. Dollars*5
2010	2011	2012	2013	2014	2015	2016	2016
¥ 779.5	¥ 864.0	¥ 918.8	¥ 827.0	¥ 894.4	¥ 952.9	**¥ 894.1**	**$ 7,983**
(12.8)	(8.1)	(3.9)	(2.3)	(2.6)	4.3	**8.0**	**71**
(24.1)	(18.1)	(15.1)	(15.8)	(17.4)	(13.0)	**(2.6)**	**(23)**
11.3	10.0	11.2	13.4	14.9	17.2	**10.6**	**95**
76.1	95.6	110.6	107.4	126.2	49.1	**(53.8)**	**(480)**
155.2	200.2	250.7	232.5	223.1	(73.2)	**74.5**	**666**
7,137.8	7,230.5	7,226.8	7,832.8	8,668.7	9,021.4	**7,817.8**	**69,802**
1,583.7	1,570.5	1,689.1	2,052.8	2,404.7	2,481.4	**2,251.5**	**20,103**
2,781.8	3,056.3	2,786.7	2,930.3	3,123.5	3,517.5	**2,770.3**	**24,735**
510.4	219.5	190.4	280.3	278.2	243.7	**599.7**	**5,355**
(59.4)	(469.4)	(35.7)	(186.2)	(249.9)	(399.6)	**(85.4)**	**(763)**
451.0	(249.9)	154.7	94.1	28.4	(155.9)	**514.3**	**4,592**
(150.1)	155.9	(33.3)	(24.7)	145.9	(74.8)	**(507.2)**	**(4,528)**
						Yen	U.S. Dollars
¥ 124.15	¥ 160.17	¥ 200.52	¥ 185.92	¥ 178.59	¥ (58.64)	**¥ 59.73**	**$ 0.53**
124.12	160.09	200.39	185.79	178.46	(58.64)	**59.69**	**0.53**
1,266.93	1,256.31	1,351.10	1,641.60	1,927.37	1,988.62	**1,803.95**	**16.11**
24.00	36.00	50.00	46.00	47.00	50.00	**50.00**	**0.45**
						%, Times	
22.2	21.7	23.4	26.2	27.7	27.5	**28.8**	
10.6	12.9	15.4	12.4	10.0	(3.0)	**3.2**	
2.2	2.8	3.5	3.1	2.7	(0.8)	**0.9**	
1.8	1.9	1.6	1.4	1.3	1.4	**1.2**	
						Billions of Yen	Millions of U.S. Dollars
¥7,767.2	¥8,349.4	¥8,273.0	¥7,502.7	¥8,146.2	¥8,596.7	**¥7,584.1**	**$67,716**
151.4	220.5	251.5	216.5	245.0	184.0	**46.5**	**415.2**

ƒ(x)		BBBO2014		BBBO2017
2012	2013	2014	2015	2016
39	49	59	78	**107**
1.37%	1.75%	2.16%	2.88%	**3.87%**
0	0	2	2	**3**
12	12	10	10	**10**
12	12	12	12	**13**

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 & Coordination Departments to strengthen the function of strategy design and its implementation support. 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.

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, 2016. Accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance.

Promoting the medium-term management plan, "Be the Best, Be the One 2017"

In its medium-term management plan "Be the Best, Be the One 2017 (BBBO2017)," Sumitomo Corporation has been promoting managerial reforms and growth strategies, enhancing "individual capability" and "organizational capability," and securing financial soundness based on the theme of making group-wide efforts in overcoming issues and outlining a path toward the realization of "What We Aim to Be in 2019, Our Centennial Year," in light of changes in the environments that surround our businesses as well as managerial issues that manifested in large-scale impairment losses in FY2014.

<Overview of "BBBO2017">

Promote managerial reforms	Promote growth strategies
Enhance "individual capability" and "organizational capability"	
Secure financial soundness	

Quantitative targets (key indicators)

>> Profit targets

Consolidated net income*1

FY2015: ¥230 billion

FY2017: ¥300 billion or more

>> Financial policies

- Regaining the balance between the core risk buffer and risk-adjusted assets*2 (by the end of FY2017)
- Free cash flow: ¥200 billion (3-year total) (Post-dividend free cash flow) (Positive (3-year total))

*1 "Consolidated net income" is equivalent to the "profit attributable to owners of the parent" set out in the International Financial Reporting Standards (IFRS).

*2 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.

The major progress made in fiscal 2015 is described below:

(i) Promoting managerial reforms

Revising decision-making process

The Management Council was designated the highest decision-making body at the operational execution level as of July 2015, and a system has been put in place to incorporate diverse opinions and multilateral discussions into the process for making decisions on specific key matters. We have added another Outside Director to the Board of Directors, and we have amended the standards for matters to be discussed by the Board of Directors so that the Board can concentrate on the deliberation of important matters regarding the company-wide management such as the business policy and management plan. At the same time, we have increased the submitting matters to the Board of Directors to strengthen the Board's monitoring function over the execution of operations so that it can give priority to formulating Company-wide strategies and basic policies when deliberating on matters.

Revamping risk management system

Loan and Investment Committee meetings were held at the business unit and Company-wide levels and a framework established whereby discussions can be conducted from a variety of angles both when considering investments and when executing them, and we revised our hurdle rate for investments and our post-investment monitoring system.

Complying with Corporate Governance Code

In addition to amending the Corporate Governance Principles, we dissolved the Remuneration Committee for constructive reasons and replaced it with a new Nomination and Remuneration Advisory Committee comprising a majority of outside directors (chairperson: outside director) to serve as an advisory body to the Board of Directors in order to make the processes for deciding on the nomination and remuneration of Directors more transparent and objective. Furthermore, analyses/evaluations of the Board of Directors are being conducted each year from FY2015 using self-evaluations by Directors and Corporate Auditors and other means to enable the Company to achieve sustained growth and improve its corporate value.

(ii) Promoting growth strategies

Strengthening / promoting cross-organizational collaboration

We executed growth strategies in the metal products, transportation systems, media and other businesses in which the Company enjoys advantages, and undertook cross-organizational collaboration and enhanced our approaches for pursuing these as Company-wide projects in energy-related business, retail business in Asia, and other fields with high growth potential.

Efforts in upstream mineral resources & energy businesses

We focused on launching projects in which we have invested over recent years, e.g., achieved financial completion of Nickel mining and refining business in Madagascar in September 2015, and we continued to cut costs in existing projects. We also formulated a policy for managing our upstream mineral resource portfolio, and established a new specialist organization to strengthen our market analyses and technical evaluation abilities.

Executing investment / loan plans

In FY2015, the initial year of "BBBO2017," we increased our assets in our construction equipment rental business in the United States, invested in domestic real estate projects including commercial facilities, and carried out investment to launch existing upstream mineral resource projects, executing investment and loans totaling approximately ¥270 billion across the Company.

(iii) Securing financial soundness

Reducing interest-bearing liabilities

In FY2015, we recovered approximately ¥230 billion in funds owing to asset replacements including the business reorganization of our automobile financing business in Indonesia and disposal of our renewable energy power generation business. In addition, cash was generated due to a decrease in working capital. As a result, post-dividend free cash flow for FY2015 reached a positive figure of ¥451.9 billion. Although we had been upholding the target of securing a positive post-dividend free cash flow (three-year total) in our initial plan for the purpose of maintaining financial soundness, in light of the Company's performance and the recent deterioration in the business environment, we have revised our post-dividend free cash flow target to ¥500 billion (three-year total), with the funds recovered to be used to repay interest-bearing liabilities in order to further reduce our interest-bearing liabilities and enhance our financial structure during the term for "BBBO2017."

Regaining the balance between the core risk buffer and risk-adjusted assets

We will execute the plan described in "Reducing interest-bearing liabilities" above and regain the balance between the core risk buffer and risk-adjusted assets by the end of fiscal 2017, the final fiscal year of "BBBO2017."

(iv) Quantitative targets

FY2015 results

Non-mineral resource businesses made a steady showing overall in FY2015, but performance deteriorated in our mineral resources businesses and tubular products business due to falling mineral resource prices, and several businesses including upstream mineral resource-related ones saw impairment losses of approximately ¥195.1 billion. Consequently, consolidated net income regrettably came to ¥74.5 billion vis-à-vis our target of ¥230 billion.

The principal projects that posted impairment losses in FY2015 are as follows:

Projects	Project Outline	Amount of Impact on Consolidated Net Income (billions of yen)	Main Reason for Impairment Loss
Nickel mining and refining business in Madagascar	Nickel development and related business in Madagascar	(77.0)	Decline in the nickel prices and revision of the long-term business plan
Iron ore mining project in South Africa	Investment in iron ore project in South Africa	(18.3)	Decline in the iron ore prices and revision of the long-term business plan
Edgen Group	Global distributor of metal and tubular products for energy industry	(18.1)	Decline in demand resulting from drop in the oil prices and 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 Gera is in Brazil	(14.6)	Decline in the iron ore prices and revision of the long-term business plan
Copper and molybdenum mining business in Chile	Investment in and financing of the Sierra Gorda copper mine in Chile	(14.0)	Decline in the copper prices and revision of the long-term business plan
Coal mining projects in Australia	Investments in coal mines in Australia	(12.1)	Decline in the coal prices and revision of the long-term business plan
Grain business in Australia	Grain accumulation and investment in grain storage and export terminal operating business in Australia	(11.4)	Revision of the business plan
Others		(29.5)	
Total amount		(195.1)	

Forecasts for FY2016

With regard to our forecasts for FY2016, while robust overall performance is projected in our non-mineral resources businesses, such as our main businesses in Environment & Infrastructure and Media, Network, Lifestyle Related Goods & Services segments, we expect the difficult business climate for our mineral resources businesses and tubular products business to continue as a result of the impact of falling mineral resources prices. In addition to these elements, we are factoring in approximately ¥20 billion in cost needs for steady asset replacements and improvement of our financial structure. As a result, a consolidated net income of ¥130 billion is forecast for FY2016.

Revision of quantitative targets

Anticipating slow recoveries in the mineral resource, energy-related and tubular products businesses due to the prolonged slump in mineral resource prices, we have revised the quantitative targets for "BBBO2017" as follows:

		FY/Period	Initial plan	Revised plan
Profit targets	Consolidated net income	FY2015	¥230 billion	¥74.5 billion
		FY2016	–	¥130 billion
		FY2017	¥300 billion or more	¥220 billion or more
	ROA	FY2017	3% or more	2.5% or more
	Risk-adjusted return ratio	FY2017	10% or more	9.0% or more
	ROE	FY2017	Around 10%	Around 9.0%
Financial policies	Balance between the core risk buffer and risk-adjusted assets	By the end of FY2017	Regain balance	Regain balance
	Free cash flow	3-year total	¥200 billion	¥700 billion
	Post-dividend free cash flow	3-year total	Positive	¥500 billion
Investment plan		3-year total	¥1.2 trillion	¥1.0 trillion

With the business environment expected to remain challenging, we will strive to improve our financial structure through the reduction of interest-bearing liabilities, and to bolster our earning power and return to a growth track by steadily executing the growth strategies set out in "BBBO2017" and by promoting cross-organizational collaboration in Company-wide projects.

3 Economic Environment

During the period under review (fiscal year 2015, i.e., April 1, 2015, through March 31, 2016), on the global economic front, although developed countries maintained their strong performance, the economic growth rates of emerging economies slowed down even further, resulting in only moderate growth overall. An interest rate hike in the United States and the structural transformation of the Chinese economy increased uncertainty about the outlook for the global economy. In international commodity markets, slowdown in a demand growth, in addition to oversupply, put even greater downward pressure on prices. In the Japanese economy, the improvement of the employment and income environment and the significant increase in the number of foreign travelers visiting Japan underpinned consumption. Due to improved corporate performance, capital investment also showed some hint of recovery. On the other hand, however, exports to Asia became sluggish due to the slowdown in the growth of emerging economies, causing production to stagnate 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 for suppliers and buyers 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, 2016, sales of services and others accounted for 14.2% of our total revenues, and the gross profit from sales of services and others accounted for 40.3% 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 (including 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 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 (Loss) 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 (i) of 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. 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-current Assets

We maintain significant non-current assets in the operation of our global business. We review non-current 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 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, 2016 Compared to Fiscal Year Ended March 31, 2015

Total Revenues. Total revenues totaled ¥4,010.8 billion, representing an increase of ¥248.6 billion, or 6.6%, from ¥3,762.2 billion in the previous year. This was attributable in part to factors such as the yen's depreciation.

Gross Profit. Gross profit totaled ¥894.1 billion, down by ¥58.9 billion, or 6.2%, from ¥952.9 billion in the previous year. This was due to a decrease in profit of tubular products business in North America and silver, zinc and lead business in Bolivia.

Selling, General and Administrative Expenses. Selling, general and administrative expenses totaled ¥762.7 billion, representing an increase of ¥7.5 billion, or 1.0%, from ¥755.2 billion in the previous year. This was owing mainly to the yen's depreciation.

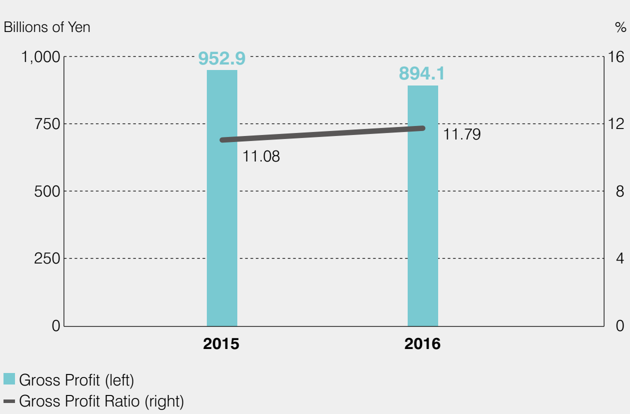
Impairment losses on long-lived assets. Impairment losses on long-lived assets totaled ¥57.2 billion, down by ¥221.4 billion, or 79.5%, from ¥278.6 billion in the previous year. This was owing mainly to impairment losses on Tight oil development project in the U.S., Shale gas project in the U.S., Coal-mining projects in Australia, Tire business in the U.S., and Oil field interests in the North Sea in the previous year.

Share of profit (loss) of investments accounted for using the equity method. Share of profit (loss) of investments accounted for using the equity method totaled a loss of ¥53.8 billion, a decrease of ¥102.9 billion from ¥49.1 billion in the previous year. This was owing mainly to impairment losses on several businesses, including Nickel mining and refining business in Madagascar, Iron ore mining project in South Africa, Iron ore mining project in Brazil and Copper and molybdenum mining business in Chile.

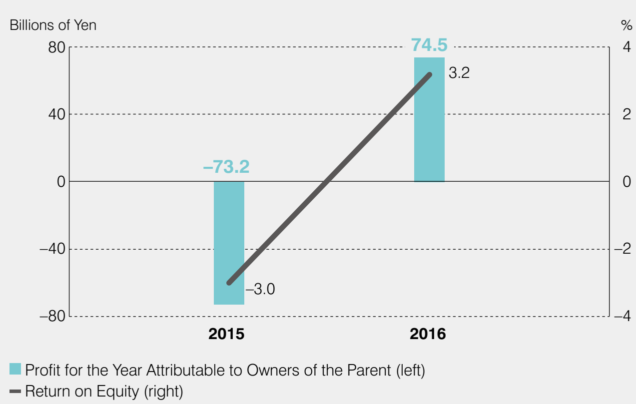
Profit (loss) for the year attributable to owners of the parent. As a result of the above, Profit (loss) for the year attributable to owners of the parent totaled ¥74.5 billion, representing an increase of ¥147.7 billion, from a loss of ¥73.2 billion in the previous year.

Comprehensive income for the year attributable to owners of the parent. Comprehensive income for the year attributable to owners of the parent totaled a loss of ¥164.4 billion, down by

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



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



¥310.4 billion from ¥146.0 billion in the previous year. This was due primarily to factors such as a decrease in Financial assets measured at fair value through other comprehensive income and in Exchange differences on translating foreign operations despite an increase in Retained earnings by generating Profit for the year attributable to owners of the parent.

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.

Note: On April 1, 2015, Tire Department was transferred from Media, Network, Lifestyle Related Goods & Services Business Unit to Transportation & Construction Systems Business Unit.

The following table sets forth our operating results by operating segments for the fiscal years ended March 31, 2016 and 2015.

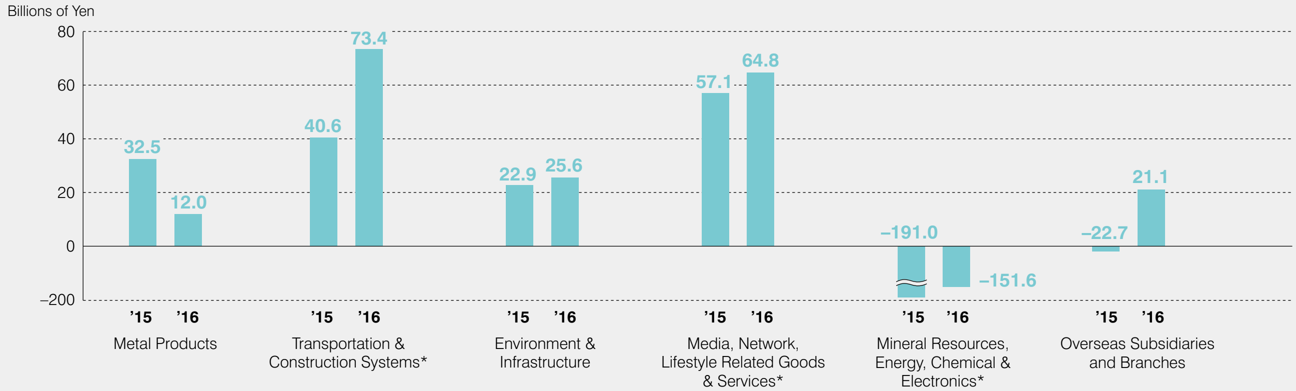
Breakdown of Gross Profit by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2016 and 2015	2016	2015	Increase/ decrease	Increase/ decrease	2016
Metal Products	**¥ 77.3**	¥103.5	¥(26.2)	(25.3)%	**$ 690**
Transportation & Construction Systems	**175.5**	183.6	(8.1)	(4.4)	**1,567**
Environment & Infrastructure	**56.8**	64.5	(7.7)	(11.9)	**507**
Media, Network, Lifestyle Related Goods & Services	**254.6**	239.0	15.6	6.5	**2,273**
Mineral Resources, Energy, Chemical & Electronics	**80.3**	86.9	(6.6)	(7.6)	**717**
Overseas Subsidiaries and Branches	**253.2**	277.5	(24.3)	(8.8)	**2,261**
Segment Total	**897.8**	955.0	(57.2)	(6.0)	**8,016**
Corporate and Eliminations	**(3.8)**	(2.1)	(1.7)	81.0	**(34)**
Consolidated	**¥894.1**	¥952.9	¥(58.9)	(6.2)%	**$7,983**

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, 2016 and 2015	2016	2015	Increase/ decrease	Increase/ decrease	2016
Metal Products	**¥ 12.0**	¥ 32.5	¥ (20.5)	(63.1)%	**$ 107**
Transportation & Construction Systems	**73.4**	40.6	32.8	80.8	**655**
Environment & Infrastructure	**25.6**	22.9	2.7	11.8	**229**
Media, Network, Lifestyle Related Goods & Services	**64.8**	57.1	7.7	13.5	**579**
Mineral Resources, Energy, Chemical & Electronics	**(151.6)**	(191.0)	39.4	20.6	**(1,354)**
Overseas Subsidiaries and Branches	**21.1**	(22.7)	43.7	—	**188**
Segment Total	**45.3**	(60.6)	105.9	—	**404**
Corporate and Eliminations	**29.2**	(12.6)	41.8	—	**261**
Consolidated	**¥ 74.5**	¥ (73.2)	¥147.7	— %	**$ 665**

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



* The segment information of ’15 has been reclassified, according to organizational change on Oct. 1, 2014 and Apr. 1, 2015.

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2015

Metal Products

Gross profit totaled ¥77.3 billion, a decrease of ¥26.2 billion, or 25.3%, from ¥103.5 billion in the previous year. This was attributable to factors such as a decrease in earnings of tubular products business in North America. Profit (loss) for the year attributable to owners of the parent totaled ¥12.0 billion, a decrease of ¥20.5 billion, or 63.0%, from ¥32.5 billion in the previous year. This was due to the impairment loss of ¥5.3 billion in Edgen Group, although the operation of overseas steel service centers showed stable performances.

Transportation & Construction Systems

Gross profit totaled ¥175.5 billion, a decrease of ¥8.1 billion, or 4.4%, from ¥183.6 billion in the previous year. Profit (loss) for the year attributable to owners of the parent totaled ¥73.4 billion, an increase of ¥32.8 billion, or 80.9%, from ¥40.6 billion in the previous year. This was attributable to factors such as the profits on sale and revaluation of stocks stemming from the business reorganization of the automobile financing business in Indonesia, in addition to robust performances by leasing business and construction equipment rental business in the U.S.

Environment & Infrastructure

Gross profit totaled ¥56.8 billion, a decrease of ¥7.7 billion, or 11.9%, from ¥64.5 billion in the previous year, reflecting a decrease in earnings of domestic power infrastructure business, impacted by the fluctuation of wholesale prices in the electric power market. Profit (loss) for the year attributable to owners of the parent totaled ¥25.6 billion, an increase of ¥2.7 billion, or 11.7%, from ¥22.9 billion in the previous year. This was owing to factors such as profits from value realization in the renewable energy power generation businesses in addition to a stable performance of overseas power infrastructure business.

Media, Network, Lifestyle Related Goods & Services

Gross profit totaled ¥254.6 billion, an increase of ¥15.6 billion, or 6.5%, from ¥239.0 billion in the previous year. This was attributable to factors such as robust performances of domestic major group companies. Profit (loss) for the year attributable to owners of the parent totaled ¥64.8 billion, an increase of ¥7.7 billion, or 13.5%, from ¥57.1 billion in the previous year. This was due to a steady performance of real estate business, although there was the impairment loss of ¥9.8 billion in Grain business in Australia.

