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SUMITOMO CORPORATION

(incorporated with limited liability under the laws of Japan)

U.S.\$500,000,000

2.50 per cent Bonds due 2022

Issue Price: 99.869 per cent

The U.S.\$500,000,000 2.50 per cent Bonds due 2022 (the “Bonds”) will be issued by Sumitomo Corporation (the “Company”). Interest on the Bonds is payable semi-annually in arrear on 13 March and 13 September in each year commencing on 13 March 2018.

The Bonds will mature on 13 September 2022 (the “Maturity Date”). The Bonds are subject to redemption in whole at their principal amount, together with accrued interest, in the event of certain changes to the tax laws. See “Conditions of the Bonds – Redemption and Purchase”.

The Bonds will constitute unsecured and unsubordinated obligations of the Company. See “Conditions of the Bonds – Status”. Payments on the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent described under “Conditions of the Bonds – Taxation”.

The Bonds will be in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing of and quotation for the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries, its associated companies or the Bonds.

Upon issue, the Bonds will be evidenced by a global certificate (the “Global Certificate”) in registered form, which will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) on or about 13 September 2017 for the accounts of their respective accountholders.

The Company is rated Baa1 by Moody’s Japan K.K. (“Moody’s”) and A- by S&P Global Ratings Japan Inc. (“S&P”). It is expected that the Bonds will be assigned a credit rating of Baa1 by Moody’s and A- by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Offering Circular does not constitute an offer of, or the solicitation of an offer to buy or subscribe for, the Bonds in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act (“Regulation S”)).

See “Investment Considerations” for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Joint Lead Managers and Joint Bookrunners

Citigroup

**Goldman Sachs International
Morgan Stanley**

BofA Merrill Lynch

Co-Managers

**Barclays
HSBC**

BNP PARIBAS

Crédit Agricole CIB

Société Générale Corporate & Investment Banking

The date of this Offering Circular is 6 September 2017

The Company accepts responsibility for the information contained in this Offering Circular. The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information which is material in the context of the issuance and offering of Bonds, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading.

The Managers (as defined in “Subscription and Sale”) or their respective subsidiaries and affiliates have not independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or their respective subsidiaries and affiliates as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Company in connection with the Bonds.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company or the Managers.

To the fullest extent permitted by law, the Managers accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Manager or on its behalf, in connection with the Company or the issue and offering of the Bonds. Each Manager accordingly disclaims all and any liability, whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Managers to subscribe or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves about, and to observe any such restrictions.

No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, the United Kingdom, Hong Kong and Singapore and to persons connected therewith. For a description of further restrictions on offers and sales of the Bonds and distribution of this Offering Circular, see “Subscription and Sale”.

The Bonds are only being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended, the “Special Taxation Measures Act”). The Bonds may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in

compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the Bonds are not, as part of the initial distribution by the Managers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than, or to others for re-offering or resale, directly or indirectly to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Company as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (a “specially-related person of the Company”), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (28) of the Cabinet Order relating to the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended) (the “Cabinet Order”) that will hold the Bonds for its own proprietary account, or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

BY SUBSCRIBING FOR THE BONDS, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS (I) A BENEFICIAL OWNER THAT IS, FOR JAPANESE TAX PURPOSES, NEITHER (X) AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR (Y) AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF THE COMPANY, (II) A JAPANESE FINANCIAL INSTITUTION, DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (28) OF THE CABINET ORDER THAT WILL HOLD THE BONDS FOR ITS OWN PROPRIETARY ACCOUNT, OR (III) ANY OTHER EXCLUDED CATEGORY OF PERSONS, CORPORATIONS OR OTHER ENTITIES UNDER THE SPECIAL TAXATION MEASURES ACT.

Interest payments on the Bonds will generally be subject to Japanese withholding tax unless it is established that the Bonds are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan nor a Japanese corporation, nor an individual non-resident of Japan nor a non-Japanese corporation that in either case is a specially-related person of the Company, (ii) a designated Japanese financial institution described in Article 6, Paragraph (9) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act which has received such payments through a Japanese payment handling agent as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act.

Interest payments on the Bonds paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the Company (except for the designated Japanese financial institution and the public corporation, the financial institution, the financial instruments business operator and certain other entity described in the preceding paragraph) will be subject to deduction in respect of Japanese income tax at a rate of 15.315 per cent of the amount of such interest.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication (i) that there has been no change in the affairs of the Company since the date hereof, (ii) that there has been no adverse change in the financial position of the Company since the date hereof, or (iii) that the information contained in this Offering Circular or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Company's fiscal year end is 31 March. The audited consolidated financial statements of the Company as at and for the years ended 31 March 2016 and 2017 contained in this Offering Circular are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The unaudited consolidated financial information of the Company as at 30 June 2017 and for the three months ended 30 June 2016 and 2017 also contained in this Offering Circular, which omit certain disclosures including the accompanying notes, are prepared on the basis of IFRS in accordance with the regulations for quarterly financial results announcements (*kessan tanshin*).

Unless otherwise specified or the context otherwise requires, references in this Offering Circular to "yen" and "¥" are to Japanese yen and references to "U.S.\$" are to U.S. dollars.

In this Offering Circular, where information is presented in millions, amounts less than one million, or where presented in billions, amounts less than one billion, may have been rounded up or down. Accordingly, the total of each column of figures may not be equal to the total of the individual items. All other percentages and figures, including operating data, have been rounded up or down unless otherwise specified.