Mineral Resources, Energy, Chemical & Electronics

Gross profit totaled ¥80.3 billion, a decrease of ¥6.6 billion, or 7.6%, from ¥86.9 billion in the previous year. This was due to factors such as a decrease in earnings impacted by the decline of mineral resources prices. Profit (loss) for the year attributable to owners of the parent totaled to a loss of ¥151.6 billion, a decrease of ¥39.4 billion, or 20.6%, from a loss of ¥191.0 billion in the previous year. This was attributable to a decrease in impairment losses recognized. In this fiscal year, there were impairment losses of ¥156.8 billion in total posted for several businesses, including Nickel mining and refining business in Madagascar, Iron ore mining project in South Africa, Iron ore mining project in Brazil, Copper and molybdenum mining business in Chile, and Coal-mining projects in Australia. On the other hand, there were impairment losses and provisions of ¥227.8 billion in total posted in the previous fiscal year for several businesses, such as Tight oil development project in the U.S., Iron ore mining project in Brazil, Shale gas project in the U.S., and Coal-mining projects in Australia.

Overseas Subsidiaries and Branches

Gross profit totaled ¥253.2 billion, a decrease of ¥24.3 billion, or 8.7%, from ¥277.5 billion in the previous year. This was due mainly to a decrease in earnings of tubular products business in North America. Profit (loss) for the year attributable to owners of the parent totaled ¥21.1 billion, an increase of ¥43.7 billion, from a loss of ¥22.7 billion in the previous year. This was owing to factors such as a decrease in the amount of impairment losses in addition to realized gains resulting from asset replacements. In this fiscal year, there were impairment losses of ¥23.6 billion in total for several businesses, including Edgen Group and Grain business in Australia. On the other hand, there were impairment losses and provisions of ¥75.0 billion in total posted in the previous year for several businesses, such as Tight oil development project in the U.S. and Tire business in the U.S.

8 Liquidity and Capital Resources

In general, we seek to fund our operations through cash flow from operations, bank debt and bonds 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, 2016, we had ¥3,650.9 billion of bonds and borrowings. Our short-term debt, excluding current maturities of long-term debt, was ¥193.3 billion, a decrease of ¥246.1 billion from the previous year. Our short-term debt consisted of ¥152.4 billion of loans, principally from banks, and ¥40.9 billion of commercial paper.

As of March 31, 2016, we had bonds and long-term debt of ¥3,457.6 billion, a decrease of ¥524.3 billion from the previous year, including current maturities of ¥544.2 billion. As of March 31, 2016, the balance of our borrowings from banks and insurance companies was ¥3,042.9 billion, a decrease of ¥444.4 billion from the previous year, and the balance of notes and bonds was ¥414.7 billion, a decrease of ¥79.9 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, 2016, we had several committed lines of credit available for immediate borrowing, providing an aggregate of up to $1,100 million and ¥445 billion in short-term loans. These lines of credit consist of:

- $1,000 million multi-borrower and multi-currency line of credit provided by a syndicate of major European and U.S. banks, under which we can obtain loans for Sumitomo Corporation or any of our subsidiaries in the United Kingdom, the United States and Singapore;
- $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, 2016, our long-term and short-term credit ratings are Baa1/P-2 (outlook negative) from Moody's Investors Service, A-/A-2 (outlook negative) from Standard & Poor's and A+/a-1 from Rating and Investment Information, Inc. In order to facilitate our access to capital markets for funding, we have established several funding programs, including:

- ¥200 billion Japanese shelf registration for primary debt offerings;
- ¥1.0 trillion commercial paper program in Japan;
- $1,500 million commercial paper program, established by our U.S. subsidiary, Sumitomo Corporation of 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.

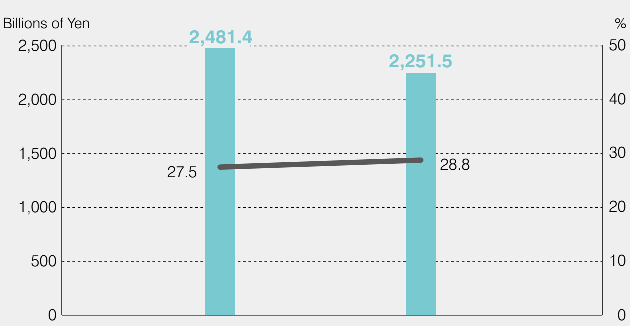
As of March 31, 2016, Total assets stood at ¥7,817.8 billion, representing a decrease of ¥1,203.6 billion from the previous fiscal year-end. Key factors causing the net decrease were a decrease resulting from asset replacements such as the business reorganization of the automobile financing business in Indonesia and the sales of renewable energy power generation businesses, impairment losses including in Nickel mining and refining business in Madagascar and Iron ore mining project in South Africa, in addition to a decrease in Trade receivables and Inventories.

As of March 31, 2016, Equity attributable to owners of the parent totaled to ¥2,251.5 billion, a decrease of ¥229.9 billion from the previous fiscal year-end, due primarily to a decrease in Exchange differences on translating foreign operations caused by the yen's appreciation. The ratio of Equity attributable to owners of the parent to Total assets was 28.8%. Meanwhile, Interest-bearing liabilities (net) decreased by ¥747.2 billion from the previous fiscal year-end, to ¥2,770.3 billion. Consequently, the net debt-equity ratio (Interest-bearing liabilities (net)/ Equity attributable to owners of the parent) was 1.2.

Liquidity and Capital Resources

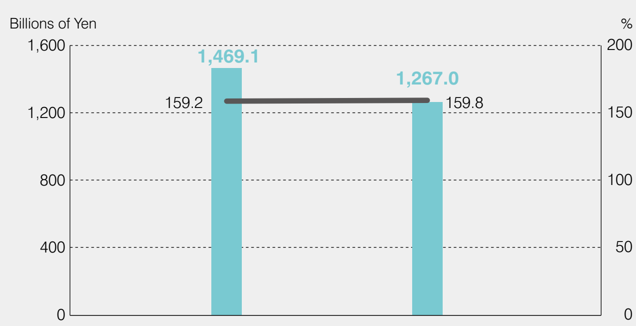
	Billions of Yen		Millions of U.S. Dollars
As of March 31, 2016 and 2015	**2016**	2015	**2016**
Short-term	**¥ 193.3**	¥ 439.4	**$ 1,726**
Loans, principally from banks	**152.4**	324.6	**1,361**
Commercial paper	**40.9**	114.8	**365**
Long-term, including current maturities of long-term debt	**3,457.6**	3,981.9	**30,871**
Secured long-term debt			
Loans	**291.7**	461.1	**2,605**
Bonds	**—**	46.5	**—**
Unsecured long-term debt			
Loans	**2,751.2**	3,026.2	**24,565**
Bonds and notes	**414.7**	448.1	**3,703**
Interest-bearing liabilities (gross)	**3,650.9**	4,421.3	**32,597**
Cash and cash equivalents & time deposits	**880.7**	903.7	**7,863**
Interest-bearing liabilities (net)	**2,770.3**	3,517.5	**24,735**
Total assets	**7,817.8**	9,021.4	**69,802**
Equity attributable to owners of the parent	**2,251.5**	2,481.4	**20,103**
Equity attributable to owners of the parent ratio (%)	**28.8**	27.5	**28.8**
Debt-Equity Ratio (gross) (times)	**1.6**	1.8	**1.6**
Debt-Equity Ratio (net) (times)	**1.2**	1.4	**1.2**

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



Equity Attributable to Owners of the Parent (left)
Equity Attributable to Owners of the Parent Ratio (right)

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



Working Capital (left)
Current Ratio (right)

The following table sets forth our cash flow information for the fiscal years ended March 31, 2016, and 2015:

Summary Statements of Consolidated Cash Flows

For the years ended March 31, 2016 and 2015	Billions of Yen 2016	Billions of Yen 2015	Millions of U.S. Dollars 2016
Net cash from operating activities	**¥ 599.7**	¥ 243.7	**$ 5,355**
Net cash used in investing activities	**(85.4)**	(399.6)	**(763)**
Free cash flow	**514.3**	(155.9)	**4,592**
Net cash from (used in) financing activities	**(507.2)**	(74.8)	**(4,528)**
Net (decrease) increase in cash and cash equivalents	**7.1**	(230.7)	**64**
Cash and cash equivalents at the beginning of year	**895.9**	1,111.2	**7,999**
Effect of exchange rate changes on cash and cash equivalents	**(34.2)**	15.4	**(306)**
Cash and cash equivalents at the end of year	**¥868.8**	¥ 895.9	**$ 7,757**

Net cash provided by operating activities totaled ¥599.7 billion due to the cash inflow stemming from a decrease in working capital in addition to our core businesses that performed well in generating cash.

Net cash used in investing activities totaled ¥85.4 billion due mainly to new investments of approx. ¥270.0 billion, despite collection of funds by asset replacements.

As a result, Free cash flow, calculated as Net cash provided by operating activities plus Net cash used in investing activities, totaled ¥514.3 billion inflow.

Net cash used in financing activities was ¥507.2 billion.

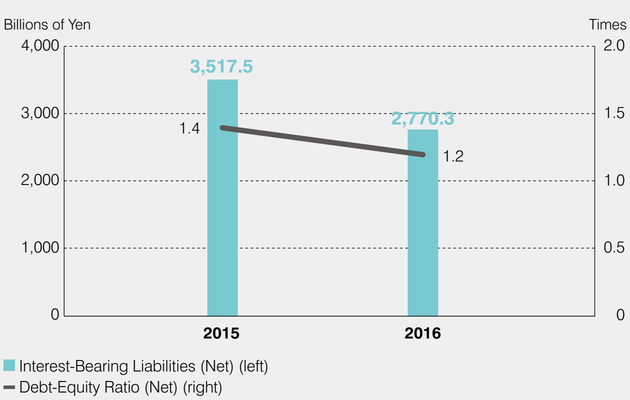
As a result, Cash and cash equivalents as of March 31, 2016 decreased by ¥27.1 billion from March 31, 2015 to ¥868.8 billion.

As of March 31, 2016, our contractual cash obligations for the periods indicated were as follows:

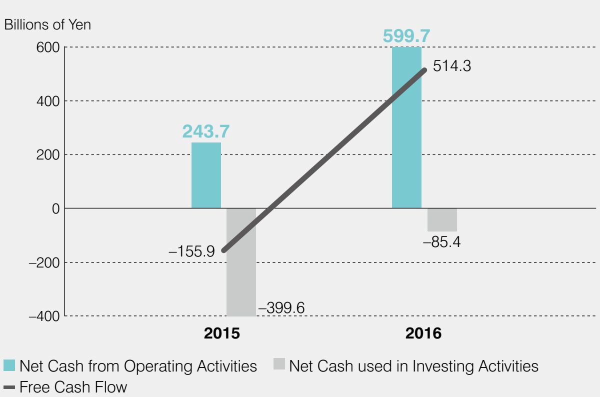
Payments Due by Period

	Billions of Yen Bonds and borrowings	Billions of Yen Non-cancelable operating leases
Less than 1 year	¥ 737.5	¥ 45.2
1–2 years	481.8	39.2
2–3 years	390.1	36.0
3–4 years	493.0	33.2
4–5 years	252.5	29.5
More than 5 years	1,296.0	197.8
Total	¥3,650.9	¥380.9

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



Cash Flows



As of March 31, 2016, we had financing commitments in connection with loans and investments in equity capital, and also we had contracts for the use of equipment, that was an aggregate amount of ¥1,005.7 billion.

As of March 31, 2016, 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 ¥120.4 billion in property, plant and equipment and made ¥131.3 billion of other investments in the fiscal year ended March 31, 2016. 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, 2016, we were contingently liable for guarantees (continuing through 2041) in the aggregate amount of ¥163.3 billion, including ¥103.4 billion relating to our associated companies and ¥59.9 billion to third parties. The guarantees were primarily to enhance the credit standings of our associated companies, suppliers and buyers.

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 amounts of tax payment order, etc. (approximately $185 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.

On March 21, 2016, the Supreme Court of Bolivia elected the judge in charge of this appeal. MSC has not received the ruling as of June 17, 2016, the date the consolidated financial statements were approved.

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, 2016, 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	To be determined	To be determined	Accounting for the sale or contribution of assets between an investor and its associate or joint venture
		January 1, 2016	March 31, 2017	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, 2018	March 31, 2019	Establishment of accounting for revenue recognition that applies to contracts with customers
IFRS 16	Leases	January 1, 2019	March 31, 2020	Amendments to lease accounting
IAS 1	Presentation of Financial Statements	January 1, 2016	March 31, 2017	Clarification of requirements for presentation and disclosure in financial reports
IAS 7	Statement of Cash Flows	January 1, 2017	March 31, 2018	Disclosure requirements of changes in liabilities relating to financing activities
IAS 12	Income Taxes	January 1, 2017	March 31, 2018	Clarification of the accounting treatments for deferred tax assets relating to debt instruments measured at fair value
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 28	Investments in Associates and Joint Ventures	To be determined	To be determined	Accounting for the sale or contribution of assets between an investor and its associate or joint venture
		January 1, 2016	March 31, 2017	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, 2016, we had fair value exposure on our marketable equity securities in the aggregate amount of ¥297.5 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.”

Consolidated Statement of Financial Position

Sumitomo Corporation and Subsidiaries
As of March 31, 2016 and 2015

	Millions of Yen		Millions of U.S. Dollars
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash and cash equivalents	**¥ 868,755**	¥ 895,875	**$ 7,757**
Time deposits	**11,930**	7,866	**107**
Marketable securities (Note 6)	**4,748**	9,622	**42**
Trade and other receivables (Note 7)	**1,204,650**	1,569,214	**10,756**
Other financial assets	**132,886**	101,706	**1,186**
Inventories (Note 9)	**807,371**	994,404	**7,209**
Advance payments to suppliers	**164,669**	140,935	**1,470**
Other current assets (Note 15)	**192,063**	229,062	**1,715**
Total current assets	**3,387,072**	3,948,684	**30,242**
Non-current assets:			
Investments accounted for using the equity method (Note 10)	**1,891,768**	1,947,115	**16,891**
Other investments (Note 6)	**410,730**	495,451	**3,667**
Trade and other receivables (Note 7)	**538,855**	780,781	**4,811**
Other financial assets	**120,737**	174,403	**1,078**
Property, plant and equipment (Note 11)	**785,009**	884,766	**7,009**
Intangible assets (Note 12)	**310,789**	365,438	**2,775**
Investment property (Note 13)	**266,623**	269,460	**2,381**
Biological assets (Note 14)	**11,911**	12,851	**106**
Prepaid expenses	**22,881**	58,497	**204**
Deferred tax assets (Note 15)	**71,443**	83,924	**638**
Total non-current assets	**4,430,746**	5,072,686	**39,560**
Total assets (Note 4)	**¥7,817,818**	¥9,021,370	**$69,802**

LIABILITIES AND EQUITY	Millions of Yen 2016	Millions of Yen 2015	Millions of U.S. Dollars 2016
Current liabilities:			
Bonds and borrowings (Note 16)	**¥ 737,457**	¥ 947,997	**$ 6,584**
Trade and other payables (Note 17)	**933,147**	1,051,081	**8,332**
Other financial liabilities	**66,195**	77,005	**591**
Income tax payables	**21,916**	19,396	**196**
Accrued expenses	**103,967**	127,982	**928**
Advances from customers	**186,383**	169,664	**1,664**
Provisions (Note 18)	**10,940**	4,306	**98**
Other current liabilities	**60,114**	82,189	**537**
Total current liabilities	**2,120,119**	2,479,620	**18,930**
Non-current liabilities:			
Bonds and borrowings (Note 16)	**2,913,486**	3,473,280	**26,013**
Trade and other payables (Note 17)	**134,240**	131,661	**1,198**
Other financial liabilities	**64,384**	69,775	**575**
Accrued pension and retirement benefits (Note 19)	**34,332**	32,529	**306**
Provisions (Note 18)	**38,059**	48,247	**340**
Deferred tax liabilities (Note 15)	**121,253**	169,008	**1,083**
Total non-current liabilities	**3,305,754**	3,924,500	**29,515**
Total liabilities	**5,425,873**	6,404,120	**48,445**
Equity:			
Common stock (Note 20)	**219,279**	219,279	**1,958**
Additional paid-in capital (Note 21)	**256,500**	260,009	**2,290**
Treasury stock	**(3,344)**	(3,721)	**(30)**
Other components of equity (Note 22)	**311,880**	531,343	**2,785**
Retained earnings (Note 21)	**1,467,194**	1,474,522	**13,100**
Equity attributable to owners of the parent	**2,251,509**	2,481,432	**20,103**
Non-controlling interests	**140,436**	135,818	**1,254**
Total equity	**2,391,945**	2,617,250	**21,357**
Total liabilities and equity	**¥7,817,818**	¥9,021,370	**$69,802**

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Revenues:			
Sales of tangible products	**¥ 3,439,634**	¥ 3,129,946	**$ 30,711**
Sales of services and others	**571,174**	632,290	**5,100**
Total revenues (Notes 4,13 and 28)	**4,010,808**	3,762,236	**35,811**
Cost:			
Cost of tangible products sold	**(2,905,949)**	(2,629,241)	**(25,946)**
Cost of services and others	**(210,802)**	(180,054)	**(1,882)**
Total cost (Notes 8,13,19 and 28)	**(3,116,751)**	(2,809,295)	**(27,828)**
Gross profit (Note 4)	**894,057**	952,941	**7,983**
Other income (expenses):			
Selling, general and administrative expenses (Note 27)	**(762,724)**	(755,190)	**(6,810)**
Impairment losses on long-lived assets (Notes 11,12 and 13)	**(57,228)**	(278,620)	**(511)**
Gain (loss) on sale of long-lived assets, net	**23,783**	9,450	**212**
Other, net	**15,834**	(12,955)	**141**
Total other income (expenses)	**(780,335)**	(1,037,315)	**(6,968)**
Operating profit (loss)	**113,722**	(84,374)	**1,015**
Finance income (costs):			
Interest income	**29,724**	20,718	**265**
Interest expense	**(32,351)**	(33,680)	**(289)**
Dividends	**10,623**	17,242	**95**
Gain (loss) on securities and other investments, net	**72,213**	12,441	**645**
Finance income (costs), net (Note 28)	**80,209**	16,721	**716**
Share of profit (loss) of investments accounted for using the equity method (Note 10)	**(53,815)**	49,092	**(480)**
Profit (loss) before tax	**140,116**	(18,561)	**1,251**
Income tax expense (Note 29)	**(51,549)**	(52,256)	**(460)**
Profit (loss) for the year	**88,567**	(70,817)	**791**
Profit (loss) for the year attributable to:			
Owners of the parent (Note 4)	**¥ 74,546**	¥ (73,170)	**$ 666**
Non-controlling interests	**14,021**	2,353	**125**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	**(37,004)**	64,845	**(331)**
Remeasurements of defined benefit pension plans	**(24,894)**	(587)	**(222)**
Share of other comprehensive income of investments accounted for using the equity method	**96**	2,162	**1**
Total items that will not be reclassified to profit or loss	**(61,802)**	66,420	**(552)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	**(170,348)**	163,746	**(1,521)**
Cash-flow hedges	**(7,647)**	3,171	**(68)**
Share of other comprehensive income of investments accounted for using the equity method	**(5,874)**	(7,815)	**(53)**
Total items that may be reclassified subsequently to profit or loss	**(183,869)**	159,102	**(1,642)**
Other comprehensive income, net of tax (Note 22)	**(245,671)**	225,522	**(2,194)**
Comprehensive income for the year	**(157,104)**	154,705	**(1,403)**
Comprehensive income for the year attributable to:			
Owners of the parent	**¥ (164,394)**	¥ 145,989	**$ (1,468)**
Non-controlling interests	**7,290**	8,716	**65**

	Yen		U.S. Dollars
Earnings per share (attributable to owners of the parent) (Note 30)**:**			
Basic	**¥ 59.73**	¥ (58.64)	**$ 0.53**
Diluted	**59.69**	(58.64)	**0.53**

	Millions of Yen		Millions of U.S. Dollars
Total trading transactions	**¥ 7,584,146**	¥ ,8,596,699	**$ 67,716**

* 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, 2016 and 2015

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Equity (Note 20)**:**			
Common stock:			
Balance, beginning of year	¥ 219,279	¥ 219,279	$ 1,958
Balance, end of year	219,279	219,279	1,958
Additional paid-in capital (Note 21)**:**			
Balance, beginning of year	260,009	268,332	2,322
Acquisition (disposal) of non-controlling interests, net	(294)	(3,459)	(3)
Others	(3,215)	(4,864)	(29)
Balance, end of year	256,500	260,009	2,290
Treasury stock:			
Balance, beginning of year	(3,721)	(3,952)	(33)
Acquisition (disposal) of treasury stock, net (Note 24)	377	231	3
Balance, end of year	(3,344)	(3,721)	(30)
Other components of equity (Note 22)**:**			
Balance, beginning of year	531,343	346,222	4,745
Other comprehensive income for the year	(238,940)	219,159	(2,134)
Transfer to retained earnings	19,477	(34,038)	174
Balance, end of year	311,880	531,343	2,785
Retained earnings (Note 21)**:**			
Balance, beginning of year	1,474,522	1,574,789	13,165
Transfer from other components of equity	(19,477)	34,038	(174)
Profit (loss) for the year attributable to owners of the parent	74,546	(73,170)	666
Cash dividends (Note 23)	(62,397)	(61,135)	(557)
Balance, end of year	1,467,194	1,474,522	13,100
Equity attributable to owners of the parent	¥2,251,509	¥2,481,432	$20,103
Non-controlling interests:			
Balance, beginning of year	135,818	135,514	1,213
Cash dividends to non-controlling interests	(4,762)	(3,872)	(43)
Acquisition (disposal) of non-controlling interests and others, net	2,090	(4,540)	19
Profit for the year attributable to non-controlling interests	14,021	2,353	125
Other comprehensive income for the year (Note 22)	(6,731)	6,363	(60)
Balance, end of year	140,436	135,818	1,254
Total equity	¥2,391,945	¥2,617,250	$21,357
Comprehensive income for the year attributable to:			
Owners of the parent	(164,394)	145,989	(1,468)
Non-controlling interests	7,290	8,716	65
Total comprehensive income for the year	¥ (157,104)	¥ 154,705	$ (1,403)

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Operating activities (Note 31):			
Profit (loss) for the year	**¥ 88,567**	¥ (70,817)	**$ 791**
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation and amortization	**125,076**	117,687	**1,117**
Impairment losses on long-lived assets	**57,228**	278,620	**511**
Finance (income) costs, net	**(80,209)**	(16,721)	**(716)**
Share of (profit) loss of investments accounted for using the equity method	**53,815**	(49,092)	**480**
(Gain) loss on sale of long-lived assets, net	**(23,783)**	(9,450)	**(212)**
Income tax expense	**51,549**	52,256	**460**
Decrease (increase) in inventories	**148,190**	(48,657)	**1,323**
Decrease in trade and other receivables	**174,890**	94,399	**1,562**
Decrease (increase) in prepaid expenses	**5,552**	(14,503)	**50**
Decrease in trade and other payables	**(43,778)**	(67,246)	**(391)**
Other, net	**(1,478)**	(54,542)	**(13)**
Interest received	**29,555**	20,022	**264**
Dividends received	**117,973**	85,938	**1,053**
Interest paid	**(32,121)**	(33,216)	**(287)**
Income tax paid	**(71,318)**	(40,983)	**(637)**
Net cash provided by operating activities	**599,708**	243,695	**5,355**
Investing activities (Note 31):			
Proceeds from sale of property, plant and equipment	**9,009**	14,569	**80**
Proceeds from sale of investment property	**45,889**	18,846	**409**
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	**48,139**	25,057	**430**
Proceeds from sale of other investments	**101,204**	170,061	**904**
Collection of loan receivables	**404,820**	486,090	**3,615**
Purchase of property, plant and equipment	**(120,442)**	(247,965)	**(1,075)**
Purchase of investment property	**(18,522)**	(27,384)	**(165)**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**10,218**	(6,790)	**91**
Acquisition of other investments	**(131,342)**	(266,580)	**(1,173)**
Increase in loan receivables	**(434,421)**	(565,490)	**(3,879)**
Net cash used in investing activities	**(85,448)**	(399,586)	**(763)**
Financing activities (Note 31):			
Net increase in short-term debt	**(212,719)**	(10,360)	**(1,899)**
Proceeds from issuance of long-term debt	**329,460**	654,063	**2,941**
Repayment of long-term debt	**(563,370)**	(649,697)	**(5,030)**
Cash dividends paid	**(62,397)**	(61,135)	**(557)**
Capital contribution from non-controlling interests	**8,175**	1,073	**73**
Payment for acquisition of subsidiary's interests from non-controlling interests	**(1,630)**	(4,963)	**(14)**
Payment of dividends to non-controlling interests	**(4,762)**	(3,872)	**(43)**
(Acquisition) disposal of treasury stock, net	**86**	115	**1**
Net cash used in financing activities	**(507,157)**	(74,776)	**(4,528)**
Net increase (decrease) in cash and cash equivalents	**7,103**	(230,667)	**64**
Cash and cash equivalents at the beginning of year	**895,875**	1,111,192	**7,999**
Effect of exchange rate changes on cash and cash equivalents	**(34,223)**	15,350	**(306)**
Cash and cash equivalents at the end of year	**¥ 868,755**	¥ 895,875	**$ 7,757**

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, 2016 and 2015

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, 2016 comprise the financial statements of the Company and its subsidiaries (together, the "Companies"), and the interests in associates and joint arrangements. 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 a principal and an agent in these trading transactions. The Companies also provide a range of services for a variety of industries, such as: financing for customers and suppliers; planning, coordination and operation of urban and industrial infrastructure projects; consulting in areas such as system integration and technology development; and transportation and logistics.

In addition, the Companies engage in other diverse business activities, including investing in a variety of industries ranging from photovoltaic power generation to communications; developing natural resources; manufacturing and processing products such as steel products and textiles; developing and managing real estate; and operating retail stores.

2 Basis of Preparation

(1) Statement of Compliance

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

(2) Basis of Measurement

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

- derivatives are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- financial instruments at fair value through other comprehensive income are measured at fair value;
- defined benefit liabilities (assets) are the present value of the defined benefit obligation less the fair value of plan assets;
- inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell; and
- biological assets are measured at fair value less costs to sell.

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency. All financial information presented in Japanese yen has been rounded to the nearest million. The translation of Japanese yen amounts into United States dollars for the year ended March 31, 2016 is included solely for the convenience of readers and has been made at the rate of ¥112 = U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2016. Such translation should not be construed as a representation that the Japanese yen amounts have been, or could in the future be converted into United States dollars at that or any rate.

(4) Use of Estimates and Judgments

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

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

- Note 7—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 11, 12 and 13—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, 2016. 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* ("IFRS 3") and International Financial Reporting Standard No. 10 *Consolidated Financial Statements* to all business combinations.

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

The Companies control an investee when the Companies are exposed, or have rights, to variable returns from their involvement with the investee and have the ability to affect those returns through their power over the investee. 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 and legal fees, 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*, respectively; and
- Non-current assets and operations classified as held for sale are measured in accordance with International Financial Reporting Standard No. 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

2. Subsidiaries

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

The consolidated financial statements include the financial statements of certain subsidiaries, of which the end of the reporting period is different from that of the Company because it is impracticable to unify the end of the reporting period of the subsidiaries with that of the Company. Due to the requirement of local laws and regulations, it is impracticable to unify the closing dates with that of the Company. It is also impracticable to prepare additional financial statements as of the same date as the financial statements of the Company due to the characteristics of the local business and the IT environment for the accounting system. The difference between the end of the reporting period of subsidiaries and that of the Company does not exceed three months.

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

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

3. 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.

4. Associates and joint arrangements

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.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Companies account for the assets, liabilities, revenues and expenses relating to their interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

Investments in associates and joint ventures ("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.

5. Transactions eliminated in consolidation

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

(2) Foreign Currencies

1. Foreign currency transactions

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

Exchange differences arising from retranslation are recognized in profit or loss. However, exchange differences arising from FVTOCI financial assets, hedges of a net investment in foreign operations (see 3. below) and cash-flow hedges are recognized in other comprehensive income. Non-monetary items measured at historical cost in foreign currencies are translated using the spot exchange rate at the date of the transaction.

2. Foreign operations

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

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

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

3. Hedges of a net investment in foreign operations

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

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

(3) Financial Instruments

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

1. Non-derivative financial assets

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

All other financial assets are recognized on the contract date when the Companies become a party to the contractual provisions of the instrument.

The following is a summary of the classification and measurement model of the non-derivative financial assets;

Financial assets measured at amortized cost

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

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

Financial assets measured at amortized cost are initially measured at fair value (plus directly attributable transaction costs). Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss when necessary.

Financial assets measured at FVTPL

Financial assets other than equity instruments that do not meet the above conditions in relation to amortized cost measurement are measured at FVTPL. Those financial assets include financial assets held for trading.

Equity investments are measured at fair value with gains or losses on re-measurement recognized in profit or loss unless the Companies make an irrevocable election to measure equity investments 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 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 rights 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 are 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 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, 2016 and 2015 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, 2016 and 2015 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.

(8) Leased Assets

Leases are classified as finance leases when lessor transfers substantially all the risks and rewards of ownership to the Companies. Leased assets are initially recognized at fair value or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the leased assets are accounted for in accordance with the accounting policies applicable to the assets.

All other leases are classified as operating leases, and are not reported in the Companies' Consolidated statement of financial position.

(9) Impairment

1. Non-derivative financial assets

Financial assets measured at amortized cost are assessed on a quarterly basis whether there is objective evidence that the asset may be impaired. Financial assets are considered to be impaired when there is objective evidence which indicates that loss events have occurred after the initial recognition of the assets, and when it is reasonably anticipated that the loss events have a negative impact on the estimated future cash flows of the assets.

Objective evidence of impairment for financial assets measured at amortized cost includes: a default or delinquency of the borrower, granting the borrower a concession that the Companies would not otherwise consider, indications for bankruptcy of the issuer or obligor and the disappearance of active markets.

The Companies assess whether evidence of impairment exists individually and collectively for financial assets measured at amortized cost. An individually significant financial asset is individually assessed for impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred, but not yet reported. Financial assets that are not individually significant are collectively assessed for impairment in a group of financial assets with similar risk characteristics.

In assessing collective impairment, the Companies evaluate historical trends of the probability of default, timing of recoveries and the amount of loss incurred. In addition, an adjustment is made to reflect management judgment on whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

The impairment loss for financial assets measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognized in profit or loss. Interest on the impaired assets continues to be recognized through unwinding of the discount. If there are events which decrease the amount of impairment after the recognition of the impairment, the reversal of the impairment loss is recognized in profit or loss.

2. Non-financial assets

At the end of each reporting period, the carrying amounts of non-financial assets, excluding inventories, biological assets and deferred tax assets, are assessed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial asset is estimated. Regarding goodwill and intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated at the same time every year.

The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. A CGU is the smallest group of assets which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

A CGU of goodwill is determined based on the unit by which the goodwill is monitored for internal management purposes, and does not exceed an operating segment before aggregation.

Because the corporate assets do not generate independent cash inflows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU to which the corporate assets belong.

If the carrying amount of an asset or a CGU exceeds the recoverable amount, an impairment loss is recognized in profit or loss. The impairment loss recognized related to a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill is not reversed in subsequent periods. Assets other than goodwill are reviewed at the end of each reporting period to determine whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized in prior years for an asset is reversed to profit or loss if an event occurs that changes the estimates used to determine the asset's recoverable amount. A reversal of impairment loss does not exceed the carrying amount, net of depreciation and amortization, that would have been determined if no impairment loss had been recognized for the asset for prior years.

Goodwill that forms part of the carrying amount of investments in equity-accounted investees is not separately recognized, and it is not tested for impairment separately. The entire carrying amount of the investments is tested for impairment as a single asset, whenever there is any objective evidence that the investments are impaired.

(10) Employee Benefits

1. Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans (see 2. below). 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 fair value of plan assets is 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 is recognized in profit or loss immediately.

The Companies recognize remeasurements of the net defined benefit liability (asset) 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 are 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, etc.

(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 rebates 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 Related Goods & Services 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, etc.

The Companies generate revenue from sales of tangible products under long-term construction contracts, etc., principally in connection with the construction of power plants in which the Companies provide engineering, procurement and construction service (Environment & Infrastructure business unit segment), and software development business in which the Companies customize the software to customer specifications (Media, Network, Lifestyle Related Goods & Services business unit segment).

Revenue from fixed price long-term construction contracts, etc., 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 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 is 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) services related to customized software development, (b) loans, finance leases and operating leases of commercial real estate, automobiles and vessels, and (c) other service arrangements to suppliers and customers such as arranging finance and coordinating logistics in connection with trading activities.

(a) Services related to customized software development

Revenue from services contracts related to customized software development to customer specifications 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 Related Goods & Services business unit segment).

(b) Loans, finance leases and operating leases of commercial real estate, automobiles and vessels

Revenue from loans is recognized using the effective interest method over the terms of the loans, which is the rate that exactly discounts the estimated future cash receipts through the expected residual period of the financial asset to that asset's net carrying amount.

Revenue from finance leases is calculated using the interest rate implicit in the lease, which is the discount rate that results in the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

Revenue from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Companies recognize revenue from operating leases in connection with vessels leased to shipping companies (Transportation & Construction Systems business unit segment) and rental of commercial real estate (Media, Network, Lifestyle Related Goods & Services 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 a 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 an agent in executing transactions with third parties. In these arrangements, the Companies determine whether to report revenue based on the "gross" amount billed to the ultimate customer for tangible products or services provided or on the "net" amount received from the customer after commissions and other payments to third parties. However, the amounts of "Gross profit" and "Profit for the year attributable to owners of the parent" are not affected by whether revenue is reported on a gross or net basis.

Determining whether revenue should be reported in gross or net is based on an assessment of whether the Companies are acting as a "principal" or an "agent" in a transaction. Accordingly, to the extent that the Companies are acting as a principal in a transaction, the Companies report revenue on a gross basis and to the extent that the Companies are acting as an agent in a transaction, the Companies report revenue on a net basis. The determination of whether the Companies are acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement with respect to exposure to the significant risks and rewards associated with the sale of tangible products or the rendering of services.

Factors that indicate that the Companies act as a principal, and thus recognize revenue on a gross basis include:

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

Factors that indicate that the Companies act as an agent, and thus recognize revenue on a net basis include:

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

(13) Total Trading Transactions

Total trading transactions is a voluntary disclosure and represents the gross transaction volume of trading transactions, or the nominal aggregate value of the transactions for which the Companies act as a principal or as an agent. Total trading transactions is not meant to represent sales or revenues in accordance with IFRSs. Total trading transactions should not be construed as equivalent to, or a substitute or proxy for, revenues, or as an indicator of the operating performance, liquidity or cash flows generated by operating, investing or financing activities. A substantial part of total trading transactions represents transactions in which the Companies participate without physical acquisition of goods or without significant inventory risk. The Companies have included the information concerning total trading transactions because it is used by similar Japanese trading companies as an industry benchmark, and the Companies believe it is a useful supplement to results of operations data as a measure of the Companies' performance compared to other similar Japanese trading companies.

(14) Lease Payments

Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives are deemed as inseparable part of the total lease payments and are recognized over the lease term.

Minimum lease payments made under finance leases are allocated to finance costs and the reduction of the outstanding liabilities. Finance costs are allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of liabilities.

Contingent fees are accounted for as adjustments to minimum lease payments over the remaining lease term, when an adjustment to the lease payments becomes certain.

The Companies assess whether an arrangement is, or contains, a lease at the inception of the arrangement. If fulfillment of the arrangement is dependent on the use of a specific asset, it contains a lease. Arrangements convey the right to use the assets when the arrangements convey to the Companies the right to control the use of the underlying assets. Payments and other consideration required by the arrangements are allocated at the inception of the arrangements or upon a reassessment of the arrangements into lease payments and payments of other elements on the basis of their relative fair values. If the Companies conclude that it is impracticable to separate the payments for finance leases reliably, assets and liabilities are recognized at the amount equal to the fair value of the underlying assets. Subsequently, the liabilities are reduced as payments are made and finance costs incurred on liabilities are recognized using the Companies' incremental borrowing rate.

(15) Finance Income and Costs

Finance income mainly comprises interest income, dividend income, gains on sale of securities, changes in fair value of financial assets measured at FVTPL, gains on hedging instruments recognized in profit or loss. Interest income is recognized when incurred using the effective interest method.

Dividend income is recognized on the date when the right to receive payment is established. Interest income from a financial asset (excluding financial assets measured at FVTPL) is accrued using the effective interest method.

Finance costs mainly comprise interest expense, losses on sale of securities, changes in fair value of financial assets measured at FVTPL, impairment loss on financial assets, losses on hedging instruments recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

(16) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of certain qualifying assets, which take a considerable period of time to get ready for their intended use or sale, are added to the costs of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss when incurred.

(17) Income Taxes

Income taxes comprise current taxes and deferred taxes. These are recognized in profit or loss, except for the taxes which arise from business combinations or are recognized either in other comprehensive income or directly in equity.

Current taxes are the expected taxes payables or receivables on the taxable profit, using the tax rates enacted or substantially enacted by the end of the reporting period, adjusted by taxes payables or receivables in prior years.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax basis. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not related to a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. Deferred tax liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements. 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, associates and joint arrangements are recognized only to the extent that it is probable that there will be sufficient taxable profit against which the benefit of temporary differences can be utilized and the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of reporting period. Deferred tax assets and deferred tax liabilities are offset when: there is a legally enforceable right to offset current tax assets against current tax liabilities; and income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(18) Earnings per Share (attributable to owners of the parent)

The Companies disclose basic and diluted earnings per share (attributable to owners of the parent) related to common stock. Basic earnings per share is calculated by dividing profit for the year (attributable to owners of the parent) by the weighted average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock acquired. For the purpose of calculating diluted earnings per share, profit for the year (attributable to owners of the parent) and the weighted average number of common stock outstanding, adjusted for the number of treasury stock, are adjusted for the effects of all dilutive potential common stock. Potential common stock of the Company is related to the stock option plan.

(19) Operating Segments

Operating segments are components of business activities from which the Companies may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available, and is regularly reviewed by management in order to determine the allocation of resources to the segment and assess its performance.

(20) New standards and interpretations not yet applied

The new standards, interpretations, and amendments that have been issued as of the date of the approval for the consolidated financial statements, which the Companies have not yet applied as of March 31, 2016, 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	To be determined	To be determined	Accounting for the sale or contribution of assets between an investor and its associate or joint venture
		January 1, 2016	March 31, 2017	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, 2018	March 31, 2019	Establishment of accounting for revenue recognition that applies to contracts with customers
IFRS 16	Leases	January 1, 2019	March 31, 2020	Amendments to lease accounting
IAS 1	Presentation of Financial Statements	January 1, 2016	March 31, 2017	Clarification of requirements for presentation and disclosure in financial reports
IAS 7	Statement of Cash Flows	January 1, 2017	March 31, 2018	Disclosure requirements of changes in liabilities relating to financing activities
IAS 12	Income Taxes	January 1, 2017	March 31, 2018	Clarification of the accounting treatments for deferred tax assets relating to debt instruments measured at fair value
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 28	Investments in Associates and Joint Ventures	To be determined	To be determined	Accounting for the sale or contribution of assets between an investor and its associate or joint venture
		January 1, 2016	March 31, 2017	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

4 Segment Information

(1) Operating Segment

The Companies conduct business through five industry-based business operating segments (business units) and overseas regional segment (Overseas Subsidiaries and Branches).

The Companies' industry-based business segments are:

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

"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 encompasses various metal products, including steel products such as steel sheets, tubular products, and non-ferrous metal products such as aluminum and titanium. This segment also has an extensive value chain that satisfies the diverse needs of customers in a broad range of fields. In the steel sheet-related field, this segment provides just-in-time delivery services for steel sheet products mainly to automotive and home appliance manufacturers via worldwide steel service center network, which provides functions including procurement, inventory management, and processing. In the tubular products field, this segment has functions as a total service provider by developing oil field services in addition to unique supply chain management (SCM) system for oil and gas companies. In the non-ferrous products & metals field, a priority of this segment is to expand production and sales locations for aluminum ingot and sheets. This segment consists of the Steel Sheet & Construction Steel Products Division, the Metal Products for Automotive & Railway Industry Division, the Light Metals & Specialty Steel Sheet Division, and the Tubular Products 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.

Environment & Infrastructure—The Environment & Infrastructure Business Unit segment engages in a wide range of large-scale overseas infrastructure development projects such as power generation and power plant Engineering, Procurement and Construction (EPC). This segment also engages in electricity retail in Japan, renewable energy businesses such as wind, solar photovoltaic and geothermal power generation, industrial infrastructure businesses such as industrial facilities and equipments, water businesses, environmental solutions, and storage battery businesses. This segment also engages in providing logistics services such as delivery, customs clearance and transportation services, arrangements for insurance, and development and operation of overseas industrial parks. This segment consists of the Environment & Infrastructure Project Business Division, the Global Power Infrastructure Business Division and the Logistics & Insurance Business Division.

Media, Network, Lifestyle Related Goods & Services—The Media, Network, Lifestyle Related Goods & Services Business Unit segment engages in cable TV operations, production and distribution of program, movie business, IT service business, cell-phone related business, telecommunications, venture investments, and retail businesses such as supermarkets, drugstores, various mail order businesses, internet related business and fashion business. This segment also engages in trading, marketing, manufacturing, selling, processing and distribution of food, foodstuffs, cement, timber, and building materials. This segment also engages in a variety of real estate activities relating to office buildings and commercial, residential properties and funding. This segment consists of the Media Division, the Network Division, the Lifestyle & Retail Business Division, the Food Business Division and the Materials, Supplies & Real Estate 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) and commodity derivative transactions. 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, fertilizers, 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.

Overseas Subsidiaries and Branches—The Overseas Subsidiaries and Branches segment consists of four broad regions, namely, “East Asia,” “Asia & Oceania,” “Europe, Middle East, Africa & CIS” and “The Americas.” 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 overseas regions 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.

Financial Section

Information by operating segments for the years ended March 31, 2016 and 2015 is summarized as follows:

2016	Millions of Yen			
Segment	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	**¥ 556,422**	**¥ 77,331**	**¥ 12,030**	**¥ 674,150**
Transportation & Construction Systems	**591,002**	**175,527**	**73,411**	**1,508,501**
Environment & Infrastructure	**201,691**	**56,790**	**25,629**	**560,195**
Media, Network, Lifestyle Related Goods & Services	**948,772**	**254,567**	**64,779**	**1,734,959**
Mineral Resources, Energy, Chemical & Electronics	**427,146**	**80,344**	**(151,612)**	**1,434,374**
Overseas Subsidiaries and Branches	**1,294,539**	**253,249**	**21,091**	**1,869,558**
Total	**4,019,572**	**897,808**	**45,328**	**7,781,737**
Corporate and Eliminations	**(8,764)**	**(3,751)**	**29,218**	**36,081**
Consolidated	**¥4,010,808**	**¥894,057**	**¥ 74,546**	**¥7,817,818**

2015	Millions of Yen			
Segment	Revenue	Gross profit	Profit (loss) for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 610,401	¥103,533	¥ 32,508	¥ 877,599
Transportation & Construction Systems	623,563	183,630	40,592	1,756,429
Environment & Infrastructure	180,350	64,471	22,948	597,197
Media, Network, Lifestyle Related Goods & Services	832,825	238,992	57,060	1,762,730
Mineral Resources, Energy, Chemical & Electronics	339,337	86,915	(191,023)	1,682,739
Overseas Subsidiaries and Branches	1,182,229	277,499	(22,658)	2,164,414
Total	3,768,705	955,040	(60,573)	8,841,108
Corporate and Eliminations	(6,469)	(2,099)	(12,597)	180,262
Consolidated	¥3,762,236	¥952,941	¥ (73,170)	¥9,021,370

2016	Millions of U.S. Dollars			
Segment	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	**$ 4,968**	**$ 691**	**$ 108**	**$ 6,019**
Transportation & Construction Systems	**5,277**	**1,567**	**656**	**13,469**
Environment & Infrastructure	**1,801**	**507**	**229**	**5,002**
Media, Network, Lifestyle Related Goods & Services	**8,471**	**2,273**	**578**	**15,491**
Mineral Resources, Energy, Chemical & Electronics	**3,814**	**717**	**(1,354)**	**12,807**
Overseas Subsidiaries and Branches	**11,558**	**2,261**	**188**	**16,692**
Total	**35,889**	**8,016**	**405**	**69,480**
Corporate and Eliminations	**(78)**	**(33)**	**261**	**322**
Consolidated	**$35,811**	**$7,983**	**$ 666**	**$69,802**

On April 1, 2015, the Tire Department was transferred from the Media, Network, Lifestyle Related Goods & Services Business Unit to the Transportation & Construction Systems Business Unit.