In order to facilitate the understanding of its financial performance, the Company uses a number of alternative performance measures, including basic profit and basic profit cash flow. These measures facilitate the Company in identifying operational trends and considering investment decisions, resource allocation and other operational decisions. When interpreting these alternative performance measures, investors should note that: (i) these indicators are constructed exclusively from the Group's historical data and are not indicative of the future performance of the Group; (ii) these alternative performance measures are not required by accounting standards and, although derived from the Company's consolidated financial statements, are not audited; (iii) these financial measures should not be seen as a substitute for measures defined according to IFRS; (iv) these alternative financial measures should be read together with the financial information set out in the Group's audited consolidated financial statements as at and for the years ended 31 March 2016 and 2017 and unaudited consolidated financial information as at and for the three months ended 30 June 2017 included in this Offering Circular; (v) since not all companies calculate similarly named alternative performance measures in the same manner, they are not always comparable to measurements used by other companies; and (vi) alternative performance measures used by the Group are processed with continuity and consistency of definition and representation for all periods for which financial information is included in this Offering Circular.

References in this Offering Circular to the "Group" are to the Company together with its consolidated subsidiaries and affiliates accounted for under the equity method. In this Offering Circular, unless otherwise stated or the context requires, the description of the Company's business and financial information relating to the Company contained herein are given on a consolidated basis.

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as "anticipate", "believe", "estimate", "expect", "intend", "may", "might", "plan", "project", "will" or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company's current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company's or the Group's actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company's expectations include those risks identified in "Investment Considerations" and the factors discussed in "Recent Business" and "Business", as well as other matters not yet known to the Company or not currently considered material by the Company. The Company does not undertake to review

or revise this Offering Circular or any forward-looking statements contained in this Offering Circular to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

IN CONNECTION WITH THE ISSUE OF THE BONDS, CITIGROUP GLOBAL MARKETS LIMITED (THE "STABILISING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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Overview

The following overview does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information contained elsewhere in this Offering Circular (including financial statements and the notes thereto). For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see “Investment Considerations”.

Sumitomo Corporation

The Company is an integrated trading company engaged in a wide range of business activities on a global basis. The Group’s business foundation consists of its longstanding reputation, transactional relationships with over 100,000 companies around the world, a global network of offices and operating subsidiaries worldwide, intellectual capital and advanced capabilities in business development, logistic solutions, financial services, IT solutions, risk management and intelligence gathering and analysis. By integrating these elements, the Group provides a diverse array of value to its customers.

Under this business framework, the Group engages in the general trading of a wide range of goods and commodities and in various business activities. The Group acts either as a principal or an agent in these trading transactions. The Group also provides a range of services for a variety of industries, including 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 Group engages 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.

In the year ended 31 March 2017, the Group recorded gross profit and profit for the year attributable to owners of parent of ¥187,205 million and ¥170,889 million, respectively.

The Company’s registered head office is located at 8-11, Harumi 1-chome, Chuo-ku, Tokyo 104-8610. As of 1 May 2017, the Group operated a network of 130 office locations (including offices of overseas subsidiaries) in Japan and 65 other countries. The Company had over 70,000 full-time employees on a consolidated basis as of 31 March 2017.

The Offering

Securities Offered	U.S.\$500,000,000 2.50 per cent Bonds due 2022
Issue Price	99.869 per cent
Closing Date	13 September 2017
Use of Proceeds	The net proceeds of the issue of the Bonds, after deducting commissions relating to the issue of the Bonds, which are expected to amount to approximately U.S.\$498 million, will be used for general corporate purposes.
Listing	Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
Ratings	<p>It is expected that the Bonds will be assigned a credit rating of Baa1 by Moody's and A- by S&P.</p> <p>A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. See "Investment Considerations – Credit ratings may not reflect all risks".</p>
Fiscal Agent, Paying Agent and Registrar	Citibank, N.A., London Branch
Investment Considerations	An investment in the Bonds involves certain risks. See "Investment Considerations".
Form and Denomination	The Bonds will be in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Status	The Bonds will constitute unsecured and unsubordinated obligations of the Company.
Interest Payment Dates	Interest on the Bonds is payable semi-annually in arrear on 13 March and 13 September in each year commencing on 13 March 2018.
Interest Rate	2.50 per cent per annum
Maturity Date	13 September 2022

Early Redemption – Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, if (i) the Company has or will become obliged to pay Additional Amounts (as defined in the Conditions of the Bonds (the "Conditions")) as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it. See "Conditions of the Bonds", Condition 5(b).

Governing Law

English law

Clearance and Settlement

Euroclear and Clearstream, Luxembourg

International Securities Identification Number ("ISIN")

XS1656933535

Common Code

165693353

Investment Considerations

The Company believes that the following factors may affect its ability to fulfil its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Company believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Company believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Company may be unable to pay interest, principal or other amounts on or in connection with the Bonds for other reasons, and the Company does not represent that the statements below regarding the risks of holding the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect the Company's ability to fulfil its obligations under or in connection with the Bonds

The Company's revenues and profitability may fluctuate from period to period unexpectedly

The Company's results of operations for any quarter, half year or year are not necessarily indicative of results to be expected in future periods. The Company's operating results have historically been, and the Company expects its operating results to 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 the Group's businesses;
- variations in costs, sales prices and volume of the Group's products and services, and the mix of products and services offered by it;
- changes in customer demand and/or the Group's supply chains, which in turn will often depend upon market conditions for the relevant products, the success of the Group's customers' or suppliers' businesses, industry trends and other factors;
- changes in the level of performance of the Group's strategic investments, which in turn will affect its gains and losses on sales of such investments or may result in the write-off or impairment of such investments;
- changes in the Group's asset prices, including equity, real estate and other assets, which in turn will affect 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 the Group's customers.

Because of such tendency for fluctuations, prospective investors of the Bonds shall not rely on, and shall exercise caution when evaluating, the Group's historical results of operations as an indication of future performance.

The Company may not be able to achieve the managerial targets set forth in its medium-term management plan

In April 2015, the Group adopted its new three-year medium-term management plan called "Be the Best, Be the One 2017" (the "Medium-Term Management Plan"), with the intention of increasing the Group's

profitability and earnings base and improving its financial strength and the efficiency and effectiveness of its operations. Under the Medium-Term Management Plan, the Group is seeking to achieve certain quantitative and qualitative targets, which were set by gathering, collating and analysing information deemed appropriate at the time of such target-setting. These targets may involve estimates and assumptions or be based on a certain statistical confidence level. In addition, some of these targets may be alternative financial measures which may be different from any other measure of performance calculated based on the Group's financial statements, and may not be useful to all investors in making their investment decisions. The successful implementation of the Group's management plan is subject to changes in the operating environment and other factors. There can be no assurance that the management plan will be implemented successfully or that the Group will achieve or will not revise the quantitative or the qualitative targets set out in its plan.

Changes in economic conditions may adversely affect the Group's business

The Group is a general trading company engaged in a wide range of business activities and undertakes operations through its offices, branches and subsidiaries located in over 60 countries, including Japan. Since the business activities of the Group encompass a variety of commercial and investment activities in a broad range of industrial sectors in Japan and abroad, the Group is affected by not only the general economic conditions of Japan, but also the general economic conditions of those other countries in which it operates and the world economy as a whole.

In some countries in which the Group operates, the Group may be presently exposed to the risk of deflation, currency depreciation or liquidity crises, or have some concerns that such conditions would occur in the future. Moreover, certain key countries for the Group's operations may be under the threat of possible terrorist attacks and political instability. If any of these risks materialises, the Group's operations and business may be materially and adversely affected.

The Group is subject to intense competition

The markets for many of the industries in which the Group operates are intensely competitive. For many of the Group's businesses, the Group is involved at all levels of the supply chain and compete with companies that are engaged in the same businesses, but which may be more specialised. The Group also competes with other integrated trading companies in Japan, which often establish and pursue similar strategic business plans as the Group's. Competitors may have stronger relationships and associations with the Group's current or potential customers, suppliers, counterparties and business partners. Competitors may also have greater financial, technical, marketing, distribution, information, human and other resources than the Group and may be stronger in certain of the market segments in which the Group operates. In this intensely competitive environment, the Group's results of operations will be adversely affected if the Group is unable to:

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

The Group is exposed to the credit risks of its customers and transaction counterparties

The Group extends credit to customers in various forms, such as accounts receivable, advances, loans, guarantees and other instruments. The Group's customers also include companies in which the Group holds

equity interests. For such customers, the Group is exposed to both credit risk as well as investment risk. The Group also enters into various swaps and other derivative transactions primarily for hedging purposes and have counterparty risk in relation to such contracts. The Group's business, results of operations and financial conditions may be adversely affected if the Group's customers or counterparties fail to meet their financial or contractual obligations to the Group.

The Group takes a number of measures to manage its credit risks, including performing credit checks on customers based on its internal credit rating system, obtaining collateral or guarantees and seeking to build a diversified customer base. In preparation for possible loan losses, the Group makes allowances for doubtful receivables based on certain assumptions, estimates and assessments about the creditworthiness of its customers, the value of the collateral it holds and other considerations. However, there is no assurance that such measures will be sufficient to avoid losses that may arise from credit risk, and the Group's assumptions, estimates and assessments might not be correct. In addition, if general economic conditions deteriorate, if the factors which formed the basis for the Group's assumptions, estimates and assessments change, or if the Group is more adversely affected by other factors than anticipated, the Group may incur actual losses materially in excess of its allowances and its operating results may be materially and adversely affected.

The Group might incur losses from its investment activities and strategic business alliances

In connection with the Group's corporate strategy and the development of its business opportunities, the Group has acquired or made investments in newly established or existing companies and intends to continue to do so in the future. The Group sometimes extends credit, including by way of credit sales, loans and guaranties, to these companies. Certain of the Group's business investments require the Group to commit substantial capital resources, and the Group may in some instances be required to contribute additional funds. There is no assurance that the Group will be able to achieve the benefits expected from such investments. In addition, since a substantial portion of the Group's business investments is illiquid, the Group may not be able to exit from such investments at the timing or in the manner that it intends.

The Group sometimes enters into partnerships, joint ventures or strategic business alliances with various third parties. In some cases, the Group does not control the operations and assets of the companies in which it invests, nor can it make major decisions in relation to such investments without the consent of other shareholders or participants, or might not have the right to or any involvement in such decisions at all. Such lack of management control exposes the Group to risks. In addition, if the Group is unable to continue with any one or more of its partnerships, joint ventures or strategic business alliances, whether for the above-mentioned reasons or otherwise, the Group's business could be materially adversely affected.