The segment information of the previous year has also been reclassified.

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

Profit for the year attributable to owners of the parent in Corporate and Eliminations includes certain profits and losses that are not allocated to operating segments and intersegment eliminations. Certain profits and losses in Corporate and Eliminations are reallocated once the Company determines their attributable operating segments.

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

In the fiscal year ended March 31, 2016, impairment losses in the Edgen Group were recognized in the Metal Products Business Unit. The post-tax impact to the profit for the year attributable to owners of the parent was a loss of ¥5,252 million ($47 million).

In the fiscal year ended March 31, 2015, impairment losses in the Tire business in the U.S. were recognized in the Transportation & Construction Systems Business Unit. The post-tax impact to the profit (loss) for the previous fiscal year attributable to owners of the parent was a loss of ¥7,508 million.

In the fiscal year ended March 31, 2016, impairment losses in the Grain business in Australia were recognized in the Media, Network, Lifestyle Related Goods & Services segment. The post-tax impact to the profit for the year attributable to owners of the parent was a loss of ¥9,840 million ($88 million).

In the fiscal year ended March 31, 2016, impairment losses in the Nickel mining and refining business in Madagascar, the Iron ore mining project in South Africa, the Iron ore mining project in Brazil, the Copper and molybdenum mining business in Chile, and the Coal-mining projects in Australia were recognized in the Mineral Resources, Energy, Chemical & Electronics segment. In this fiscal year, the post-tax impacts to the profit for the year attributable to owners of the parent were ¥156,764 billion ($1,400 million) in total due to impairment losses posted in several businesses, including the Nickel mining and refining business in Madagascar, the Iron ore mining project in South Africa, the Iron ore mining project in Brazil, the Copper and molybdenum mining business in Chile, and Coal-mining projects in Australia. In the previous fiscal year, impairment losses were recognized in the Tight oil development project in the U.S. and the Iron ore mining project in Brazil, and impairment losses and provisions for costs relating to placing the mine in care and maintenance were also recognized in the Coal-mining projects in Australia. The post-tax impacts to the profit (loss) for the previous fiscal year attributable to owners of the parent were ¥206,774 million in total due to the impairment losses in the Tight oil development project in the U.S. and the Iron ore mining project in Brazil, and ¥20,981 million in total due to the impairment loss and provisions for costs relating to placing the mine in care and maintenance recognized in the Coal-mining projects in Australia.

In the fiscal year ended March 31, 2016, impairment losses in the Edgen Group, the Grain business in Australia, and the Iron ore mining project in South Africa were recognized in the Overseas Subsidiaries and Branches segment. The post-tax impact to the Profit for the year attributable to owners of the parent was ¥23,550 million ($210 million) in total due to impairment losses recognized in the Edgen Group, the Grain business in Australia, and the Iron ore mining project in South Africa. In the previous fiscal year, impairment losses were recognized in the Tight oil development project in the U.S. and the Tire business in the U.S., and impairment losses and provisions for costs relating to placing the mine in care and maintenance were recognized in the Coal-mining projects in Australia. The post-tax impacts to the profit (loss) for the previous fiscal year attributable to owners of the parent were ¥71,570 million in total due to the impairment losses recognized in the Tight oil development project in the U.S. and the Tire business in the U.S., and ¥3,451 million in total due to the impairment loss and provisions for costs relating to placing the mine in care and maintenance recognized in the Coal-mining projects in Australia.

(2) Geographic Information

The Companies' revenue by geographical areas for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Japan	**¥1,596,720**	¥1,442,420	**$14,256**
Asia	**570,274**	400,268	**5,092**
North America:			
U.S.	**1,024,039**	1,157,959	**9,143**
Others	**176,938**	150,147	**1,580**
Europe	**427,726**	344,075	**3,819**
Others	**215,111**	267,367	**1,921**
Total	**¥4,010,808**	¥3,762,236	**$35,811**

The carrying amount of non-current assets, excluding Financial assets and Deferred tax assets, by geographical areas as of March 31, 2016 and 2015 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Japan	**¥ 546,588**	¥ 579,310	**$ 4,880**
Asia	**53,921**	65,251	**482**
North America:			
U.S.	**432,450**	513,056	**3,861**
Others	**15,500**	22,475	**138**
Europe	**192,457**	188,564	**1,718**
Others	**156,297**	222,356	**1,396**
Total	**¥1,397,213**	¥1,591,012	**$12,475**

Breakdown by products and services are not available.

5 Acquisition of Subsidiaries

For the year ended March 31, 2016

Business combinations during the year ended March 31, 2016 mainly consist of multifaceted distribution of products and services offered to farmers in the Brazilian agribusiness. The aggregated acquisition-date fair value of the consideration transferred which consists of cash, the previously held equity interest, assets acquired and liabilities assumed, and non-controlling interests are as follows. The consideration transferred was paid fully in cash.

	Millions of Yen	Millions of U.S. Dollars
Fair value of the consideration transferred	**¥ 6,334**	**$ 57**
Fair value of the previously held equity interest	**11,091**	**99**
Total	**17,425**	**156**
Total assets	**54,498**	**487**
Total liabilities	**(39,950)**	**(357)**
Net assets	**14,548**	**130**
Non-controlling interests	**(1,387)**	**(12)**
Goodwill	**4,264**	**38**
Total	**¥ 17,425**	**$ 156**

Goodwill consists primarily of future economic benefits and synergies with existing operations.

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

For the year ended March 31, 2015

Business combinations during the year ended March 31, 2015 mainly consist of online retailer of baby related items and Malaysian fertilizer manufacturer/distributor. The aggregated acquisition-date fair value of the consideration transferred which consists of cash, the previously held equity interest, assets acquired and liabilities assumed, and non-controlling interests are as follows. The consideration transferred was paid fully in cash.

	Millions of Yen
Fair value of the consideration transferred	¥7,593
Fair value of the previously held equity interest	786
Total	8,379
Total assets	13,376
Total liabilities	(7,654)
Net assets	5,722
Non-controlling interests	(1,315)
Goodwill	3,972
Total	¥8,379

Goodwill consists primarily of future economic benefits and synergies with existing operations.

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

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
	2016	2015	2016
Marketable securities:			
FVTPL	¥ 4,048	¥ 8,822	$ 36
Amortized cost	700	800	6
Total	4,748	9,622	42
Other investments:			
FVTPL	25,335	35,683	226
FVTOCI	380,050	451,943	3,393
Amortized cost	5,345	7,825	48
Total	¥410,730	¥495,451	$3,667

The fair values of "Marketable securities" and "Other investments" measured at amortized cost as of March 31, 2016 and 2015 are ¥6,045 million ($54 million) and ¥8,625 million, respectively.

The Companies classify investments as financial assets measured at FVTOCI when those investments are held for the objective, such as expansion of the medium and long-term revenue 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, 2016 and 2015 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2016		2015		2016	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	¥297,546	¥6,405	¥367,078	¥ 5,823	$2,657	$57
Unlisted	82,504	2,087	84,865	5,544	736	19
Total	¥380,050	¥8,492	¥451,943	¥11,367	$3,393	$76

The fair values of "Other investments" measured at FVTOCI as of March 31, 2016 mainly consist of the following:

	Millions of Yen	Millions of U.S. Dollars
	2016	2016
NIPPON STEEL & SUMITOMO METAL CORPORATION	¥39,498	$353
YAMAZAKI BAKING CO., LTD.	22,181	198
TOYOTA MOTOR CORPORATION	19,948	178
Sumitomo Realty & Development Co., LTD.	17,020	152
Asahi Group Holdings, Ltd.	14,064	126
NISSHIN SEIFUN GROUP INC.	10,898	97
Mazda Motor Corporation	10,628	95
DAIKIN INDUSTRIES, LTD.	9,576	86
MS&AD Insurance Group Holdings, Inc.	9,408	84
Sumitomo Rubber Industries, Ltd.	8,355	75
Sumitomo Metal Mining Co., Ltd.	7,823	70
SKY Perfect JSAT Holdings Inc.	7,290	65
Sumitomo Electric Industries, Ltd.	6,856	61
YAMATO KOGYO CO., LTD.	6,012	54
Daikyo Nishikawa Corporation	5,771	52
Sumitomo Forestry Co., Ltd	5,667	51
KATO SANGYO CO., LTD.	5,374	48
The Dai-ichi Life Insurance Company, Limited	5,006	45
SAWAI PHARMACEUTICAL CO., LTD.	4,464	40
ISUZU MOTORS LIMITED	3,968	35
HONDA MOTOR CO., LTD.	3,703	33
SUMITOMO HEAVY INDUSTRIES, LTD.	3,469	31
Sumitomo Osaka Cement Co., Ltd.	3,176	28

The fair values of “Other investments” measured at FVTOCI as of March 31, 2015 mainly consist of the following:

	Millions of Yen
	2015
NIPPON STEEL & SUMITOMO METAL CORPORATION	¥55,264
TOYOTA MOTOR CORPORATION	28,096
Sumitomo Realty & Development Co., LTD.	22,345
YAMAZAKI BAKING CO., LTD.	20,272
SKY Perfect JSAT Holdings Inc.	16,605
Asahi Group Holdings, Ltd.	15,293
Mazda Motor Corporation	14,843
MS&AD Insurance Group Holdings, Inc.	14,137
Sumitomo Metal Mining Co., Ltd.	12,310
Sumitomo Rubber Industries, Ltd.	10,657
DAIKIN INDUSTRIES, LTD.	9,160
NISSHIN SEIFUN GROUP INC.	8,614
KATO SANGYO CO., LTD.	8,152
Sumitomo Electric Industries, Ltd.	7,888
YAMATO KOGYO CO., LTD.	7,147
The Dai-ichi Life Insurance Company, Limited	6,413
SUMITOMO HEAVY INDUSTRIES, LTD.	5,872
Sumitomo Forestry Co., Ltd	5,755
ISUZU MOTORS LIMITED	5,455

“Other investments” measured at FVTOCI which were disposed of during the years ended March 31, 2016 and 2015 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2016			2015			2016		
Fair value at the date of sale	Cumulative gains	Dividends	Fair value at the date of sale	Cumulative gains	Dividends	Fair value at the date of sale	Cumulative gains	Dividends
¥21,761	**¥6,309**	**¥221**	¥103,572	¥52,109	¥3,849	**$194**	**$56**	**$2**

The Companies sold or exchanged the investments mainly as a result of reviewing business relationships or as a result of business combinations in the investees. In connection with the disposal, the Companies reclassified cumulative gains (net of tax) of ¥5,594 million ($50 million) and ¥35,082 million from Other components of equity to Retained earnings for the years ended March 31, 2016 and 2015, respectively.

For financial assets measured at FVTOCI of which the decline in fair value compared to its acquisition cost is significant and other than temporary, the Companies reclassified cumulative losses (net of tax) of ¥2,279 million ($20 million) and ¥929 million from Other components of equity to Retained earnings for the years ended March 31, 2016 and 2015, respectively.

7 Trade and Other Receivables

The components of Trade and other receivables as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Notes receivable	**¥ 62,302**	¥ 76,614	**$ 556**
Accounts receivable	**960,534**	1,182,043	**8,576**
Receivables due from equity-accounted investees	**200,593**	270,804	**1,791**
Loans receivable	**156,609**	429,755	**1,399**
Finance lease receivable	**302,892**	331,332	**2,704**
Other receivables	**86,414**	91,300	**772**
Less: Allowance for doubtful receivables	**(25,839)**	(31,853)	**(231)**
Trade and other receivables	**¥1,743,505**	¥2,349,995	**$15,567**

Financial assets measured at FVTPL of ¥29,383 million ($262 million) and ¥25,681 million were included in Accounts receivable as of March 31, 2016 and 2015, respectively.

The components of Trade and other receivables in the Consolidated statement of financial position as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Current assets	**¥1,204,650**	¥1,569,214	**$10,756**
Non-current assets	**538,855**	780,781	**4,811**
Total	**¥1,743,505**	¥2,349,995	**$15,567**

Trade and other receivables by operating segment as of March 31, 2016 and 2015 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Metal Products	**¥ 235,364**	¥ 342,130	**$ 2,102**
Transportation & Construction Systems	**276,230**	556,340	**2,466**
Environment & Infrastructure	**296,491**	314,140	**2,647**
Media, Network, Lifestyle Related Goods & Services	**226,080**	239,249	**2,019**
Mineral Resources, Energy, Chemical & Electronics	**484,092**	560,299	**4,322**
Others	**225,248**	337,837	**2,011**
Trade and other receivables	**¥1,743,505**	¥2,349,995	**$15,567**

Certain notes receivables derived mainly from 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 ¥10,538 million ($94 million) and ¥3,709 million as of March 31, 2016 and 2015, respectively, and these discounted notes are presented in "Trade and other receivables" in the Consolidated statement of financial position. The associated liabilities are presented in "Bonds and borrowings."

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

Movements in Allowance for doubtful receivables for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Balance, beginning of year	**¥ 31,853**	¥29,219	**$ 285**
Impairment losses	**10,396**	8,765	**93**
Charge-off	**(14,759)**	(7,900)	**(132)**
Exchange differences on translating foreign operations	**(1,651)**	1,769	**(15)**
Balance, end of year	**¥ 25,839**	¥31,853	**$ 231**

As of March 31, 2016 and 2015, the total gross amount of impaired trade and other receivables is ¥24,345 million ($217 million) and ¥27,377 million, respectively and the cumulative impairment losses recognized as of March 31, 2016 and 2015 are ¥16,129 million ($144 million) and ¥15,463 million, respectively.

The age of trade and other receivables that are past due but not impaired as of March 31, 2016 and 2015 is 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, 2016 and 2015.

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Past due within 90 days	**¥ 79,274**	¥131,329	**$ 708**
Past due over 90 days until 1 year	**20,669**	19,014	**185**
Past due over 1 year	**16,301**	8,637	**145**
Total	**¥116,244**	¥158,980	**$1,038**

8 Leases

(1) As lessor

The Companies lease office buildings, vessels, aircraft engines and certain other assets to third parties under cancelable or non-cancelable operating leases. Costs of the leased properties as of March 31, 2016 and 2015 are ¥370,757 million ($3,310 million) and ¥351,007 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2016 and 2015 are ¥77,235 million ($690 million) and ¥70,858 million, respectively. These assets are 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, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Due in 1 year or less	**¥23,529**	¥25,336	**$210**
Due after 1 year through 5 years	**52,044**	71,546	**465**
Due after 5 years	**37,172**	34,435	**332**

The Companies lease automobiles, vessels, power stations, service equipment and other assets under arrangements which are classified as finance leases under International Accounting Standard No.17 *Leases* ("IAS 17"). The most significant leased item is a coal-fired thermal power plant owned by the Companies in Indonesia and currently leased to the Indonesian state-owned electricity corporation.

Future receivable under finance leases as of March 31, 2016 and 2015 are as follows:

	Minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Due in 1 year or less	**¥ 82,867**	¥ 79,338	**$ 740**
Due after 1 year through 5 years	**204,996**	228,431	**1,830**
Due after 5 years	**115,855**	150,734	**1,034**
Unguaranteed residual value	**5,371**	5,692	**48**
Less: Future finance income	**(106,197)**	(132,863)	**(948)**
Net investment in the lease	**¥ 302,892**	¥ 331,332	**$2,704**

	Net investment in the lease		
	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Due in 1 year or less	**¥ 75,433**	¥ 72,117	**$ 674**
Due after 1 year through 5 years	**159,143**	176,429	**1,421**
Due after 5 years	**65,231**	79,496	**582**
Unguaranteed residual value	**3,085**	3,290	**28**

Contingent rental income recognized in profit or loss for the years ended March 31, 2016 and 2015 are ¥11,172 million ($100 million) and ¥4,641 million, respectively.

(2) As lessee

The Companies lease office buildings, vessels and certain other assets under cancelable or non-cancelable operating leases. Total rental expenses under such leases for the years ended March 31, 2016 and 2015 are ¥77,776 million ($694 million) and ¥76,579 million, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Due in 1 year or less	**¥ 45,224**	¥ 45,776	**$ 404**
Due after 1 year through 5 years	**137,902**	147,687	**1,231**
Due after 5 years	**197,759**	215,640	**1,766**

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, 2016 and 2015 are ¥93,014 million ($830 million) and ¥83,544 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2016 and 2015 are ¥33,072 million ($295 million) and ¥29,357 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, 2016 and 2015 are as follows:

	Minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Due in 1 year or less	**¥ 16,065**	¥ 15,402	**$ 143**
Due after 1 year through 5 years	**63,072**	53,334	**563**
Due after 5 years	**49,813**	88,323	**445**
Less: Future finance cost	**(38,576)**	(66,779)	**(344)**
Present value of minimum lease payments	**¥ 90,374**	¥ 90,280	**$ 807**

	Present value of minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Due in 1 year or less	**¥14,648**	¥14,355	**$131**
Due after 1 year through 5 years	**52,763**	42,334	**471**
Due after 5 years	**22,963**	33,591	**205**

The total amount of lease payments included in "Cost" for the years ended March 31, 2016 and 2015 are ¥12,334 million ($110 million) and ¥13,034 million, respectively.

9 Inventories

The components of Inventories as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Real estate held for development and resale	¥ 82,229	¥ 86,725	$ 734
Commodities	633,670	799,011	5,658
Materials/work in progress	91,472	108,668	817
Inventories	¥807,371	¥994,404	$7,209

The carrying amounts of Inventories measured at fair value less costs to sell as of March 31, 2016 and 2015 are ¥45,671 million ($408 million) and ¥76,302 million, respectively.

The write-down of Inventories recognized as expense for the years ended March 31, 2016 and 2015 are ¥12,085 million ($108 million) and ¥12,298 million, respectively.

10 Investments Accounted for Using the Equity Method

(1) Investments in Associates

Summarized financial information for the Companies' interest in associates, based on the amounts reported in the Companies' consolidated financial statements as of, and for the years ended, March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Total carrying amount	¥1,381,937	¥1,465,954	$12,339

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Profit for the year	¥65,299	¥88,500	$583
Other comprehensive income	(5,642)	3,565	(50)
Comprehensive income for the year	¥59,657	¥92,065	$533

In Iron ore mining project in South Africa, an impairment loss of ¥18,338 million ($164 million) is recognized based on revision of a medium and long-term iron ore price to approximately US $60/MT which is applied to the long-term business plan due to the decline in the current iron ore price for the year ended March 31, 2016. Impairment losses of ¥17,378 million ($155 million) and ¥960 million ($9 million) are recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively. The impairment loss is included in "Share of profit (loss) of investments accounted for using the equity method" in the Consolidated statements of comprehensive income.

The major associated company accounted for using the equity method included in the summarized financial information above is Sumitomo Mitsui Finance and Leasing Company, Limited (40% owned).

Sumitomo Mitsui Finance and Leasing Company, Limited

Sumitomo Mitsui Finance and Leasing Company, Limited's summarized financial information as of, and for the years ended, March 31, 2016 and 2015 are as follows:

Note that the following summarized financial information includes the amount of goodwill to Sumitomo Mitsui Finance and Leasing Company, Limited and other figures.

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Current assets	¥2,784,705	¥2,680,578	$24,863
Non-current assets	2,097,701	2,046,406	18,730
Total assets	¥4,882,406	¥4,726,984	$43,593
Current liabilities	¥2,078,582	¥2,013,391	$18,559
Non-current liabilities	1,954,788	1,883,933	17,453
Total liabilities	¥4,033,370	¥3,897,324	$36,012
Non-controlling interests	¥ 89,079	¥ 84,409	$ 796
Equity	759,958	745,251	6,785
Total equity	¥ 849,037	¥ 829,660	$ 7,581

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Revenues	**¥480,087**	¥495,482	**$4,286**
Profit for the year	**47,447**	45,031	**424**
Other comprehensive income	**(13,537)**	21,122	**(121)**
Comprehensive income for the year	**¥ 33,910**	¥ 66,153	**$ 303**

Sumitomo Mitsui Finance and Leasing Company, Limited engages in a variety of financial services including leasing. The dividends which the Company received from Sumitomo Mitsui Finance and Leasing Company, Limited for the years ended March 31, 2016 and 2015 are ¥8,029 million ($72 million) and ¥7,030 million, respectively.

(2) Investments in Joint Ventures

Summarized financial information for the Companies' interest in joint ventures, based on the amounts reported in the Companies' consolidated financial statements as of, and for the years ended, March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Total carrying amount	**¥509,831**	¥481,161	**$4,552**

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Profit (loss) for the year	**¥(119,114)**	¥(39,408)	**$(1,064)**
Other comprehensive income	**(136)**	(9,218)	**(1)**
Comprehensive income for the year	**¥(119,250)**	¥(48,626)	**$(1,065)**

In Nickel mining and refining businesses in Madagascar, as a result of revision to the medium and long-term price forecasts of US $8.5/lb due to the current decline in nickel prices, an impairment loss of ¥77,031 million ($688 million) is recognized in the Mineral Resources, Energy, Chemical & Electronics segment. In Iron ore mining project in Brazil, an impairment loss of ¥14,572 million ($130 million) is recognized based on revision of a medium and long-term iron ore price to approximately US $60/MT which is applied to the long-term business plan due to the decline in the current iron ore price. Impairment losses of ¥14,208 million ($127 million) and ¥364 million ($3 million) are recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively. In Copper and molybdenum mining business in Chile, an impairment loss of ¥14,039 million ($125 million) is recognized based on revision of a medium and long-term copper price to approximately US $3/lb which is applied to the long-term business plan due to the decline in the current copper price. Impairment losses of ¥14,031 million ($125 million) and ¥8 million ($0 million) are recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively.

The impairment loss is included in "Share of profit (loss) of investments accounted for using the equity method" in the Consolidated statements of comprehensive income.

In Iron ore mining project in Brazil, an impairment loss of ¥62,342 million was recognized mainly due to the decline in iron ore prices, and revision of the mine plan and future expansion plan of the project for the year ended March 31, 2015. Impairment losses of ¥60,805 million and ¥1,537 million were recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively.

(3) Summary of Transactions with Equity-accounted Investees

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, 2016 and 2015 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Management and secondment fees, received	**¥ 5,441**	¥4,419	**$ 49**
Interest income	**11,227**	7,553	**100**
Interest expense	**13**	119	**0**

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

11 Property, Plant and Equipment

Cost and accumulated depreciation and impairment losses of Property, plant and equipment as of March 31, 2016 and 2015 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, 2014	¥98,800	¥307,380	¥701,076	¥ 53,945	¥293,672	¥1,454,873
Acquisitions	2,272	7,982	83,291	78,011	94,320	265,876
Reclassification	(790)	9,934	43,773	(55,599)	—	(2,682)
Acquisitions through business combinations	278	1,218	3,590	—	—	5,086
Deconsolidation of subsidiaries	(3,018)	(9,914)	(14,855)	(3,497)	(19,440)	(50,724)
Disposals	(1,275)	(4,227)	(28,297)	(113)	(4,965)	(38,877)
Exchange differences on translating foreign operations	1,661	12,084	61,572	4,608	40,314	120,239
Others	1,555	2,524	7,726	28	972	12,805
Balance as of March 31, 2015	99,483	326,981	857,876	77,383	404,873	1,766,596
Acquisitions	**1,982**	**13,224**	**102,063**	**41,500**	**5,893**	**164,662**
Reclassification	**(7,180)**	**15,310**	**60,867**	**(83,008)**	**(5,211)**	**(19,222)**
Acquisitions through business combinations	**—**	**—**	**537**	**6**	**—**	**543**
Deconsolidation of subsidiaries	**(751)**	**(4,255)**	**(78,656)**	**(1,635)**	**(1)**	**(85,298)**
Disposals	**(1,479)**	**(4,810)**	**(39,401)**	**(570)**	**(35,860)**	**(82,120)**
Exchange differences on translating foreign operations	**(2,721)**	**(11,991)**	**(52,370)**	**(1,593)**	**(3,189)**	**(71,864)**
Others	**(116)**	**1,163**	**2,938**	**(1,138)**	**783**	**3,630**
Balance as of March 31, 2016	**¥89,218**	**¥335,622**	**¥853,854**	**¥ 30,945**	**¥367,288**	**¥1,676,927**

	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, 2015	$888	$2,919	$7,660	$ 691	$3,615	$15,773
Acquisitions	**18**	**118**	**911**	**371**	**53**	**1,471**
Reclassification	**(64)**	**137**	**543**	**(741)**	**(47)**	**(172)**
Acquisitions through business combinations	**—**	**—**	**5**	**0**	**—**	**5**
Deconsolidation of subsidiaries	**(7)**	**(38)**	**(702)**	**(15)**	**(0)**	**(762)**
Disposals	**(13)**	**(42)**	**(351)**	**(6)**	**(321)**	**(733)**
Exchange differences on translating foreign operations	**(24)**	**(107)**	**(468)**	**(14)**	**(28)**	**(641)**
Others	**(1)**	**10**	**26**	**(10)**	**7**	**32**
Balance as of March 31, 2016	**$797**	**$2,997**	**$7,624**	**$ 276**	**$3,279**	**$14,973**

[Accumulated depreciation and impairment losses]

	Millions of Yen				
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of April 1, 2014	¥(2,581)	¥(136,446)	¥(324,495)	¥ (70,194)	¥(533,716)
Deconsolidation of subsidiaries	147	6,877	9,069	8,775	24,868
Disposals	60	2,894	19,123	2,837	24,914
Depreciation expenses	—	(15,821)	(63,722)	(11,027)	(90,570)
Impairment losses	(22)	(1,183)	(8,581)	(239,391)	(249,177)
Exchange differences on translating foreign operations	3	(4,707)	(21,254)	(19,811)	(45,769)
Others	(57)	(920)	(11,273)	(130)	(12,380)
Balance as of March 31, 2015	(2,450)	(149,306)	(401,133)	(328,941)	(881,830)
Deconsolidation of subsidiaries	**—**	**1,139**	**13,095**	**—**	**14,234**
Disposals	**23**	**3,944**	**23,750**	**35,187**	**62,904**
Depreciation expenses	**—**	**(16,250)**	**(69,698)**	**(9,461)**	**(95,409)**
Impairment losses	**(265)**	**(1,217)**	**(9,090)**	**(13,496)**	**(24,068)**
Exchange differences on translating foreign operations	**13**	**4,279**	**22,873**	**2,311**	**29,476**
Others	**1,108**	**(511)**	**(755)**	**2,933**	**2,775**
Balance as of March 31, 2016	**¥(1,571)**	**¥(157,922)**	**¥(420,958)**	**¥(311,467)**	**¥(891,918)**

	Millions of U.S. Dollars				
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of March 31, 2015	$(22)	$(1,333)	$(3,582)	$(2,936)	$(7,873)
Deconsolidation of subsidiaries	**—**	**10**	**117**	**—**	**127**
Disposals	**0**	**36**	**212**	**314**	**562**
Depreciation expenses	**—**	**(145)**	**(622)**	**(85)**	**(852)**
Impairment losses	**(2)**	**(11)**	**(81)**	**(121)**	**(215)**
Exchange differences on translating foreign operations	**0**	**38**	**204**	**21**	**263**
Others	**10**	**(5)**	**(7)**	**26**	**24**
Balance as of March 31, 2016	**$(14)**	**$(1,410)**	**$(3,759)**	**$(2,781)**	**$(7,964)**

[Carrying amount]

	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2016 (Millions of Yen)	**¥87,647**	**¥177,700**	**¥432,896**	**¥30,945**	**¥55,821**	**¥785,009**
2015 (Millions of Yen)	¥97,033	¥177,675	¥456,743	¥77,383	¥75,932	¥884,766
2016 (Millions of U.S. Dollars)	**$783**	**$1,587**	**$3,865**	**$276**	**$498**	**$7,009**

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, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Metal Products	**¥ (70)**	¥ (9)	**$ (1)**
Transportation & Construction Systems	**(2,338)**	(37)	**(21)**
Environment & Infrastructure	**(18)**	—	**(0)**
Media, Network & Lifestyle Related Goods & Services	**(1,479)**	(1,202)	**(13)**
Mineral Resources, Energy, Chemical & Electronics	**(17,301)**	(176,743)	**(154)**
Overseas Subsidiaries and Branches	**(2,838)**	(71,185)	**(25)**
Corporate and Eliminations	**(24)**	(1)	**(1)**
Total	**¥(24,068)**	¥(249,177)	**$(215)**

Impairment losses during the year ended March 31, 2016 mainly consists of mining rights and machinery and equipment of Coal-mining project in Australia. Due to a decline in coal market price and revision to the long-term business plan, the asset's carrying amount fall below the present value of estimated future cash flows that is reflected in current market conditions. Those impairment losses are ¥12,079 million ($108 million) recognized in the Mineral Resources, Energy, Chemical & Electronics segment.

The significant impairment losses, which are mainly consisted of mining rights, for the year ended March 31, 2015 are as follows. The Company, through Summit Shale International (Head Office: Texas, USA, hereinafter "SSIC"), a wholly owned subsidiary of the Company, and Summit Discovery Resources III (Head Office: Texas, USA), a wholly owned oil and gas development subsidiary of SSIC, have participated in a Tight oil development project (hereinafter the "Project") jointly with Devon Energy (Head Office: Oklahoma, USA, hereinafter "Devon"), an independent Oil & Gas E&P company, in the Permian Basin, Texas since September, 2012 (The Company's interest in the Project: 30 percent). At the meeting of the Board of Directors held on September 29, 2014, the Company resolved to divest the lease properties, wells and related facilities in the northern part of the Project jointly with Devon. Analyzing the development results until now in the northern part of the Project, the Company determined that it is difficult to extract the oil and gas efficiently and it cannot expect as much production to recover the investment. As a result of revaluating the recoverability of the carrying amount of the Project's assets, the impairment loss of ¥173,638 million is recognized. In addition, the impairment loss of ¥25,586 million is recognized relating to the southern part of the Project, which the Company plans to continue holding, as a result of revaluation of the Project reflecting a subsequent decline in oil prices and revision of long term business plan. Consequently, the impairment loss of ¥199,224 million is recognized in total in this fiscal year. Impairment losses of ¥139,457 million and ¥59,767 million are recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively. In the shale gas project in the U.S., the impairment loss of ¥31,095 million is recognized due to the decline in oil and gas prices and revision of the long-term business plan. Impairment losses of ¥21,766 million and ¥9,329 million are recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively. In Coal-mining projects in Australia, the impairment loss of ¥17,594 million is recognized due to the decline in prices for coal, etc. Impairment losses of ¥15,511 million and ¥2,083 million are recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively.

The carrying amounts of assets held under finance leases (net of accumulated depreciation expenses and impairment losses) included in "Property, plant and equipment" as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Buildings including leasehold improvements	**¥14,015**	¥14,821	**$125**
Machinery and equipment	**¥45,407**	¥38,738	**$405**

Depreciation expenses for property, plant and equipment are included in "Cost" and "Selling, general and administrative expenses" in the Consolidated statement of comprehensive income.

12 Intangible Assets

(1) Goodwill

Cost and accumulated impairment losses of goodwill for the years ended March 31, 2016 and 2015 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Balance, beginning of year	**¥205,360**	¥189,266	**$1,834**
Acquisitions through business combinations	**3,399**	3,817	**30**
Deconsolidation of subsidiaries	**(1,787)**	(5,743)	**(16)**
Exchange differences on translating foreign operations	**(11,257)**	18,403	**(101)**
Others	**939**	(383)	**9**
Balance, end of year	**¥196,654**	¥205,360	**$1,756**

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Balance, beginning of year	**¥(48,767)**	¥(18,726)	**$(436)**
Impairment losses	**(30,399)**	(28,528)	**(271)**
Deconsolidation of subsidiaries	**862**	1,458	**8**
Exchange differences on translating foreign operations	**2,175**	(2,238)	**19**
Others	**202**	(733)	**2**
Balance, end of year	**¥(75,927)**	¥(48,767)	**$(678)**

The impairment losses recognized on goodwill for the years ended March 31, 2016 and 2015 are ¥30,399 million ($271 million) and ¥28,528 million, respectively, and are included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income.

The impairment losses on goodwill during the year ended March 31, 2016 consists of mainly operations relating to Edgen Group. The impairment loss of ¥19,884 million ($178 million) is recognized due to the decline in demand resulting from drop in the oil prices and revision of the long-term business plan. The impairment losses of ¥5,766 million ($52 million) and ¥14,118 million ($126 million) are recognized in the Metal Products segment and the Overseas Subsidiaries and Branches segment, respectively.

In the Grain business in Australia, the impairment loss of ¥9,824 million ($88 million) is recognized due to revision of the business plan, etc. The impairment losses of ¥8,723 million ($78 million) and ¥1,101 million ($10 million) are recognized in the Media, Network & Lifestyle Related Goods & Services segment and the Overseas Subsidiaries and Branches segment, etc., respectively.

The impairment losses on goodwill during the year ended March 31, 2015 consisted of mainly operation in the Tire business in the U.S. and in the Oil field interests in the North Sea.

In the Tire business in the U.S. (TBC Corporation), the impairment loss on goodwill of ¥21,868 million was recognized due to revision of the business plan, etc. The impairment losses of ¥8,747 million and ¥13,121 million were recognized in the Transportation & Construction Systems segment and the Overseas Subsidiaries and Branches segment, respectively.

In the Oil field interests in the North Sea, the impairment loss on goodwill of ¥3,585 million was recognized due to decline in the oil prices, revision of the long-term business plan, etc. The impairment losses of ¥3,047 million and ¥538 million were recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively.

[Carrying amount]

	Carrying amount
2016 (Millions of Yen)	**¥120,727**
2015 (Millions of Yen)	¥156,593
2016 (Millions of U.S. Dollars)	**$1,078**

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

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

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

The carrying amounts of goodwill by operating segments as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Metal Products	**¥ 14,701**	¥ 21,655	**$ 131**
Transportation & Construction Systems	**21,364**	22,667	**191**
Environment & Infrastructure	**—**	365	**—**
Media, Network & Lifestyle Related Goods & Services	**20,106**	27,237	**180**
Mineral Resources, Energy, Chemical & Electronics	**4,424**	3,766	**39**
Overseas Subsidiaries and Branches	**60,132**	80,903	**537**
Total	**¥120,727**	¥156,593	**$1,078**

The value in use is the present value calculated by discounting the estimated cash flows based on the business plans approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rate used is determined by considering the long term average growth rate of the market or the country which the CGU belongs to. The growth rate used does not exceed the long term average growth rate of the market or country (domestic: approximately 1% or less, overseas: approximately 5% or less). The discount rate used is calculated based on the weighted average capital cost or capital cost of each CGU (domestic: approximately 4 to 8%, overseas: approximately 6 to 21%).

Significant portions of goodwill included above as of March 31, 2016 are related to that of TBC Corporation (Transportation & Construction Systems segment and Overseas Subsidiaries and Branches) of ¥36,607 million ($327 million) and Edgen Group (Metal Products segment and Overseas Subsidiaries and Branches) of ¥16,662 million ($149 million), respectively, and as of March 31, 2015 were related to TBC Corporation of ¥38,979 million and Edgen Group of ¥38,800 million, respectively.

There is a possibility that the impairment loss may be recognized for TBC Corporation if the key assumptions of the business plan change depending on the progress of the ongoing business transformation.

(2) Other Intangible Assets

Cost and accumulated depreciation and impairment losses of other intangible assets as of March 31, 2016 and 2015 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2014	¥110,319	¥223,668	¥16,076	¥350,063
Acquisitions through business combinations	16	1,399	491	1,906
Separate acquisitions	9,331	1,431	980	11,742
Deconsolidation of subsidiaries	(2,257)	(912)	(202)	(3,371)
Disposals	(3,511)	(2,043)	(591)	(6,145)
Exchange differences on translating foreign operations	1,944	24,223	946	27,113
Others	1,134	676	1,674	3,484
Balance as of March 31, 2015	116,976	248,442	19,374	384,792
Acquisitions through business combinations	**183**	**13,201**	**471**	**13,855**
Separate acquisitions	**9,264**	**1,015**	**2,865**	**13,144**
Deconsolidation of subsidiaries	**(1,778)**	**(4,972)**	**(267)**	**(7,017)**
Disposals	**(3,114)**	**(225)**	**(1,423)**	**(4,762)**
Exchange differences on translating foreign operations	**(1,470)**	**(14,624)**	**(1,941)**	**(18,035)**
Others	**1,687**	**177**	**(598)**	**1,266**
Balance as of March 31, 2016	**¥121,748**	**¥243,014**	**¥18,481**	**¥383,243**

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2015	$1,045	$2,218	$173	$3,436
Acquisitions through business combinations	**2**	**118**	**4**	**124**
Separate acquisitions	**83**	**9**	**25**	**117**
Deconsolidation of subsidiaries	**(16)**	**(45)**	**(2)**	**(63)**
Disposals	**(28)**	**(1)**	**(13)**	**(42)**
Exchange differences on translating foreign operations	**(13)**	**(131)**	**(17)**	**(161)**
Others	**14**	**2**	**(5)**	**11**
Balance as of March 31, 2016	**$1,087**	**$2,170**	**$165**	**$3,422**

[Accumulated amortization and impairment]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2014	¥(88,885)	¥(58,442)	¥ (5,370)	¥(152,697)
Disposals	3,054	2,000	93	5,147
Amortization expenses	(9,051)	(12,427)	(1,631)	(23,109)
Impairment losses	(9)	(633)	(24)	(666)
Deconsolidation of subsidiaries	1,515	929	6	2,450
Exchange differences on translating foreign operations	(1,562)	(4,992)	(475)	(7,029)
Others	(18)	(1,134)	1,109	(43)
Balance as of March 31, 2015	(94,956)	(74,699)	(6,292)	(175,947)
Disposals	**2,801**	**215**	**173**	**3,189**
Amortization expenses	**(9,294)**	**(13,168)**	**(2,588)**	**(25,050)**
Impairment losses	**(400)**	**(156)**	**(1,998)**	**(2,554)**
Deconsolidation of subsidiaries	**1,543**	**419**	**66**	**2,028**
Exchange differences on translating foreign operations	**1,189**	**3,999**	**680**	**5,868**
Others	**(612)**	**(7)**	**(96)**	**(715)**
Balance as of March 31, 2016	**¥(99,729)**	**¥(83,397)**	**¥(10,055)**	**¥(193,181)**

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2015	$(848)	$(667)	$(56)	$(1,571)
Disposals	**25**	**2**	**1**	**28**
Amortization expenses	**(83)**	**(118)**	**(23)**	**(224)**
Impairment losses	**(4)**	**(1)**	**(18)**	**(23)**
Deconsolidation of subsidiaries	**14**	**4**	**1**	**19**
Exchange differences on translating foreign operations	**11**	**35**	**6**	**52**
Others	**(5)**	**(0)**	**(1)**	**(6)**
Balance as of March 31, 2016	**$(890)**	**$(745)**	**$(90)**	**$(1,725)**

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2016 (Millions of Yen)	**¥22,019**	**¥159,617**	**¥8,426**	**¥190,062**
2015 (Millions of Yen)	¥22,020	¥173,743	¥13,082	¥208,845
2016 (Millions of U.S. Dollars)	**$197**	**$1,425**	**$75**	**$1,697**

Significant portions of sales licenses, trademarks and customer relationships as of March 31, 2016 are related to TBC Corporation of ¥47,557 million ($425 million; average remaining amortization period of 16 years) and Edgen Group of ¥45,324 million ($405 million; average remaining amortization period of 16 years), respectively, and as of March 31, 2015 are related to TBC Corporation of ¥53,985 million and Edgen Group of ¥51,426 million, respectively.

The impairment loss recognized on intangible assets for the year ended March 31, 2016 is ¥2,554 million ($23 million), and is included in "Impairment losses on long-lived assets" in the Consolidated statement of comprehensive income. In the Grain business in Australia, the impairment loss of ¥2,280 million ($20 million) is recognized due to revision of the business plan, etc. The impairment losses of ¥1,596 million ($14 million) and ¥684 million ($6 million) are recognized in the Media, Network & Lifestyle Related Goods & Services segment and the Overseas Subsidiaries and Branches segment, respectively.

Intangible assets with finite useful lives are amortized over their useful lives.

Amortization expenses on intangible assets are 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, 2016 and 2015 included above are ¥6,034 million ($54 million) and ¥6,437 million, respectively, and consist mainly of trademarks. Those trademarks were acquired through business combinations which are expected to exist as long as business continues, therefore the management considers the useful lives for these as indefinite.

The carrying amount of Intangible assets leased under finance leases, net of accumulated amortization and impairment losses, as of March 31, 2016 and 2015 are ¥520 million ($5 million) and ¥628 million, respectively, and are included in Intangible assets, mainly software.

The internally generated intangible assets, net of accumulated amortization and impairment losses, as of March 31, 2016 and 2015 are ¥8,604 million ($77 million) and ¥6,875 million, respectively, and mainly are included in software.

13 Investment Property

Cost and accumulated depreciation and impairment losses of investment property as of March 31, 2016 and 2015 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Balance, beginning of year	**¥318,400**	¥304,528	**$2,843**
Acquisitions	**17,716**	29,474	**158**
Disposals	**(36,014)**	(18,150)	**(322)**
Exchange differences on translating foreign operations	**(1,510)**	3,722	**(13)**
Reclassification	**10,334**	(806)	**92**
Others	**124**	(368)	**1**
Balance, end of year	**¥309,050**	¥318,400	**$2,759**

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Balance, beginning of year	**¥(48,940)**	¥(47,926)	**$(437)**
Depreciation expenses	**(4,617)**	(4,008)	**(41)**
Impairment losses	**(207)**	(249)	**(2)**
Disposals	**12,501**	2,875	**112**
Exchange differences on translating foreign operations	**147**	(204)	**1**
Reclassification	**(1,158)**	318	**(10)**
Others	**(153)**	254	**(1)**
Balance, end of year	**¥(42,427)**	¥(48,940)	**$(378)**

Impairment losses recognized for the year ended March 31, 2016 and 2015 are ¥207 million ($2 million) and ¥249 million, respectively, and are included in “Impairment losses on long-lived assets” in the Consolidated statement of comprehensive income. Impairment losses for the years ended March 31, 2016 and 2015 are recognized mainly in respect to the office buildings leased in Japan and those impairment losses are recognized in Media, Network, Lifestyle Related Goods & Services segment.

[Carrying amount and fair value]

	Carrying amount	Fair value
2016 (Millions of Yen)	**¥266,623**	**¥298,342**
2015 (Millions of Yen)	¥269,460	¥320,624
2016 (Millions of U.S. Dollars)	**$2,381**	**$2,664**

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.

All of Investment property are classified in the level 3 under International Financial Reporting Standard No.13 *Fair Value Measurement*, and measured with unobservable inputs for the assets or liabilities.

Rental income from investment property for the years ended March 31, 2016 and 2015 are ¥26,050 million ($233 million) and ¥23,176 million, respectively, and are reported in “Revenue” in the Consolidated statement of comprehensive income. Expenses directly attributable to generating rental income (including repairs and maintenance) for the years ended March 31, 2016 and 2015 are ¥19,164 million ($171 million) and ¥15,436 million, respectively, and are included mainly in “Cost.”

14 Biological Assets

Biological assets as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Balance, beginning of year	**¥12,851**	¥12,993	**$115**
Increases due to purchases	**833**	725	**7**
Decreases due to harvest	**(1,035)**	(1,419)	**(9)**
The gain or loss arising from changes in fair value less costs to sell	**1,062**	407	**9**
Exchange differences on translating foreign operations	**(1,800)**	145	**(16)**
Balance, end of year	**¥11,911**	¥12,851	**$106**

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

All of Biological assets are classified in the level 3 under International Financial Reporting Standard No. 13 *Fair Value Measurement*, and measured with unobservable inputs for the assets or liabilities.