In order to mitigate these risks, the Group in principle invests only in projects that meet its investment criteria, which reflect the specific business risks associated to each case. At the same time, for any large or important projects that could have a major impact on the entire Group, the Business Unit Investment Committee and Company Investment Committee which includes Corporate Group members would be held at the investment targeting stage and at the decision-making stage to analyse the project risks, including from a 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. However, there is no assurance that such decision making and monitoring process can ensure the success of the Group's investment projects, and the Group's business and operating results could be materially and adversely affected if it incurs losses on its investments.

The Group is exposed to risks relating to mineral resources, oil and gas development projects

The Group has significant investments in mineral resources, oil and gas development projects. These projects are exposed to a number of risks, including:

- the prices of mineral resources, oil and gas are subject to drastic fluctuations in the international market, and any significant or rapid fall in prices could have a material adverse effect on the revenue and profitability of the project in which the Group invests, and may require the Group to record significant impairment losses;
- development of projects may face schedule delays or cost overruns compared to original plans;
- the Group appoints an expert to estimate the reserves before participating in each project, but such estimates may turn out to be inaccurate and the reserve that may be economically explored might be significantly less than estimated;
- production may be lower than originally planned or production cost may increase due to unexpected technical constraints or challenges; and
- a project may not be able to proceed according to plan due to regulatory or governmental actions, including delays in granting or renewing required approvals, change of tax treatment or law, expropriation of business property or other encroachment of rights.

In the event any such risks materialise, the Group's business, operating results and financial condition may be materially and adversely affected.

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

The Group is subject to a number of market risks, including interest rates, currency exchange rates and commodity prices.

The Group is exposed to interest rate risks through the debt financing that it uses to finance its operations, including in the form of loans from financial institutions or the issuance of corporate bonds and commercial paper. The Group also takes interest rate risks when extending credit to its customers and suppliers, including in the form of loans, guarantees, advances and other financing means. For example, through several subsidiaries, the Group is engaged in the motor vehicle financing and leasing businesses, in Japan and other countries. Interest income and expenses arising from, as well as the fair value of the Group's assets and liabilities relating to, such financing transactions may be affected by interest rate fluctuations.

Foreign currency exchange rate fluctuations can affect the yen value of the Group's revenues and expenses arising from its foreign currency-denominated investments and transactions, as well as the yen value of the Group's foreign currency-denominated assets and liabilities. Currency exchange rate fluctuations can also affect the yen amount to be recorded on the Company's financial statements in relation to its overseas consolidated subsidiaries and affiliates. Although the Group seeks to manage its exposure to interest rates and currency exchange risks, primarily by using various derivative instruments, it is not possible to fully insulate itself from the effects of fluctuations in interest rates and currency exchange rates.

As a participant in the global commodities markets, the Group trades in a variety of commodities, including mineral, metal, chemical, energy and agricultural products. As such, it may be adversely affected by the fluctuations in the prices of the relevant commodities. Although the Group attempts to reduce its exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilising derivative instruments for hedging purposes, such measures do not fully mitigate the effects of commodity price movements.

Decline in real estate market and impairment of fixed assets

The Group's real estate business involves the development, leasing and management of office buildings and commercial and residential properties in Japan and abroad. If the real estate market deteriorates, the Group's results of operations and financial condition could be materially adversely affected.

In addition, if land prices and rental values decline, the Group may be required to write down the value of land and buildings held for lease or land and other property held for development. In addition to real estate, Group's property, plant and equipment is also subject to the risk of impairment. In such events, the Group's 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 the Group's investments consists of marketable equity securities, particularly those of Japanese companies. If the equity market in general, including the Japanese equity market, or any individual stock held by the Group suffers any decline in the future, the Group may be required to incur impairment losses for its equity securities, thereby having a material adverse effect on the results of operation and financial condition of the Group.

Risks regarding uncertainty about retirement benefit obligations

The Group maintains non-contributory defined benefit pension plans and/or lump-sum retirement benefit plans, providing benefits based upon years of service, compensation at the time of severance and other factors. Each of these plans are funded by regular contributions from the Group and investment returns generated from plan assets. The Group may be required to make additional contributions to cover any funding shortfall if the fair value of the plan assets declines or if it is required to change its actuarial assumptions, for example due to increased life expectancy or poor investment returns. In addition, the Group may incur expenses related to the recognition of prior service costs as a result of plan amendments. Changes in interest rates, declines in the global equity and other markets and other factors may also negatively affect the amount of unfunded pension and retirement severance obligations and in turn the Group's results of operations and financial condition.

The Group has concentrated risk exposures to particular markets, entities or regions

Some parts of the Group's operations and businesses are concentrated in a few particular markets, entities or regions. For example, the Group is involved in a large power plant project, the automobile lease and finance business, liquefied natural gas projects and other business activities in Indonesia. If these operations and businesses do not perform as expected or if the economic conditions in those markets and regions deteriorate unexpectedly, it could have a disproportionately negative effect on the Group's businesses and results of operations.

Restrictions on access to liquidity and capital

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

Laws and regulations

The Group's 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,

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 the Group operates, the Group's operations may be subject to additional or future applicable laws and regulations. In addition, particularly in developing countries with relatively nascent legal systems, the Group's 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 the Group and restrictions in its operations or damage to its reputation. If that occurs, the Group's business, results of operations and financial condition could be materially adversely affected.