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, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Deferred tax assets:			
Net operating loss carry forwards	**¥ 55,731**	¥ 71,504	**$ 498**
Securities and other investments	**19,290**	12,470	**172**
Inventories and long-lived assets	**44,987**	67,002	**402**
Allowance for doubtful receivables	**8,624**	8,340	**77**
Retirement benefit plans	**15,540**	7,967	**139**
Others	**81,141**	89,955	**724**
Deferred tax assets total	**¥ 225,313**	¥ 257,238	**$ 2,012**
Deferred tax liabilities:			
Investments accounted for using the equity method	**¥ (60,292)**	¥ (68,507)	**$ (538)**
Securities and other investments	**(62,243)**	(85,761)	**(556)**
Long-lived assets	**(87,505)**	(114,063)	**(781)**
Others	**(65,083)**	(73,991)	**(581)**
Deferred tax liabilities total	**¥(275,123)**	¥(342,322)	**$(2,456)**

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Deferred tax assets	**¥ 71,443**	¥ 83,924	**$ 638**
Deferred tax liabilities	**(121,253)**	(169,008)	**(1,083)**

Changes in deferred tax assets and liabilities for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Net deferred tax assets (liabilities):			
Balance, beginning of year	**¥(85,084)**	¥(48,386)	**$(760)**
Amount recognized in other comprehensive income:			
Financial assets measured at FVTOCI	**23,511**	(24,668)	**210**
Remeasurements of defined benefit pension plans	**8,598**	(3,966)	**77**
Exchange differences on translating foreign operations	**(421)**	11,499	**(4)**
Cash-flow hedges	**3,349**	(1,709)	**30**
Share of other comprehensive income of investments accounted for using the equity method	**(647)**	(15)	**(6)**
Amount recognized in profit or loss	**(1,484)**	(21,005)	**(13)**
Effects of acquisitions and divestitures	**2,368**	3,166	**21**
Balance, end of year	**¥(49,810)**	¥(85,084)	**$(445)**

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, 2016 and 2015 is a decrease of ¥15,358 million ($137 million) and a decrease of ¥74,289 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 reduce 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 ¥523,739 million ($4,676 million) and ¥247,437 million ($2,209 million) as of March 31, 2016 and ¥320,484 million and ¥334,137 million as of March 31, 2015, respectively. The deductible temporary differences do not expire under current tax legislation.

The tax losses for which deferred tax assets are not recognized as of March 31, 2016 and 2015 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
1st year	**¥ 1,188**	¥ 193	**$ 10**
2nd year	**2,467**	75	**22**
3rd year	**107,836**	3,190	**963**
4th year	**36,203**	122,482	**323**
5th year and thereafter	**376,045**	194,544	**3,358**
Total	**¥523,739**	¥320,484	**$4,676**

As of March 31, 2016 and 2015, 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, 2016 and 2015 totaled to ¥1,072,513 million ($9,576 million) and ¥1,121,381 million, respectively.

Other current assets as of March 31, 2016 and 2015 included tax receivables of ¥31,531 million ($282 million) and ¥37,933 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, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Secured:			
Loans from banks and insurance companies, maturing serially through 2024, average interest rate 3.03%	**¥ 291,711**	¥ 461,057	**$ 2,605**
Bonds payable in U.S. dollars, maturing serially through 2020, fixed interest rate 8.75%	**—**	46,513	**—**
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2035, average interest rate 1.01%	**2,751,225**	3,026,249	**24,565**
Bonds payable in Japanese yen due, 2015, floating rate 0.70%	**—**	15,000	**—**
2016, fixed rates 1.70% to 2.12%	**25,205**	55,953	**225**
2017, fixed and floating rates 0.50% to 1.98%	**30,224**	30,382	**270**
2018, fixed and floating rates 0.34% to 1.89%	**30,403**	30,505	**271**
2019, fixed rates 0.76% to 2.21%	**36,589**	36,577	**327**
2020, fixed rates 0.33% to 1.46%	**31,023**	20,897	**277**
2022, fixed rates 0.88% to 1.71%	**90,577**	88,783	**809**
2023, fixed rate 0.86%	**31,064**	30,438	**277**
2024, fixed rates 0.77% to 0.83%	**35,742**	35,261	**319**
2029, fixed rates 1.24% to 1.29%	**28,036**	26,421	**250**
2030, fixed rate 2.26%	**12,376**	11,729	**110**
2031, fixed rate 2.19%	**12,237**	11,517	**109**
Medium-term notes, maturing serially through 2022, average interest rate 1.08%	**51,230**	54,641	**457**
Subtotal	**3,457,642**	3,981,923	**30,871**
Less: Current maturities	**(544,156)**	(508,643)	**(4,858)**
Bonds and borrowings (non-current)	**¥2,913,486**	¥3,473,280	**$26,013**

Details of the bonds and borrowings (current) as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Short-term loans, principally from banks	**¥152,378**	¥324,565	**$1,361**
Commercial paper	**40,923**	114,789	**365**
Total	**¥193,301**	¥439,354	**$1,726**

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

The weighted average interest rates for short-term loans for the years ended March 31, 2016 and 2015 are 1.31% and 1.57%, respectively.

The weighted average interest rates for commercial paper for the years ended March 31, 2016 and 2015 are 0.24% and 0.53%, respectively.

The Companies have lines of credit agreements available for immediate borrowing with syndicates of domestic and foreign banks, in the amount of $1,100 million with foreign banks and ¥445,000 million ($3,973 million) with domestic banks. All these lines of credit were unused as of March 31, 2016.

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

The banks may treat any collateral as collateral for all indebtedness to the banks. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Default provisions of certain agreements grant certain rights of possession to the banks. The borrower may be required to make early repayments of outstanding amounts under some agreements, principally with government-owned financial institutions, if the lender concludes that the borrower is able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and the lender makes such a prepayment request. Certain agreements provide that the banks may require the borrower to obtain bank approval prior to presenting proposals for the payment of dividends and other appropriations of earnings at the general meeting of shareholders. The Companies have not been asked to make any prepayments for the years ended March 31, 2016 and 2015, 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, 2016 and 2015.

(2) Assets Pledged as Security

Assets pledged to secure bonds and debt including borrowings as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Cash and deposits	**¥ 46,684**	¥ 73,050	**$ 417**
Marketable securities and investments	**143,797**	186,203	**1,284**
Trade and other receivables	**394,491**	555,366	**3,522**
Inventories	**25,455**	78,969	**227**
Property, plant and equipment (Carrying amount)	**72,409**	130,454	**646**
Investment property (Carrying amount)	**20,552**	4,138	**184**
Leasehold right (Carrying amount)	**—**	452	**—**
Total	**¥703,388**	¥1,028,632	**$6,280**

The corresponding liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Bonds, borrowings and others	**¥392,249**	¥627,582	**$3,502**

In addition to the above, marketable securities and investments of ¥9,459 million ($84 million) were pledged in lieu of a monetary deposit as of March 31, 2016.

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

17 Trade and Other Payables

The components of Trade and other payables as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Notes payable	¥ 30,162	¥ 35,392	$ 269
Accounts payable	745,366	857,030	6,655
Payables to equity-accounted investees	42,498	43,988	380
Finance lease obligations	82,333	82,924	735
Other payables	167,028	163,408	1,491
Trade and other payables	¥1,067,387	¥1,182,742	$9,530

The amount of Trade and other payables above includes financial liabilities measured at FVTPL of ¥79,080 million ($706 million) and ¥62,645 million as of March 31, 2016 and 2015, respectively.

Payables to equity-accounted investees above include finance lease obligations of ¥8,041 million ($72 million) and ¥7,356 million as of March 31, 2016 and 2015, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Current liabilities	¥ 933,147	¥1,051,081	$8,332
Non-current liabilities	134,240	131,661	1,198
Total	¥1,067,387	¥1,182,742	$9,530

18 Provisions

The changes in Provisions for the year ended March 31, 2016 are as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥27,484	¥1,732	¥23,337	¥52,553
Provisions made	1,660	19	9,033	10,712
Provisions used	(355)	(60)	(8,885)	(9,300)
Accretion expense	990	—	—	990
Others	(3,444)	(12)	(2,500)	(5,956)
Balance, end of year	¥26,335	¥1,679	¥20,985	¥48,999

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	¥ 415	¥ —	¥10,525	¥10,940
Non-current	25,920	1,679	10,460	38,059
Total	¥26,335	¥1,679	¥20,985	¥48,999

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	$245	$16	$208	$469
Provisions made	15	0	81	96
Provisions used	(2)	(1)	(80)	(83)
Accretion expense	9	—	—	9
Others	(31)	(0)	(22)	(53)
Balance, end of year	$236	$15	$187	$438

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	**$ 4**	**$—**	**$ 94**	**$ 98**
Non-current	**232**	**15**	**93**	**340**
Total	**$236**	**$15**	**$187**	**$438**

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.

The Company has a responsibility to manage pension assets faithfully and has an obligation to make employee benefit contribution comply with laws and regulations. Under the Defined Benefit Corporate Pension Act, the Company recalculates the amount of pension contribution every three years to ascertain the validity of the contribution and so forth.

The Company establishes the steering committee organized by related officers and employees as an advisory body to discuss important issues concerning the pension plan. The committee holds a meeting timely to report net gains from investment, status of the system and method of accounting or to argue system revisions and investment policy change.

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, a lump-sum retirement benefit based on compensation at the time of retirement, years of service and other factors. Certain subsidiaries have defined contribution retirement benefit plans.

Changes in the present value of the defined benefit obligations and changes in the fair value of the plan assets for the years ended March 31, 2016 and 2015 are as follows:

[Changes in the defined benefit obligations]

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Balance, beginning of year	**¥(335,183)**	¥(311,343)	**$(2,993)**
Service cost	**(11,053)**	(10,403)	**(99)**
Interest on obligation	**(4,874)**	(5,669)	**(43)**
Past service cost	**(18)**	(729)	**(0)**
Remeasurement	**(25,723)**	(19,110)	**(230)**
Exchange differences on translating foreign operations	**3,015**	(3,421)	**27**
Benefits paid	**12,218**	13,195	**109**
Acquisitions and disposals	**3,216**	2,297	**29**
Balance, end of year	**¥(358,402)**	¥(335,183)	**$(3,200)**

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Balance, beginning of year	**¥336,092**	¥305,503	**$3,001**
Interest on plan assets	**4,331**	5,226	**39**
Remeasurement	**(7,769)**	22,489	**(69)**
Exchange differences on translating foreign operations	**(761)**	1,393	**(7)**
Contributions by the employer	**6,013**	15,542	**54**
Benefits paid	**(10,668)**	(11,574)	**(96)**
Acquisitions and disposals	**(154)**	(2,487)	**(2)**
Balance, end of year	**¥327,084**	¥336,092	**$2,920**

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

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

The Companies' investment policy is designed to increase the value of plan assets within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. Taking into account the return and risk on plan assets thereon, the Companies formulate a strategic asset mix which aims at an optimal portfolio on a long-term basis and supervise asset management by selecting investment management companies 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 24% equity securities, 46% debt securities, and 30% others.

The Companies hold a meeting regularly with the asset management institutions and discuss important issues regarding pension assets investment, and request the institutions to inform violations of investment policy and important business and operating conditions of the institutions.

The major categories of plan assets as of March 31, 2016 are as follows:

	Millions of Yen		
Categories of plan assets	Prices are quoted in a market	Prices are not quoted in a market	Total
Cash and cash equivalents	**¥ 75,131**	**¥ —**	**¥ 75,131**
Equity securities:			
Domestic	**34,428**	**—**	**34,428**
Foreign	**60,529**	**—**	**60,529**
Debt securities:			
Domestic	**31,044**	**—**	**31,044**
Foreign	**65,782**	**—**	**65,782**
Hedge funds	**—**	**35,438**	**35,438**
Life insurance company general accounts	**—**	**18,921**	**18,921**
Private equity	**—**	**3,972**	**3,972**
Others	**—**	**1,839**	**1,839**
Total	**¥266,914**	**¥60,170**	**¥327,084**

The major categories of plan assets as of March 31, 2015 are as follows:

	Millions of Yen		
Categories of plan assets	Prices are quoted in a market	Prices are not quoted in a market	Total
Cash and cash equivalents	¥ 42,119	¥ —	¥ 42,119
Equity securities:			
Domestic	33,013	—	33,013
Foreign	60,905	—	60,905
Debt securities:			
Domestic	64,672	—	64,672
Foreign	70,608	—	70,608
Hedge funds	—	39,788	39,788
Life insurance company general accounts	—	18,100	18,100
Private equity	—	5,400	5,400
Others	—	1,487	1,487
Total	¥271,317	¥64,775	¥336,092

The major categories of plan assets as of March 31, 2016 are as follows:

	Millions of U.S. Dollars		
Categories of plan assets	Prices are quoted in a market	Prices are not quoted in a market	Total
Cash and cash equivalents	**$ 671**	**$ —**	**$ 671**
Equity securities:			
Domestic	**307**	**—**	**307**
Foreign	**541**	**—**	**541**
Debt securities:			
Domestic	**277**	**—**	**277**
Foreign	**587**	**—**	**587**
Hedge funds	**—**	**316**	**316**
Life insurance company general accounts	**—**	**169**	**169**
Private equity	**—**	**36**	**36**
Others	**—**	**16**	**16**
Total	**$2,383**	**$537**	**$2,920**

Principal assumptions used in the actuarial valuations for the years ended March 31, 2016 and 2015 are as follows:

	%	
	2016	2015
Discount rate as of March 31	**0.9**	1.4
The expected rate of salary increase	**2.7**	2.7

The changes in the key assumptions may affect the valuations of defined benefit obligations as of March 31, 2016 and 2015, a 0.5% increase in discount rate would lead to a decrease of ¥22,665 million ($202 million) and ¥19,674 million, respectively, a 0.5% decrease in discount rate would lead to an increase of ¥26,766 million ($239 million) and ¥23,744 million, respectively. This analysis shows the sensitivity to the key assumptions without taking into account projected all cash flow information.

The employer's contributions expected to be paid for the year ending March 31, 2017 are ¥10,198 million ($91 million).

The weighted-average duration of the defined benefit obligation for the year ending March 31, 2016 is 18 years.

The Companies' pension and retirement benefits expense at the defined contribution plans for the years ended March 31, 2016 and 2015 are ¥4,889 million ($44 million) and ¥4,902 million, respectively.

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 amount of contributions expected to be paid by the subsidiaries for the year ending March 31, 2017 are ¥544 million ($5 million).

(2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the years ended March 31, 2016 and 2015 are ¥143,606 million ($1,282 million) and ¥139,362 million, respectively.

20 Common Stock

The numbers of shares authorized and issued as of March 31, 2016 and 2015 are as follows:

	2016 (Number of shares)	2015 (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, 2016 and 2015 included in the number of shares issued shown above were 2,506,842 shares and 2,789,578 shares, respectively.

21 Reserves

(1) Additional Paid-in Capital

Under the Companies Act of Japan ("the Companies Act"), 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 Companies Act 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 Companies Act 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 Companies Act is based on the amount recorded in the Company's general accounting records maintained in accordance with accounting principles generally accepted in Japan.

The Companies Act limits the amount of retained earnings available for dividends. Retained earnings of ¥318,141 million ($2,841 million) and ¥355,782 million, shown by the Company's accounting records for the years ended March 31, 2016 and 2015, respectively, were not restricted by the limitations under the Companies Act.

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

The changes in Other components of equity for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Financial assets measured at FVTOCI			
Balance, beginning of year	**¥ 182,195**	¥151,206	**$ 1,627**
Adjustment for the year	**(36,300)**	65,142	**(324)**
Transfer to retained earnings	**(3,315)**	(34,153)	**(30)**
Balance, end of year	**¥ 142,580**	¥182,195	**$ 1,273**
Remeasurements of defined benefit pension plans			
Balance, beginning of year	**¥ —**	¥ —	**$ —**
Adjustment for the year	**(22,792)**	(115)	**(204)**
Transfer to retained earnings	**22,792**	115	**204**
Balance, end of year	**¥ —**	¥ —	**$ —**
Exchange differences on translating foreign operations			
Balance, beginning of year	**¥ 365,709**	¥206,931	**$ 3,265**
Adjustment for the year	**(166,314)**	158,778	**(1,485)**
Balance, end of year	**¥ 199,395**	¥365,709	**$ 1,780**
Cash-flow hedges			
Balance, beginning of year	**¥ (16,561)**	¥(11,915)	**$ (148)**
Adjustment for the year	**(13,534)**	(4,646)	**(121)**
Balance, end of year	**¥ (30,095)**	¥(16,561)	**$ (269)**
Other components of equity			
Balance, beginning of year	**¥ 531,343**	¥346,222	**$ 4,745**
Adjustment for the year	**(238,940)**	219,159	**(2,134)**
Transfer to retained earnings	**19,477**	(34,038)	**174**
Balance, end of year	**¥ 311,880**	¥531,343	**$ 2,785**

The following table provides each component of Other comprehensive income (loss) included in Non-controlling interests for the years ended March 31, 2016 and 2015.

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Financial assets measured at FVTOCI	**¥ (322)**	¥1,141	**$ (3)**
Remeasurements of defined benefit pension plans	**(2,388)**	252	**(21)**
Exchange differences on translating foreign operations	**(4,034)**	4,968	**(36)**
Cash-flow hedges	**13**	2	**0**
Other comprehensive income (loss)	**¥(6,731)**	¥6,363	**$(60)**

Financial Section

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, 2016 and 2015.

	Millions of Yen		
2016	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	**¥ (60,515)**	**¥23,511**	**¥ (37,004)**
Adjustment for the year	**(60,515)**	**23,511**	**(37,004)**
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	**(33,492)**	**8,598**	**(24,894)**
Adjustment for the year	**(33,492)**	**8,598**	**(24,894)**
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	**(164,441)**	**(492)**	**(164,933)**
Reclassification to profit or loss for the year	**(5,486)**	**71**	**(5,415)**
Adjustment for the year	**(169,927)**	**(421)**	**(170,348)**
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	**(9,801)**	**3,130**	**(6,671)**
Reclassification to profit or loss for the year	**(1,195)**	**219**	**(976)**
Adjustment for the year	**(10,996)**	**3,349**	**(7,647)**
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	**(9,264)**	**(647)**	**(9,911)**
Reclassification to profit or loss for the year	**4,133**	**—**	**4,133**
Adjustment for the year	**(5,131)**	**(647)**	**(5,778)**
Total other comprehensive income (loss)	**¥(280,061)**	**¥34,390**	**¥(245,671)**

	Millions of Yen		
2015	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	¥ 89,513	¥(24,668)	¥ 64,845
Adjustment for the year	89,513	(24,668)	64,845
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	3,379	(3,966)	(587)
Adjustment for the year	3,379	(3,966)	(587)
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	156,239	11,517	167,756
Reclassification to profit or loss for the year	(3,992)	(18)	(4,010)
Adjustment for the year	152,247	11,499	163,746
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(10,019)	2,174	(7,845)
Reclassification to profit or loss for the year	14,899	(3,883)	11,016
Adjustment for the year	4,880	(1,709)	3,171
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	(9,141)	(15)	(9,156)
Reclassification to profit or loss for the year	3,503	—	3,503
Adjustment for the year	(5,638)	(15)	(5,653)
Total other comprehensive income (loss)	¥244,381	¥(18,859)	¥225,522

2016	Millions of U.S. Dollars Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	**$ (541)**	**$210**	**$ (331)**
Adjustment for the year	**(541)**	**210**	**(331)**
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	**(299)**	**77**	**(222)**
Adjustment for the year	**(299)**	**77**	**(222)**
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	**(1,468)**	**(5)**	**(1,473)**
Reclassification to profit or loss for the year	**(49)**	**1**	**(48)**
Adjustment for the year	**(1,517)**	**(4)**	**(1,521)**
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	**(87)**	**28**	**(59)**
Reclassification to profit or loss for the year	**(11)**	**2**	**(9)**
Adjustment for the year	**(98)**	**30**	**(68)**
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	**(83)**	**(6)**	**(89)**
Reclassification to profit or loss for the year	**37**	**—**	**37**
Adjustment for the year	**(46)**	**(6)**	**(52)**
Total other comprehensive income (loss)	**$(2,501)**	**$307**	**$(2,194)**

23 Dividends

(1) Dividends paid during the years ended March 31, 2016 and 2015 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 20, 2014	Ordinary shares	¥29,943	¥24	March 31, 2014	June 23, 2014
Board of Directors' meeting held on September 29, 2014	Ordinary shares	¥31,192	¥25	September 30, 2014	December 1, 2014
Ordinary general meeting of shareholders held on June 23, 2015	Ordinary shares	¥31,195 ($279)	¥25 ($0.22)	March 31, 2015	June 24, 2015
Board of Directors' meeting held on October 30, 2015	Ordinary shares	¥31,201 ($279)	¥25 ($0.22)	September 30, 2015	December 1, 2015

(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 24, 2016	Ordinary shares	¥31,202 ($279)	Retained earnings	¥25 ($0.22)	March 31, 2016	June 27, 2016

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 entitles the recipient to acquire 100 shares of common stock at an exercise price equal to the greater of (i) 105% of the average closing market price of the Company's common stock on the Tokyo Stock Exchange for the calendar month before the grant date (excluding days when there are no transactions), or (ii) the closing market price of the Company's common stock on the Tokyo Stock Exchange on the grant date (or the closing market price on the day immediately preceding that date, if there are no transactions on that date).

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

On May 15, 2015, the Board of Directors authorized the issue of new stock options for up to 178,000 shares of common stock. The options for 178,000 shares were granted under these authorizations. On May 18, 2016, the Board of Directors authorized the issue of new stock options for up to 182,000 shares of common stock.

The Company's stock option activities for the years ended March 31, 2016 and 2015 are as follows:

	2016			2015	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen
Outstanding, beginning of year	**535,200**	**¥1,302**	**$12**	482,000	¥1,187
Granted	**178,000**	**1,532**	**14**	202,000	1,441
Exercised	**80,100**	**1,161**	**10**	112,800	1,090
Cancelled or expired	**137,100**	**1,326**	**12**	36,000	1,217
Outstanding, end of year	**496,000**	**1,400**	**13**	535,200	1,302
Options exercisable, end of year	**322,000**	**¥1,329**	**$12**	334,200	¥1,218

Stock options outstanding and exercisable as of March 31, 2016 are as follows:

	2016						
	Outstanding				Exercisable		
Exercise price range	Number of shares	Weighted average exercise price		Weighted average remaining life	Number of shares	Weighted average exercise price	
Yen		Yen	U.S. Dollars	in years		Yen	U.S. Dollars
¥1,001–1,200	**68,000**	**¥1,121**	**$10**	**0.97**	**68,000**	**¥1,121**	**$10**
1,201–1,400	**110,000**	**1,312**	**12**	**2.25**	**110,000**	**1,312**	**12**
1,401–1,600	**318,000**	**1,491**	**13**	**3.80**	**144,000**	**1,441**	**13**
	496,000	**¥1,400**	**$13**	**3.07**	**322,000**	**¥1,329**	**$12**

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

	2016	2015
Expected life (year)	**4.5**	4.5
Risk-free rate (%)	**0.07**	0.13
Expected volatility (%)	**23.58**	24.32
Expected dividend yield (%)	**3.72**	3.41

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 directors and executive officers of the Company. The options are exercisable for ten years from that date.