Legal action risks

Entities within the Group are party to a number of legal actions and other disputes in Japan and overseas. In the normal course of the Group's business, lawsuits may also arise incidentally and claims that do not develop into lawsuits may be brought against the Group. Due to the inherent uncertainty of litigation, it is not possible to predict the ultimate outcome of the actions in which the Group is involved. There can be no assurance that the Group will prevail in any action or that it will not be materially adversely affected by such action in the future.

Non-compliance by officers and employees with applicable laws and regulations and internal policies and management of information and communications systems

The Group conducts business activities globally across a broad range of industries and day-to-day operations are necessarily decentralised. The nature of the Group's operations requires extensive internal controls and management oversight to ensure compliance by officers and employees with applicable laws and regulations and internal policies. There is no assurance that there will be success in preventing misconduct by the Group's officers and employees through internal control and compliance systems. Such misconduct could have a material adverse effect on the Group's results of operations, expose the Group to legal and financial risks and compromise its reputation.

The Group depends on the proper functioning of its information and communications systems to maintain global operations. System malfunction and external cyber-attacks may result in disruptions of operations, which may have a material adverse effect on the Group's business and financial results.

Risk management systems

The Group conducts business through industry-based business units and regional operations, both domestically and overseas, and is expanding its business activities into new areas. Accordingly, in addition to the risks and uncertainties that the Group faces as a whole as an integrated trading company, each of the industry-based business units and regional operations may be subject to risks inherent in or relating to each industry, market and/or geographic focus.

The Group's existing risk management systems, which consist of various elements from risk measurement methodology and information system to internal rule and organisation structure, may not work satisfactorily with respect to various risks. Furthermore, the Group may have no experience or only limited experience with the risks relating to its new business activities, products and services. In such cases, the Group's 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 disaster risk

The occurrence of natural disasters such as earthquake, tsunami, torrential rain, flood or epidemic outbreak in the region or countries where the Group operates may adversely affect its operations and results. While the Group has implemented a number of measures to mitigate the risk or impact of natural disasters, including the preparation of disaster contingency manuals, adoption of business continuity plans, introduction of an employee safety confirmation system, maintaining stock of emergency supplies, conducting emergency drills, reinforcing buildings and structures for earthquake resistance and engaging in regular back-up of data, there is no assurance that the Group can fully avoid damage from disasters.

Factors which are material for the purpose of assessing the Bonds

Modification and waivers

The Conditions contain provisions for calling meetings of Bondholders (as defined in the Conditions) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Change of law

The Conditions are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision, or change to English law or administrative practice, after the date of this Offering Circular.

Integral multiples of less than U.S.\$200,000

The denomination of the Bonds is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. A Bondholder who, as a result of trading the Bonds, holds a principal amount of less than U.S.\$200,000 will not receive a definitive certificate evidencing the Bond in respect of such holding (should definitive certificates be printed) and would need to purchase an additional principal amount of Bonds.

Credit ratings may not reflect all risks

The Company is rated Baa1 by Moody's and A- by S&P, each with a negative outlook. It is expected that the Bonds will be assigned a credit rating of Baa1 by Moody's and A- by S&P. In addition, other rating agencies may assign credit ratings to the Bonds without solicitation from or provision of information by the Company. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Bonds, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the number of potential investors in the Bonds and adversely affect the price and liquidity of the Bonds. A credit rating is based upon information furnished by the Company or obtained by the rating agency from its own sources and is subject to suspension, reduction or withdrawal by the rating agency at any time. A credit rating is not a recommendation to buy, sell or hold securities. Any adverse change in an applicable credit rating could affect the trading price for the Bonds.

The insolvency laws of Japan and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar

Because the Company is incorporated under the laws of Japan, any insolvency proceeding relating to the Company would likely involve Japanese insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

A trading market for the Bonds may not develop

The Bonds are a new issue of securities for which there is currently no trading market. The Bonds may have no established trading market when issued, and there can be no assurance as to the liquidity of any market that may develop for the Bonds or the prices at which investors will be able to sell Bonds, if at all. Future trading prices of the Bonds will depend on many factors, including:

- prevailing interest rates;
- the Group's financial condition and results of operations;
- the then-current ratings assigned to the Bonds;
- the market for similar securities; and
- general economic conditions.

Any trading market that may develop would be affected by many factors independent of and in addition to the foregoing, including the outstanding amount of the Bonds and the level, direction and volatility of market interest rates generally and time remaining to the maturity of the Bonds.

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- (iv) understand thoroughly the Conditions of the Bonds; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Interest rate risks

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Exchange rate risks

The Company will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than U.S. dollars.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether, and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Bonds. In

addition, financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Risk related to forward-looking statements

Forward-looking statements in this offering circular involve risks and uncertainties

Statements in this Offering Circular with respect to the Company's plans, strategies, projected financial figures and beliefs, as well as other statements that are not historical facts are forward-looking statements involving risks and uncertainties. Certain factors that could cause actual results to differ materially from such statements include, but are not limited to, the impact of general economic and market conditions in the markets where the Company operates, the level of competition, and the Company's ability to adapt itself to market, industry and general economic, political and business conditions.

Conditions of the Bonds

The following conditions of the Bonds (the “Conditions”), save for paragraphs in italics, will be endorsed on the Certificates (as defined below) evidencing the Bonds (as defined below).