On May 15, 2015, the Board of Directors authorized the issue of new stock options under these stock-linked compensation plans for up to 220,000 shares of common stock. Options for 127,700 shares were granted under these authorizations. On May 18, 2016, the Board of Directors authorized the issue of new stock options for up to 250,000 shares of common stock based on the plans.

The Company's stock-linked compensation plans for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
	Number of shares	Number of shares
Outstanding, beginning of year	**972,200**	886,900
Granted	**127,700**	151,100
Exercised	**207,800**	65,800
Cancelled or expired	**—**	—
Outstanding, end of year	**892,100**	972,200
Options exercisable, end of year	**351,600**	252,700

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

	2016	2015
Expected life (year)	**2.56**	2.62
Risk-free rate (%)	**0.01**	0.08
Expected volatility (%)	**22.00**	22.05
Expected dividend yield (%)	**3.79**	3.88

Compensation expense incurred on the stock option plans and the stock-linked compensation plans for the years ended March 31, 2016 and 2015 are ¥190 million ($2 million) and ¥215 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 refer to the maximum loss exposure and are calculated by assigning assets including Trade and other receivables, Inventories, Fixed Assets and Investments risk weights, which the Companies have determined individually based on the potential risk of loss, and adding derivatives and the loss exposure related to Commitments and contingent liabilities. The maximum loss exposure is measured statistically under the variability of the market values of the assets for each related business and is 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 time of planning and reviewing the medium-term management plan.

As "Equity attributable to owners of the parent" is directly affected by the market conditions of foreign exchange rates and stock prices, the Companies hedge against the exchange rate risks of major investments denominated in foreign currencies and review 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 Companies are not subject to any externally imposed capital requirements (except for general requirements, such as those in the Companies Act).

(2) Financial Risk Management Policy

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

1. Foreign currency exchange rate risk management

The Companies operate internationally and are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Companies operate. The Companies' strategy to manage foreign currency risks is mainly to preserve the economic value of cash flows in non-functional currencies by using foreign exchange forward contracts, foreign currency swaps, after considering the net effect of offsetting foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments.

Foreign currency sensitivity analysis

The following table represents the Companies' sensitivity analysis for foreign currency risk exposures on U.S. Dollars. 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 U.S. Dollars for the risk exposures arising from foreign currency trade receivables and payables, future contracts for sale and purchase transactions, derivatives and others 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
	2016	2015	**2016**
Profit before tax	**¥(116)**	¥(173)	**$(1)**

2. Interest rate risk management

The Companies are exposed to market risks arising from changes in interest rates in their business activities. In particular, interest rate fluctuations affect borrowing costs because a major portion of the outstanding debt instruments is floating rate instruments and short-term borrowings are refinanced from time to time.

However, the impact on borrowing costs is partially offset by returns on certain assets which are also impacted by interest rate fluctuations. In addition, the Companies are engaged in financing activities, such as automobile financing, which could be affected by interest rate fluctuations. The Companies monitor the interest rate risk arising from the assets and liabilities and the Companies' risk management structure is prepared to utilize derivatives contracts such as the interest rate swaps to manage the fluctuation in profits or losses due to drastic fluctuations in interest rates.

Interest rate sensitivity analysis

The following table represents the hypothetical impact on the Companies' profit before tax that is attributable to financial instruments which are exposed to the risk of fluctuations in interest rates in the case where the interest rate increases by 1%. The analysis is calculated by multiplying the net amounts of floating rate interest bearing financial assets and liabilities as of March 31, 2016 and 2015 by 1%, without considering future changes in the balance, currency exchange fluctuations and dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate, and is based on the assumption that all other variable factors are held constant.

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

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Profit before tax	**¥(13,532)**	¥(15,609)	**$(121)**

3. Credit risk management

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

The Companies' receivables are from a large number of customers, spreading across diverse industries and geographical areas, therefore the Companies do not have significant concentrated credit risk exposure to any single counterparty or any group of counterparties.

The credit risk on deposits and derivatives is limited because the counterparties are internationally recognized financial institutions.

The total amounts of guarantees, and financing commitments, and the carrying amount of financial assets recorded in the Consolidated statement of financial position, net of impairment losses, represent the Companies' maximum exposure to credit risk without taking account of any collateral obtained.

4. Commodity price risk management

The Companies trade in commodities such as physical precious and base metals, energy products and agricultural products and engage in investments in metal mining, and oil and gas development. As a result of these activities, the Companies are exposed to risk of price fluctuations of commodities. The Companies intend to reduce the risk related to the fluctuation of commodity prices by hedge-selling commodities, matching the volume and timing of selling and purchasing of commodities, or by using derivatives. The Companies use derivatives for trading purposes within defined position limits and loss limits.

Commodity price risk sensitivity analysis

The Companies use the Value-at-Risk ("VaR") method to measure the market risk for certain market-sensitive commodity transactions, including transactions associated with precious and base metals, energy products, and agricultural products.

The following table sets forth the year-end, high, low, and average VaR figures (which are generally calculated using a three-day holding period and a confidence level of 99%) as of the end of each month for the years ended March 31, 2016 and 2015:

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

	Millions of Yen			
	2016			
	At year-end	High	Low	Average
VaR	**¥5,698**	**¥5,705**	**¥3,354**	**¥4,646**

	Millions of Yen			
	2015			
	At year-end	High	Low	Average
VaR	¥5,541	¥5,541	¥2,913	¥4,080

	Millions of U.S. Dollars			
	2016			
	At year-end	High	Low	Average
VaR	**$51**	**$51**	**$30**	**$41**

The Companies estimate VaR mainly using the historical simulation method. As VaR is measured by estimating statistically gains and losses on the current portfolio during the defined periods by applying the fluctuations in market rates and prices in the past, the actual results may differ significantly from the calculations above. In addition, the Companies periodically conduct back testing in which estimated quantitative risks are compared with actual gains or losses to verify the accuracy of the VaR measurement model. The actual value of gains or losses fell within our VaR threshold in the back testing during the twelve months ended December 31, 2015 which was the most recent period for which back testing was conducted. Based on the back testing, management believes the VaR model has provided reasonably accurate measurements.

5. Liquidity risk management

The Companies' basic policy for financing operation is to secure stable medium- to long-term funds and sufficient liquidity for the operations. Management has been monitoring liquidity risk by setting various worst case scenarios including financial market turmoil. The Companies secure necessary liquidity from the cash flows from operations, by borrowing from financial institutions with which the Companies have good relationships, bonds issued in the capital markets, and issuance of commercial paper.

The Companies deposit these funds with highly creditable financial institutions which are generally given high credit ratings by credit rating agencies.

The Companies have several unused long-term committed lines of credit with leading domestic and international financial institutions and several uncommitted lines of credit to reduce the liquidity risk.

Financial Section

The Companies' remaining contractual maturities for non-derivative financial liabilities (excluding lease obligations and some other liabilities) as of March 31, 2016 and 2015 are as follows:

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2016				
Bonds and borrowings	**¥737,457**	**¥1,617,479**	**¥1,296,007**	**¥3,650,943**
Trade and other payables	**903,874**	**37,422**	**34,824**	**976,120**
Financial guarantee contracts	**69,918**	**31,503**	**61,902**	**163,323**
2015				
Bonds and borrowings	¥ 947,997	¥2,015,989	¥1,457,291	¥4,421,277
Trade and other payables	1,017,605	42,318	31,097	1,091,020
Financial guarantee contracts	163,763	42,184	69,323	275,270

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2016				
Bonds and borrowings	**$6,584**	**$14,442**	**$11,571**	**$32,597**
Trade and other payables	**8,070**	**334**	**311**	**8,715**
Financial guarantee contracts	**624**	**281**	**553**	**1,458**

The Companies' liquidity analysis for derivatives as of March 31, 2016 and 2015 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 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2016					
Interest rate contracts	cash receipt	**¥ 12,512**	**¥ 34,705**	**¥25,039**	**¥ 72,255**
	/ (payment)	**(2,200)**	**(5,654)**	**(2,553)**	**(10,407)**
Foreign exchange contracts	cash receipt	**62,155**	**12,427**	**1,570**	**76,152**
	/ (payment)	**(11,836)**	**(5,258)**	**(615)**	**(17,709)**
Commodity contracts	cash receipt	**81,571**	**32,001**	**689**	**114,261**
	/ (payment)	**(71,344)**	**(30,850)**	**(651)**	**(102,845)**
2015					
Interest rate contracts	cash receipt	¥ 10,727	¥ 29,506	¥17,809	¥ 58,042
	/ (payment)	(2,040)	(3,262)	(3,349)	(8,651)
Foreign exchange contracts	cash receipt	18,987	78,658	3,373	101,018
	/ (payment)	(20,494)	(13,164)	—	(33,658)
Commodity contracts	cash receipt	93,128	36,070	2,496	131,694
	/ (payment)	(65,224)	(38,011)	(2,832)	(106,067)

		Millions of U.S. Dollars			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2016					
Interest rate contracts	cash receipt	**$ 112**	**$ 310**	**$223**	**$ 645**
	/ (payment)	**(20)**	**(50)**	**(23)**	**(93)**
Foreign exchange contracts	cash receipt	**555**	**111**	**14**	**680**
	/ (payment)	**(106)**	**(47)**	**(5)**	**(158)**
Commodity contracts	cash receipt	**728**	**286**	**6**	**1,020**
	/ (payment)	**(637)**	**(275)**	**(6)**	**(918)**

(3) Fair Value of Financial Instruments

1. Fair value measurements

The fair values of financial assets and liabilities are determined as follows:

Quoted market prices, if available, are used as fair values of financial instruments. If quoted market prices are not available, fair values of such financial instruments are measured by using appropriate measurement techniques such as discounted future cash flow method or others.

Cash and cash equivalents, time deposits and marketable securities

The carrying amounts of these instruments approximate their fair value due to their short-term maturities.

Other investments

The fair values of marketable securities are estimated using quoted market prices. Fair values of unlisted investments in common stock are determined by discounted future cash flow method, valuation models based on revenue, profitability and net assets of investees, market values of comparable companies, and other valuation approaches.

Trade and other receivables, trade and other payables

The fair values of current and non-current trade receivables and payables, except for loans with floating rates whose carrying amounts approximate fair value, are estimated using discounted future cash flow analysis, using interest rates currently being offered for loans or accounts receivables with similar terms to borrowers or customers of similar credit quality and remaining maturities.

Bonds and borrowings

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

Guarantee of third party debt

The fair values of financial guarantees are estimated based on the premiums received or receivable from guarantors in arm's length transactions with unrelated parties.

Interest rate swaps, currency swap agreements and currency option contracts

The fair values of interest rate swaps, currency swap agreements and currency option contracts are estimated by obtaining quotes from brokers and other appropriate valuation techniques based on information available to the Companies.

Foreign exchange forward contracts

The fair values of foreign exchange forward contracts are estimated based on quoted market prices for contracts with similar terms.

Interest rate future contracts and bond future contracts

The fair values of interest rate future contracts and bond future contracts are estimated by using quoted market prices.

Commodity forwards, futures and swap contracts

The fair values of commodity forwards, futures and swap contracts are mainly estimated using quoted market prices.

2. Financial instruments measured at amortized cost

The fair values of financial instruments measured at amortized cost as of March 31, 2016 and 2015 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	
	2016	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	**¥1,714,122**	**¥1,720,998**
Financial liabilities measured at amortized cost:		
Bonds and borrowings	**3,650,943**	**3,670,241**
Trade and other payables	**988,307**	**988,602**

	Millions of Yen	
	2015	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥2,324,314	¥2,331,356
Financial liabilities measured at amortized cost:		
Bonds and borrowings	4,421,277	4,438,184
Trade and other payables	1,120,097	1,120,080

	Millions of U.S. Dollars	
	2016	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	**$15,305**	**$15,366**
Financial liabilities measured at amortized cost:		
Bonds and borrowings	**32,597**	**32,770**
Trade and other payables	**8,824**	**8,827**

3. Financial instruments measured at fair value

International Financial Reporting Standard No. 13 *Fair Value Measurement* 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, 2016 and 2015 are as follows:

	Millions of Yen			
2016	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	**¥ 10,194**	**¥ 1**	**¥ 19,188**	**¥ 29,383**
Financial assets measured at FVTOCI	**297,546**	**—**	**82,504**	**380,050**
Trade and other receivables measured at FVTPL	**—**	**29,383**	**—**	**29,383**
Other financial assets (derivatives)				
Derivatives designated as hedges	**—**	**83,170**	**—**	**83,170**
Derivatives not designated as hedges	**28,102**	**151,016**	**434**	**179,552**
Total	**¥335,842**	**¥ 263,570**	**¥102,126**	**¥ 701,538**
Liabilities:				
Trade and other payables measured at FVTPL	**¥ —**	**¥ (79,080)**	**¥ —**	**¥ (79,080)**
Other financial liabilities (derivatives)				
Derivatives designated as hedges	**—**	**(17,933)**	**—**	**(17,933)**
Derivatives not designated as hedges	**(31,712)**	**(81,206)**	**(99)**	**(113,017)**
Total	**¥ (31,712)**	**¥(178,219)**	**¥ (99)**	**¥(210,030)**

2015	Millions of Yen Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 18,957	¥ 4	¥ 25,544	¥ 44,505
Financial assets measured at FVTOCI	367,078	—	84,865	451,943
Trade and other receivables measured at FVTPL	—	25,681	—	25,681
Other financial assets (derivatives)				
Derivatives designated as hedges	—	71,056	—	71,056
Derivatives not designated as hedges	7,287	211,492	—	218,779
Total	¥393,322	¥ 308,233	¥110,409	¥ 811,964
Liabilities:				
Trade and other payables measured at FVTPL	¥ —	¥ (62,645)	¥ —	¥ (62,645)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	—	(20,897)	—	(20,897)
Derivatives not designated as hedges	(9,194)	(115,758)	(2,366)	(127,318)
Total	¥ (9,194)	¥(199,300)	¥ (2,366)	¥(210,860)

2016	Millions of U.S. Dollars Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments				
Financial assets measured at FVTPL	**$ 91**	**$ 0**	**$171**	**$ 262**
Financial assets measured at FVTOCI	**2,657**	**—**	**736**	**3,393**
Trade and other receivables measured at FVTPL	**—**	**262**	**—**	**262**
Other financial assets (derivatives)				
Derivatives designated as hedges	**—**	**743**	**—**	**743**
Derivatives not designated as hedges	**251**	**1,348**	**5**	**1,604**
Total	**$2,999**	**$ 2,353**	**$912**	**$ 6,264**
Liabilities:				
Trade and other payables measured at FVTPL	**$ —**	**$ (706)**	**$ —**	**$ (706)**
Other financial liabilities (derivatives)				
Derivatives designated as hedges	**—**	**(160)**	**—**	**(160)**
Derivatives not designated as hedges	**(283)**	**(725)**	**(1)**	**(1,009)**
Total	**$ (283)**	**$(1,591)**	**$ (1)**	**$(1,875)**

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, 2016 is as follows:

2016	Millions of Yen Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	**¥25,544**	**¥84,865**	**¥(2,366)**
Purchases	**1,325**	**3,520**	**—**
Comprehensive income			
Profit or loss for the year	**853**	**—**	**1,231**
Other comprehensive income	**—**	**947**	**—**
Disposals	**(6,266)**	**(4,950)**	**—**
Settlements	**(2,268)**	**(1,878)**	**1,470**
Balance, end of year	**¥19,188**	**¥82,504**	**¥ 335**
Profit or loss for the year included in earnings relating to financial instruments still held at the end of year	**¥ 2,235**	**¥ —**	**¥ 1,444**

Financial Section

2016	Millions of U.S. Dollars Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	**$228**	**$758**	**$(21)**
Purchases	**12**	**31**	**—**
Comprehensive income			
Profit or loss for the year	**8**	**—**	**11**
Other comprehensive income	**—**	**9**	**—**
Disposals	**(56)**	**(44)**	**—**
Settlements	**(21)**	**(17)**	**13**
Balance, end of year	**$171**	**$737**	**$ 3**
Profit or loss for the year included in earnings relating to financial instruments still held at the end of year	**$ 20**	**$ —**	**$ 13**

The above profits or losses for the year were included in "Sales of tangible products," "Cost of tangible products sold" and "Gain (loss) on securities and other investments, net" in the Consolidated statement of comprehensive income.

(4) Derivatives and Hedge Accounting

Fair-value hedges

Fair-value hedge is a type of hedge that eliminates the risk of changes in the fair values of assets and liabilities or firm commitments. The Companies use commodity futures contracts and foreign exchange forward contracts to hedge the changes in fair values on firm commitments. The Companies use interest rate swaps to hedge the changes in fair values on fixed rate borrowings used to fund assets earning interest at variable rates. Changes in the fair values of derivatives designated as fair-value hedges are recognized in profit or loss and are offset by corresponding changes in the fair values of the hedged item to the extent the hedge is effective. For the years ended March 31, 2016 and 2015, net gains or losses for hedged items were net losses of ¥16,185 million ($145 million) and net losses of ¥8,508 million, respectively, and net gains or losses for hedging instruments were net gains of ¥16,185 million ($145 million) and net gains of ¥8,508 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, 2016 and 2015, 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 ¥5,671 million ($51 million) and net losses of ¥5,606 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, 2016 and 2015 are as follows:

	Millions of Yen				
2016	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	**¥71,772**	**¥ 16**	**¥ —**	**¥ 521**	**¥ 72,309**
Foreign exchange contracts	**47**	**3,882**	**7,274**	**64,949**	**76,152**
Commodity contracts	**68**	**111**	**—**	**114,082**	**114,261**
Total	**¥71,887**	**¥ 4,009**	**¥7,274**	**¥ 179,552**	**¥ 262,722**
Other financial assets (current)					**132,886**
Other financial assets (non-current)					**120,737**
Total					**¥ 253,623**
[Derivative liabilities]					
Interest rate contracts	**¥ (1,145)**	**¥ (8,733)**	**¥ —**	**¥ (518)**	**¥ (10,396)**
Foreign exchange contracts	**(57)**	**(1,372)**	**(94)**	**(16,186)**	**(17,709)**
Commodity contracts	**(64)**	**(6,468)**	**—**	**(96,313)**	**(102,845)**
Total	**¥ (1,266)**	**¥(16,573)**	**¥ (94)**	**¥(113,017)**	**¥(130,950)**
Other financial liabilities (current)					**(66,195)**
Other financial liabilities (non-current)					**(64,384)**
Total					**¥(130,579)**

Other than the above, the Companies have foreign currency borrowings of ¥66,544 million ($594 million) that are designated as hedging instruments to hedge the net investments in foreign operations.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the Consolidated statement of financial position were resulted from a financial liability for the put option granted to the non-controlling shareholder and offsetting derivative assets and derivative liabilities with deposits.

The amounts of "Other financial assets and liabilities" in the Consolidated statement of financial position that are subject to enforceable master netting arrangements or similar arrangements are ¥46,181 million ($412 million).

	Millions of Yen				
2015	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥55,552	¥ 621	¥ —	¥ 950	¥ 57,123
Foreign exchange contracts	—	9,266	—	91,752	101,018
Commodity contracts	—	5,617	—	126,077	131,694
Total	¥55,552	¥ 15,504	¥ —	¥ 218,779	¥ 289,835
Other financial assets (current)					101,706
Other financial assets (non-current)					174,403
Total					¥ 276,109
[Derivative liabilities]					
Interest rate contracts	¥ (1,123)	¥ (5,962)	¥ —	¥ (1,405)	¥ (8,490)
Foreign exchange contracts	—	(7,740)	(4,384)	(21,534)	(33,658)
Commodity contracts	—	(1,688)	—	(104,379)	(106,067)
Total	¥ (1,123)	¥(15,390)	¥(4,384)	¥(127,318)	¥(148,215)
Other financial liabilities (current)					(77,005)
Other financial liabilities (non-current)					(69,775)
Total					¥(146,780)

Other than the above, the Companies have foreign currency borrowings of ¥88,365 million that are designated as hedging instruments to hedge the net investments in foreign operations.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the Consolidated statement of financial position were resulted from a financial liability for the put option granted to the non-controlling shareholder and offsetting derivative assets and derivative liabilities with deposits.

The amounts of "Other financial assets and liabilities" in the Consolidated statement of financial position that are subject to enforceable master netting arrangements or similar arrangements are ¥48,079 million.

2016	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	**$641**	**$ 0**	**$—**	**$ 5**	**$ 646**
Foreign exchange contracts	**0**	**35**	**65**	**580**	**680**
Commodity contracts	**1**	**1**	**—**	**1,018**	**1,020**
Total	**$642**	**$ 36**	**$65**	**$ 1,603**	**$ 2,346**
Other financial assets (current)					**1,186**
Other financial assets (non-current)					**1,078**
Total					**$ 2,264**
[Derivative liabilities]					
Interest rate contracts	**$ (10)**	**$ (78)**	**$—**	**$ (5)**	**$ (93)**
Foreign exchange contracts	**(0)**	**(12)**	**(1)**	**(145)**	**(158)**
Commodity contracts	**(1)**	**(58)**	**—**	**(859)**	**(918)**
Total	**$ (11)**	**$(148)**	**$ (1)**	**$(1,009)**	**$(1,169)**
Other financial liabilities (current)					**(591)**
Other financial liabilities (non-current)					**(575)**
Total					**$(1,166)**

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 foreign exchange gains of ¥2,605 million ($23 million) and losses of ¥697 million are included in the Consolidated statement of comprehensive income for the years ended March 31, 2016 and 2015, respectively.