The issue of the U.S.\$500,000,000 2.50 per cent Bonds due 2022 (the “Bonds”) was authorised by a resolution of the Board of Directors of Sumitomo Corporation (the “Company”) passed on 28 July 2017. A fiscal agency agreement dated 13 September 2017 (the “Fiscal Agency Agreement”) has been entered into in relation to the Bonds among the Company, Citibank, N.A., London Branch as fiscal agent, paying agent and registrar, and any further paying agents named in it. The fiscal agent, registrar and paying agents for the time being are referred to below, respectively, as the “Fiscal Agent”, the “Registrar” and the “Paying Agents” (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the certificate in respect of the Bonds. The Bonds have the benefit of a deed of covenant dated 13 September 2017 (the “Deed of Covenant”) executed by the Company in relation to the Bonds. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of the Fiscal Agent. Bondholders (as defined below) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

1 Form, Denomination, Title and Transfer of Bonds

- (a) **Form and Denomination:** The Bonds are serially numbered and in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof and are not exchangeable for bonds in bearer form. A bond certificate (each, a “Certificate”) will be issued in respect of each holding of the Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the “Register”) of holders of Bonds to be kept by the Registrar in accordance with Condition 1(c)(i).
- (b) **Title:** Title to the Bonds passes only by transfer and registration of title in the Register. The holder (as defined below) of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it, or its theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, “Bondholder” and “holder” mean the person in whose name the Bond is registered.

Upon issue, the Bonds will be represented by a Global Certificate deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

These Conditions applicable to the Bonds are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by a Global Certificate will not be entitled to receive definitive certificates in respect of their individual holdings of the Bonds.

- (c) **Transfer of Bonds**
- (i) **The Register:** The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Fiscal Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and redemptions of the Bonds.
- (ii) **Transfers:** A Bond may be transferred upon the surrender at the specified offices of the Registrar or the Fiscal Agent of the Certificate representing such Bond, together with the form

of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and executed and any other evidence as the Registrar and the Fiscal Agent may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. Where some only of the Bonds in respect of which a Certificate is issued, are transferred, a new Certificate, in respect of the Bonds, not so transferred, will be issued. No transfer may be made which would result in the principal amount of Bonds held by a holder and in respect of which a Certificate is to be issued being less than U.S.\$200,000. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Fiscal Agent or the Registrar to any Bondholder upon request.

Transfers of interests in the Bonds represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Provisions Relating to the Bonds While in Global Form".

- (iii) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 1(c)(ii) shall be available for delivery within three Transfer Business Days (as defined below) of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or the Fiscal Agent to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense), unless such holder requests otherwise and pays in advance to the Registrar or the Fiscal Agent (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the Fiscal Agent (as the case may be).

- (iv) **Formalities Free of Charge:** Registration of a transfer of Bonds and issue of Certificates in relation thereto shall be effected without charge by or on behalf of the Company, the Registrar or the Fiscal Agent, but upon (A) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the Fiscal Agent may require); and (B) the Company and the Registrar or the Fiscal Agent being reasonably satisfied that the regulations concerning transfer of Bonds have been satisfied.
- (v) **No Registration of Transfer:** No Bondholder may require the transfer of a Bond to be registered (A) during the period of seven days ending on (and including) the due date for redemption pursuant to Condition 5(a), (B) after a notice of redemption has been given pursuant to Condition 5(b), or (C) during the period commencing on (and including) any Interest Record Date (as defined in Condition 6(a)) and ending on the immediately following Interest Payment Date (as defined in Condition 4).

2 Status

The Bonds constitute (subject to Condition 3) direct, unconditional, unsubordinated and unsecured obligations of the Company ranking *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for obligations preferred by mandatory provisions of law and subject to Condition 3, rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

3 Negative Pledge

So long as any Bond remains outstanding the Company will not create or permit to be outstanding any mortgage, charge, pledge, lien or other security interest upon the whole or any part of the property or assets, present or future, of the Company to secure (i) payment of any sum due in respect of any Securities (as defined below) or (ii) any payment under any guarantee of Securities or (iii) any payment under any indemnity or other like obligation in respect of Securities, in any such case in which:

- (a) either such Securities are by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen, or such Securities are denominated in Japanese yen and more than 50 per cent, of the aggregate principal amount thereof is initially offered or distributed outside Japan by or with the authorisation of the Company; and
- (b) such Securities are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan,

without in any such case at the same time according to the Bonds the same security as is granted to or is outstanding in respect of such Securities or such guarantee, indemnity or other like obligation or such other security or guarantee as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Bondholders.

In these Conditions:

“Securities” means any indebtedness in the form of, or represented by, bonds, notes, debentures, or other similar securities of the Company or any other person, having an original maturity of more than one year from its date of issue.

4 Interest

The Bonds bear interest from and including 13 September 2017 at the rate of 2.50 per cent per annum, payable semi-annually in arrear in equal instalments of U.S.\$12.50 per Calculation Amount (as defined below) on 13 March and 13 September in each year commencing on 13 March 2018 (each an “Interest Payment Date”).

Each Bond will cease to bear interest from the due date for redemption unless, upon due surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified the Bondholders of its receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including 13 September 2017 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “Interest Period”.