27 Selling, General and Administrative Expenses

The components of Selling, general and administrative expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Employee benefits expenses	**¥397,886**	¥388,860	**$3,553**
Equipment expenses	**127,368**	124,925	**1,137**
Travel and transportation expenses	**28,676**	29,008	**256**
Outsourcing expenses	**58,898**	58,134	**526**
Advertising expenses	**24,568**	31,069	**219**
Amortization expenses	**22,710**	20,542	**203**
Impairment losses on receivables	**10,396**	8,765	**93**
Others	**92,222**	93,887	**823**
Selling, general and administrative expenses	**¥762,724**	¥755,190	**$6,810**

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, 2016 and 2015 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Interest income:			
Financial assets measured at FVTPL	**¥ —**	¥ 70	**$ —**
Financial assets measured at amortized cost	**27,303**	18,324	**244**
Derivatives	**2,421**	2,324	**21**
Total	**29,724**	20,718	**265**
Interest expense:			
Financial liabilities measured at amortized cost	**(45,486)**	(47,752)	**(406)**
Derivatives	**13,135**	14,072	**117**
Total	**(32,351)**	(33,680)	**(289)**
Dividends:			
Financial assets measured at FVTPL	**1,910**	2,026	**17**
Financial assets measured at FVTOCI	**8,713**	15,216	**78**
Total	**10,623**	17,242	**95**
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	**(1,943)**	(2,293)	**(17)**
Others	**74,156**	14,734	**662**
Total	**¥ 72,213**	¥ 12,441	**$ 645**

Others of "Gain (loss) on securities and other investments, net" are mainly gains and losses on investments in subsidiaries and associates. Gain (loss) of ¥46,685 million ($417 million) and ¥14,524 such as deconsolidation of subsidiaries are recognized for the year ended March 31, 2016 and 2015, respectively.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2016 and 2015 are gains of ¥20,186 million ($180 million) and ¥34,899 million in "Revenues" and "Cost," and gains of ¥414 million ($4 million) and ¥150 million in "Other, net," respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2016 and 2015 are ¥81,940 million ($732 million) and ¥90,579 million in "Revenues," respectively, and interest expense from financial liabilities measured at amortized cost are ¥27,189 million ($243 million) and ¥28,198 million in "Cost," respectively.

29 Income Tax Expense

Income tax expense for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Current tax	**¥50,065**	¥31,251	**$447**
Deferred tax	**1,484**	21,005	**13**
Total	**¥51,549**	¥52,256	**$460**

The Company is subject to mainly national corporate tax, inhabitant tax and deductible business tax, which in aggregate resulted in an applicable income tax rate of 33% and 36% for the years ended March 31, 2016 and 2015, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

In Japan, the Diet passed the "Act for Partial Revision of the Income Tax Act, etc." (Act No.15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No.13 of 2016), on March 29, 2016, and effective from fiscal years beginning on and after April 1, 2016, corporate tax rates will be reduced. In accordance with this reform, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities will be reduced to 31% from 32% for temporary differences and others that are expected to be realized during and after the fiscal year beginning on April 1, 2016. The effects due to this change 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, 2016 and 2015 are as follows:

	%	
	2016	2015
The applicable income tax rate in Japan	**33.0**	36.0
Tax effect on equity-accounted investees	**(6.5)**	22.8
Tax effect on expenses not deductible for tax purposes	**5.2**	(39.0)
Difference in applicable tax rate of foreign subsidiaries	**(4.9)**	86.0
Reassessment of the recoverability of deferred tax assets	**11.0**	(400.2)
Others—net	**(1.0)**	12.9
The Companies' average effective income tax rate	**36.8**	(281.5)

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, 2016 and 2015 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Profit (loss) for the year attributable to owners of the parent	**¥74,546**	¥(73,170)	**$666**

	Number of shares	
	2016	2015
Weighted-average shares—basic	**1,247,994,051**	1,247,696,887
Dilutive effect of: Stock options	**939,524**	—
Weighted-average shares—diluted	**1,248,933,575**	1,247,696,887

	Yen		U.S. Dollars
	2016	2015	2016
Earnings per share (attributable to owners of the parent):			
Basic	**¥59.73**	¥(58.64)	**$0.53**
Diluted	**59.69**	(58.64)	**0.53**

* Diluted earnings per share did not include stock options due to the anti-dilutive effect caused by the loss during the year ended March 31, 2015.

31 Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Non-cash investing and financing activities:			
Finance lease obligations incurred	**¥15,355**	¥ 5,396	**$137**
Acquisition of securities through debt-equity swap	**76,993**	—	**687**
Acquisition of subsidiaries:			
Total consideration paid	**(6,334)**	(7,593)	**(57)**
Cash and cash equivalents included in assets acquired	**16,552**	803	**148**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**¥10,218**	¥(6,790)	**$ 91**

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

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2016 was ¥69,725 million ($623 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	**¥ 21,382**	**$ 191**
Trade and other receivables	**257,644**	**2,300**
Property, plant and equipment	**74,268**	**663**
Intangible assets	**3,058**	**27**
Other assets	**30,722**	**274**
Current liabilities	**(119,052)**	**(1,063)**
Non-current liabilities	**(166,454)**	**(1,486)**

One of the major subsidiaries disposed of during the year ended March 31, 2016 is P.T. Oto Multiartha and P.T. Summit Oto Finance (“Oto Group”). On March 2016, the Company transferred portions of their common shares of Oto Group to Sumitomo Mitsui Banking Corporation. This results in loss of control of Oto Group and they become entities accounted for using the equity method.

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2015 was ¥29,182 million. Each major class of assets and liabilities at the point of sale is as follows:

	Millions of Yen
Cash and cash equivalents	¥ 4,125
Trade and other receivables	16,563
Property, plant and equipment	28,649
Intangible assets	3,833
Other assets	4,049
Current liabilities	(14,925)
Non-current liabilities	(20,293)

32 Related Party Transactions

Compensation for directors

The remuneration for directors for the years ended March 31, 2016 and 2015 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
1. Monthly remuneration	**¥720**	¥729	**$6**
2. Bonuses resolved at the 148th ordinary general meeting of shareholders	**67**	—	**1**
3. Expenses recognized for the grant of the 14th of stock option issued on July 31, 2015	**7**	—	**0**
4. Expenses recognized for the grant of the 13th of stock option issued on August 1, 2014	**—**	8	**—**
5. Expenses recognized for the grant of the 10th of stock option (stock-linked compensation plan) issued on July 31, 2015	**62**	—	**1**
6. Expenses recognized for the grant of the 9th of stock option (stock-linked compensation plan) issued on August 1, 2014	**22**	67	**0**
7. Expenses recognized for the grant of the 8th of stock option (stock-linked compensation plan) issued on July 31, 2013	**—**	23	**—**
Total	**¥878**	¥827	**$8**

33 Subsidiaries

The Companies' subsidiaries as of March 31, 2016 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
	SC Pipe Solutions Co., Ltd.	Chuo-ku, Tokyo	100.00
	Nippon Katan Co., Ltd.	Hirakata, Osaka	100.00
	Sumisho Steel Corporation	Chuo-ku, Tokyo	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)
	K + S GmbH	Sachsenheim, Germany	100.00 (40.00)
	SC Steel Investment, LLC	Wilmington, U.S.	100.00
	Edgen Group Inc.	Baton Rouge, U.S.	100.00 (100.00)
	Servilamina Summit Mexicana S.A. de C.V.	Queretaro, Mexico	100.00
	Tianjin Hua Zhu Metal Products Co., Ltd.	Tianjin, China	68.11 (6.81)
	Others (67 Companies)		
Transportation & Construction Systems	KIRIU Corporation	Ashikaga, Tochigi	100.00 (0.24)
	SMS Construction and Mining Systems Inc.	Acheson, Canada	100.00 (35.14)
	Tecnologia Para La Construccion Y Mineria S.L.	Madrid, Spain	100.00 (60.00)
	SMS International Corporation	Plant City, U.S.	100.00 (100.00)
	Triton Navigation B.V.	Amsterdam, Netherlands	100.00 (100.00)
	Toyota Ukraine	Kiev, Ukraine	100.00
	Sumitec International, Ltd.	Moscow, Russia	100.00 (100.00)
	SC Construction Machinery (Shanghai) Corporation	Shanghai, China	100.00 (10.00)
	TBC Corporation	Palm Beach Gardens, U.S.	100.00 (100.00)
	P.T. Summit Auto Group	Jakarta, Indonesia	100.00
	Sumisho Aero Engine Lease B.V.	Amsterdam, Netherlands	90.00 (22.50)
	Others (108 Companies)		

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Environment & Infrastructure	Summit Energy Corporation	Chuo-ku, Tokyo	100.00
	Sumitomo Shoji Machinex Co., Ltd.	Chuo-ku, Tokyo	100.00
	Sumisho Global Logistics 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)
	Summit Water Limited	London, England	100.00
			(30.00)
	Summit Renewable Energy Europe Limited	London, England	100.00
			(30.00)
	Others (51 Companies)		
Media, Network, Lifestyle Related Goods & Services	SCSK Corporation	Koto-ku, Tokyo	51.15
	Summit, Inc.	Suginami-ku, Tokyo	100.00
	Sumisho Brand Management Corporation	Chiyoda-ku, Tokyo	100.00
			(0.92)
	IG Kogyo Co., Ltd.	Higashine, Yamagata	65.68
	S.C. Cement Co., Ltd.	Chuo-ku, Tokyo	100.00
	Tomod's	Bunkyo-ku, Tokyo	100.00
	Summit Grain Investment (Australia) Pty Ltd	Sydney, Australia	100.00
			(30.00)
	Presidio Ventures, Inc.	Santa Clara, U.S.	100.00
			(100.00)
	Emerald Grain Pty Ltd	Melbourne, Australia	100.00
			(100.00)
	Summit Forests New Zealand Limited	Auckland, New Zealand	100.00
			(20.00)
	Sumitomo Corporation Equity Asia Limited	Hong Kong, China	100.00
			(20.00)
	Others (65 Companies)		
Mineral Resources, Energy, Chemical & Electronics	Sumitomo Shoji Chemicals Co., Ltd.	Chuo-ku, Tokyo	100.00
	Sumitronics Corporation	Chuo-ku, Tokyo	100.00
	Nusa Tenggara Mining Corporation	Chuo-ku, Tokyo	74.28
	Serra Azul Iron Ore, LLC	Chuo-ku, Tokyo	100.00
	Sumi Agro Europe Limited	London, England	100.00
			(20.00)
	Interacid Trading S.A.	Lausanne, Switzerland	100.00
			(30.00)
	Minera San Cristobal S.A.	La Paz, Bolivia	100.00
			(100.00)
	Sumisho Coal Australia Pty. Ltd.	Sydney, Australia	100.00
	SC Minerals America, Inc.	Denver, U.S.	100.00
			(15.25)
	Petro Summit Pte. Ltd.	Singapore	100.00
			(20.00)
	Summit Oil and Gas USA Corporation	New York, U.S.	100.00
	Summit Discovery Resources II LLC	Houston, U.S.	100.00
			(100.00)
	Inversiones SC Sierra Gorda Limitada	Santiago, Chile	100.00
			(0.04)
	Comercial Metales Blancos AB	Goeteborg, Sweden	100.00
	Summit Shale International Corporation	New York, U.S.	100.00
	Summit Rural Western Australia Pty. Ltd.	Kwinana, Australia	100.00
			(20.00)

Financial Section

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Mineral Resources, Energy, Chemical & Electronics	SC Sierra Gorda Finance B.V.	Amsterdam, Netherlands	100.00
	Sumitomo Corporation Global Commodities Limited	London, England	100.00 (32.67)
	SCAP C Pty Ltd	Sydney, Australia	100.00
	Summit Exploration and Production Limited	London, England	100.00 (15.00)
	Pacific Summit Energy LLC	Irvine, U.S.	100.00 (100.00)
	Summit Discovery Resources III LLC	Houston, U.S.	100.00 (100.00)
	Others (72 Companies)		
Overseas Subsidiaries and Branches	Sumitomo Corporation of Americas	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 & Ocean 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 (8.63)
	Sumitomo Corporation Taiwan Ltd.	Taipei, Taiwan	100.00 (100.00)
	Sumitomo Corporation (Central Eurasia) LLC	Moscow, Russia	100.00
	Sumitomo Corporation Korea Ltd.	Seoul, Korea	100.00
	Sumitomo Corporation Middle East FZCO	Dubai, U.A.E.	100.00 (100.00)
	Others (131 Companies)		
Others	Sumitomo Shoji Financial Management Co., Ltd.	Chuo-ku, Tokyo	100.00
	Yasato Kosan Co., Ltd.	Chuo-ku, Tokyo	100.00
	Others (6 Companies)		

*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 As of April 1, 2016, the trade name of Sumisho Steel Corporation was changed to Sumitomo Corporation Global Metals Co., Ltd. due to an absorption-type merger with SC Tubulars Co., Ltd.

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 variable prices adjustable to market. Such purchase commitments are in most instances matched with counter-party sales contracts. Long-term purchase contracts with Equity-accounted investees at fixed prices or at variable prices adjustable to market amounted to ¥461,897 million ($4,124 million) as of March 31, 2016. Scheduled deliveries are at various dates through 2024. The Companies also had financing commitments in connection with loan, investments in equity capital and had contracts for the use of equipment, the aggregate amount of ¥1,005,737 million ($8,980 million), ¥97,078 million ($867 million) out of this aggregate amount with Equity-accounted investees, as of March 31, 2016.

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, and buyers.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees as of March 31, 2016:

	Millions of Yen	Millions of U.S. Dollars
	2016	2016
Guarantees of indebtedness to:		
Equity-accounted investees	**¥103,433**	**$ 923**
Third parties	**59,890**	**535**
Total	**¥163,323**	**$1,458**

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 2032. Guarantees with third party guarantee aggregated to ¥5,413 million ($48 million) as of March 31, 2016. The Companies would be obliged to reimburse the banks for losses, if any, if an equity-accounted investee defaults on a guaranteed loan.

2. Guarantees for Indebtedness of Third Parties

The Companies also provide guarantees for indebtedness of third parties. These guarantees are arranged mainly with suppliers and customers and mature through 2041. The Companies must pay if a guaranteed party defaults on a guaranteed indebtedness. Some of these guarantees are also collateralized by borrower assets.

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

(3) Litigation and others

On December 30, 2011, Minera San Cristobal S.A. ("MSC"), which is a consolidated subsidiary of the Company in Plurinational State of Bolivia ("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, etc. (approximately $185 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.

On March 21, 2016, the Supreme Court of Bolivia elected the judge in charge of this appeal. MSC has not received the ruling as of June 17, 2016, the date the consolidated financial statements were approved.

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.

35 Subsequent Events

There are no subsequent events to be disclosed as of June 17, 2016, the date the consolidated financial statements were approved.

36 Approval of Consolidated Financial Statements

The Consolidated financial statements were approved by Kuniharu Nakamura, CEO, and Koichi Takahata, CFO, on June 17, 2016.

KPMG

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, 2016, 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, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

KPMG AZSA LLC

June 17, 2016
Tokyo, Japan

Reference Information [Risk factors]

Sumitomo Corporation and Subsidiaries

The factors described below may conceivably materially affect investors' decisions as risks relating to us. Unless otherwise specified, information concerning the future presented herein are forecasts based on our decisions, targets, certain premises or assumptions as of the last day (March 31, 2016) of the consolidated fiscal year and may differ materially from the actual results.

RISKS RELATED TO OUR BUSINESS

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

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

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

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

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

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

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

The risk that economic conditions may change adversely for our business

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

In some countries in which we operate, we confront deflation, currency depreciation, liquidity crises, or have some concerns that such conditions would occur in the future.

Moreover, key countries for our operations are under the threat of possible terrorist attacks and political instability. If such case occurs, economic conditions surrounding our operations in those countries may be adversely impacted.

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

Risks associated with intense competition

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

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

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

Credit risk arising from customers and counterparties

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

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

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

Risks related to investment activities and our strategic business alliances

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

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

In order to mitigate these risks, we in principle invest only in projects that meet our investment criteria which reflect the specific business risks associated to each case. At the same time, for the large and/or the important projects that could have a major impact on the entire company, the Business Unit Investment Committee and Company Investment Committee that includes Corporate Group members would be held at the investment targeting stage and at the decision-making stage to analyze the project risks including the specialist's view point prior to implementation of the investment. Also, there is a procedure for post-closing monitoring of the investment, which is a fundamental part of investment risk control, through tracking of results of investments in comparison to initial business plans.

Risk related to mineral resources, oil and gas development projects

Our business in mineral resources, oil and gas development projects involve the following risks. Any occurrence of these events could have an adverse effect on our operating results and financial conditions.

- development of projects may face schedule delays or cost overruns compared to original plans;
- we appoint an expert to estimate the reserves before participating the project, but it may significantly differ after operating;
- production may be lower than originally planned or production cost may increase due to difficulties in technical conditions; and
- the plan may not be able to perform due to governmental regulations such as delay of acquiring/renewal of approval, tax reform, takeover of business property, infringement.

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

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

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

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

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

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

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

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

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

Risks regarding uncertainty about retirement benefit obligation

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

Concentration of risk exposure in specific fields

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

Risks stemming from restrictions on access to liquidity and capital

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

Risks regarding laws and regulations

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

Risks related to legal actions, etc.

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

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

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

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

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

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

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

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

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

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

Natural Disasters and other risks

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

Corporate Profile

(As of March 31, 2016)

Sumitomo Corporation

Date of Establishment: December 24, 1919

Sumitomo Corporation Shareholders' Equity:
¥2,251.5 billion

Fiscal Year: From April 1 of each year through March 31 of the following year

Number of Consolidated Subsidiaries:
577 (Overseas 474, Domestic 103)

Associated Companies [Equity Method]:
269 (Overseas 220, Domestic 49)

Total: 846

Number of Employees: Total, including Consolidated

Subsidiaries	66,860
Non-consolidated	5,389*

Head Office: 1-8-11, Harumi, Chuo-ku, Tokyo 104-8610, Japan

URL: http://www.sumitomocorp.co.jp/english/

* Including the 185 employees employed at overseas offices

Stock Information

(As of March 31, 2016)

Stock Listings: Tokyo, Nagoya, Fukuoka

American Depository Receipts:
Ratio: 1ADR:1ORD
Exchange: OTC (Over-the-Counter)
Symbol: SSUMY
CUSIP Number: 865613103

Depository and Registrar:
Citibank, N.A. Depositary Receipts Services, P.O. Box 43077, Providence, Rhode Island 02940-3077, U.S.A.

Toll Free Number: 1-877-248-4237 (CITI-ADR)

Overseas Dial-in: 1-781-575-4555

E-mail: citibank@shareholders-online.com

URL: http://www.citi.com/adr

Number of Issued Shares: 1,250,602,867 (including 2,506,842 treasury stock)

Number of Shareholders: 178,173

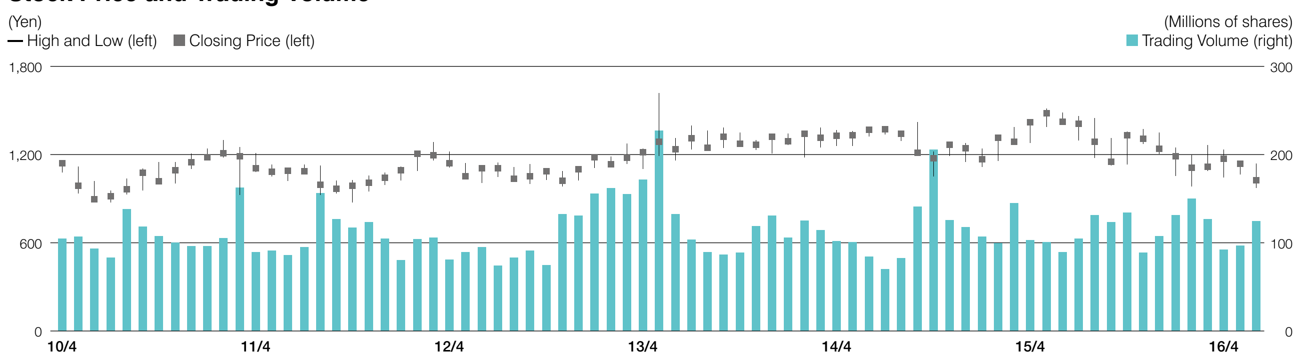
Major Shareholders

	Name	Number of Shares (Thousands of Shares)	Shareholding Ratio (%)
1	The Master Trust Bank of Japan, Ltd. (trust account)	70,630	5.66
2	Japan Trustee Services Bank, Ltd. (trust account)	59,102	4.74
3	Liberty Programming Japan, LLC	45,652	3.66
4	JP Morgan Chase Bank 385632	41,147	3.30
5	Sumitomo Life Insurance Company	30,855	2.47
6	Mitsui Sumitomo Insurance Company, Limited	20,886	1.67
7	Barclays Securities Japan Limited	20,000	1.60
8	Japan Trustee Services Bank, Ltd. (trust account 9)	17,859	1.43
9	The Dai-ichi Life Insurance Company, Limited	15,889	1.27
10	Japan Trustee Services Bank, Ltd. (trust account 7)	15,749	1.26

Note: The shareholding ratio is calculated by dividing the number of shares held by the number of shares outstanding—which is derived by deducting treasury stock (2,506,842 shares) from the total number of issued shares—and rounding to the nearest hundredth of a percent.

Shareholder Composition

Stock Price and Trading Volume



		15/4	5	6	7	8	9	10	11	12	16/1	2	3	4	5	6
Stock Price (Yen)	Closing Price	1,418	1,481	1,424	1,410	1,287	1,152	1,330	1,307	1,240	1,188	1,111	1,118	1,170	1,137	1,024
	High	1,428	1,513	1,484	1,461	1,447	1,311	1,355	1,371	1,349	1,248	1,195	1,263	1,234	1,159	1,139
	Low	1,278	1,387	1,401	1,296	1,176	1,126	1,131	1,272	1,206	1,055	983	1,087	1,046	1,064	975
Trading Volume (in Thousands of Shares)		103,021	100,812	89,357	104,424	131,077	123,384	133,824	88,853	107,687	131,397	149,850	126,966	91,922	96,578	124,236

Note: The above stock prices and trading volume are based on Tokyo Stock Exchange data.

For further information, contact:
Sumitomo Corporation
Investor Relations Department
Telephone: +81 (3)-5166-3469
Facsimile: +81 (3)-5166-6292
E-mail: ir@sumitomocorp.com

Sumitomo Corporation

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Printed in Japan