Interest in respect of any Bond shall be calculated per U.S.\$1,000 in principal amount of the Bonds (the “Calculation Amount”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of 2.50 per cent, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

5 Redemption and Purchase

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 13 September 2022. The Bonds may not be redeemed at the option of the Company other than in accordance with these Conditions.
- (b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ prior notice to the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Company has or will become obliged to pay additional amounts as provided in Condition 7 as a result of any change in, or amendment to, or judicial decision relating to, the laws or regulations of Japan or any political sub-division or any authority thereof or therein having power to tax, or any change in the official application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 6 September 2017, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Company shall deliver to the Fiscal Agent a certificate signed by the Representative Director of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred and an opinion of tax counsel confirming such facts.
- (c) **Notice of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 5 shall be redeemed on the date specified in such notice in accordance with this Condition 5.
- (d) **Purchase:** The Company and its subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. Bonds purchased by the Company or any subsidiary may be held or resold or, at the discretion of the Company, be cancelled. The Bonds so purchased, while held by or on behalf of the Company or any of its subsidiaries, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a).
- (e) **Cancellation:** All Certificates in respect of Bonds so redeemed will be, and any Certificates in respect of Bonds purchased may be at the option of the Company, cancelled and thereafter may not be re-issued or resold.

6 Payments

- (a) **Method of Payment:** Payment of principal and interest payable on redemption of the Bonds will be made by transfer to the Registered Account (as defined below) of the Bondholder or by U.S. dollar cheque drawn on a bank in New York City mailed to the registered address of the Bondholder if it does not have a Registered Account. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of the relevant Paying Agent.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the “Interest Record Date”).

In these Conditions, “Registered Account” means a U.S. dollar account maintained by the payee with a bank in New York City, details of which appear on the Register at the close of business on the sixth day before the due date of payment.

- (b) **Payments Subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment or other laws to which the Company agrees to be subject, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payments on Business Days:** If the due date for payment of any amount of principal or interest in respect of any Bond is not a business day, then the holder thereof shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6, “business day” means a day on which commercial banks and foreign exchange markets are open for business in the specified office of the relevant Paying Agent and in New York City and Tokyo.
- (d) **Paying Agents and Registrar:** The initial Paying Agents and the Registrar and their initial specified offices are listed below. The Company reserves the right at any time to vary or terminate the appointment of any Paying Agent and the Registrar and appoint additional or other Paying Agents, provided that it will maintain (i) a Fiscal Agent, (ii) a Registrar, and (iii) a Paying Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require. Notice of any change in the Paying Agents, the Registrar or their specified offices will promptly be given to the Bondholders.

So long as the Bonds are represented by the Global Certificate and such Bonds are held on behalf of a clearing system, the requirement that the relevant Certificate shall be surrendered in order to receive payment shall not apply. Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

7 Taxation

All payments of principal and interest in respect of the Bonds by or on behalf of the Company will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or government charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Japan or any authority therein or thereof having power to tax unless such

withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In such event, the Company shall pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Bonds after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Bonds in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Bond:

- (a) **Japanese Law Requirements:** presented for payment by or on behalf of a holder (i) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (1) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below), and (2) an individual resident of Japan or a Japanese corporation that duly notifies the relevant Paying Agent of its status as not being subject to withholding or deduction by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on the Bonds through a payment handling agent in Japan appointed by it), or (ii) who fails to comply with the Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (iii) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of (x) being connected with Japan otherwise than by reason only of the holding of the Bond or the receipt of payment in respect of the Bonds or (y) having a special relationship with the Company as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended, the “Special Taxation Measures Act”); or
- (b) **Presented for Payment More than 30 Days after the Relevant Date:** where the Certificate in respect of the Bond is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Bonds by or on behalf of the Company, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “FATCA Withholding”). Neither the Company nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

In these Conditions:

“Designated Financial Institution” means a Japanese financial institution or financial instruments business operator falling under certain categories prescribed by the cabinet order under Article 6, Paragraph 9 of the Special Taxation Measures Act;

“Interest Recipient Information” means certain information prescribed by the Special Taxation Measures Act and the cabinet order and other regulations thereunder to enable the Participant to establish that such holder is exempted from the requirement for Japanese taxes to be withheld or deducted;

“Participant” means a participant of an international clearing organisation or a financial intermediary;

“Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the

date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Bondholders in accordance with Condition 13;

“principal” and/or “interest” shall be deemed to include any premium payable in respect of the Bonds and all additional amounts that may be payable under this Condition 7; and

“Written Application for Tax Exemption” means a written application for tax exemption (*hikazei tekiyo shinkokusho*) in a form obtainable from a Paying Agent stating, *inter alia*, the name and address of the Bondholders, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption.

8 Events of Default

If any of the following events (an “Event of Default”) shall have occurred:

- (a) **Non-Payment:** if the Company shall fail to pay any principal, premium, interest or any other payment due on any of the Bonds for a period of 14 days after it becomes due; or
- (b) **Breach of Other Obligations:** if the Company shall fail duly to perform or observe any other term, covenant or agreement contained in the Bonds for a period of 30 days after the date on which written notice of such failure, requiring the Company to remedy the same, shall first have been given to the Fiscal Agent by the holder of any Bond at the time outstanding; or
- (c) **Cross Default:** if any event of default, as defined in any indenture or instrument which evidences that, or under which, the Company has outstanding at the time that such event of default occurs indebtedness for borrowed money of U.S.\$10,000,000 (or the equivalent thereof in any other currency or currencies) or more, shall happen and be continuing and such indebtedness shall have been accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise have become due and payable, and such acceleration shall not have been stayed, rescinded or annulled within 10 days of the date on which written notice of such default shall first have been given to the Fiscal Agent by the holder of any Bond, or if any such indebtedness shall have reached its final maturity (or the expiration of any applicable grace period) and not have been paid, or if the Company shall fail to pay, when properly called upon to do so, any guarantee in respect of any such indebtedness for borrowed money of any person; or
- (d) **Decree of Insolvency/Dissolution:** if a decree or order by a court having jurisdiction shall have been entered adjudging the Company bankrupt or insolvent, or approving a petition seeking with respect to the Company a decree of commencement of reorganisation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act (as defined below, respectively) or any other similar applicable law of Japan, and such decree or order shall have continued undischarged and unstayed for a period of 60 days, or if a decree or order of a court having jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or of all or substantially all of the property, or for the winding-up or liquidation of the affairs, of the Company shall have been entered, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or
- (e) **Institution of Insolvency Proceedings:** if the Company shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of bankruptcy proceedings against it, or shall file a petition or answer or consent seeking reorganisation or arrangement under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar

applicable law of Japan or any other jurisdiction, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or its property, or shall make an assignment for the benefit of creditors, or shall stop payment or apply for suspension of payments within the meaning of the Bankruptcy Act or seek with respect to itself a decree of commencement of reorganisation procedure or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or corporate action shall be taken by the Company in furtherance of any of the aforesaid purposes; or

- (f) **Encumbrancer:** if a distress, execution or seizure before judgement is levied or enforced upon or sued out against all or substantially all of the property of the Company and is not discharged within 60 days thereof,

then any Bondholder for the time being may, by written notice given to the Fiscal Agent at its specified office, declare the principal amount of, and all interest accrued on, the Bonds held by the Bondholder to be due and payable upon the seventh day after the date on which such written notice is received by the Fiscal Agent (unless within such seven days all Events of Default have in respect of the Bonds been cured).

In these Conditions:

“Bankruptcy Act” means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

“Civil Rehabilitation Act” means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

“Companies Act” means the Companies Act of Japan (Act No. 86 of 2005, as amended); and

“Corporate Reorganisation Act” means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended).

9 Prescription

Claims in respect of principal and interest will become void unless made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

10 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Company may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11 Meetings of Bondholders and Modification

- (a) **Meetings of Bondholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Bondholders holding not less than 10 per cent in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary

Resolution will be one or more persons holding or representing not less than a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to amend, vary or terminate the Deed of Covenant in a manner which would materially and adversely affect the Bondholders or (v) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one quarter in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

- (b) **Written Resolutions:** The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent in principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.
- (c) **Modification of Fiscal Agency Agreement:** The Company shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders or if necessary to comply with mandatory provisions of law.

12 Further Issues

The Company may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 12 and forming a single series with the Bonds.

13 Notices

Notices to Bondholders will be valid if mailed to them at their respective addresses in the Register and published in one leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the later of (i) the seventh day after being so mailed and (ii) the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by these Conditions.

14 Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Company under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Company or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Bond, the Company shall indemnify it against any loss sustained by it as a result. In any event, the Company shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 14, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Company's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgment or order.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Jurisdiction

- (a) **Governing Law:** The Fiscal Agency Agreement, the Bonds, the Deed of Covenant and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("Proceedings") may be brought in such courts. The Company irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition 16 is for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** The Company irrevocably appoints the Managing Director for the time being of Sumitomo Corporation Capital Europe plc at 4th Floor, Vintners' Place, 68 Upper Thames Street, London EC4V 3BJ United Kingdom, as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Company). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Company irrevocably agrees to appoint a substitute process agent and shall immediately notify Bondholders of such appointment in accordance with Condition 13. Nothing shall affect the right to serve process in any manner permitted by law.

Provisions Relating to the Bonds While in Global Form

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of the relevant clearing system and their respective participants in accordance with the rules and procedures of the relevant clearing system and their respective direct and indirect participants.

Transfers of the holding of Bonds represented by the Global Certificate pursuant to Condition 1(c) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Bond is not paid when due,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the holder has given the Registrar not less than 30 days' notice at its specified office of the holder's intention to effect such transfer.

Upon issue, the Bonds will be represented by the Global Certificate. In the event that definitive certificates for the Bonds are issued, a Bondholder who holds a principal amount of less than U.S.\$200,000 will not receive a definitive certificate in respect of such holding and would need to purchase a principal amount of Bonds such that it holds an amount of U.S.\$200,000 or above in integral multiples of U.S.\$1,000 thereof.

Amendment to the Conditions

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions.

Payments

Payments of principal and interest in respect of the Bonds evidenced by the Global Certificate will be made without presentation or surrender of the Global Certificate to or to the order of the Fiscal Agent (as defined in the Conditions) or such other Paying Agent (as defined in the Conditions) as shall have been notified to the Bondholders for such purpose and without the requirement to be a business day in the location of the relevant Paying Agent.

All payments in respect of Bonds represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register (as defined in the Conditions) at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is registered in the name of a nominee on behalf of Euroclear and/or Clearstream, Luxembourg or any other clearing system, notices to Bondholders, including notices of redemption, shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, such other clearing system, for communication by it to accountholders entitled to the Bonds in substitution for publication and mailing as

required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to the relevant clearing system.

Meetings

The holder of the Bonds in respect of which the Global Certificate is issued shall be treated as being one person for the purposes of any quorum requirements of a meeting of the Bondholders in respect of the Bonds and, at any such meeting, as having one vote in respect of each U.S.\$1,000 of Bonds in respect of which the Global Certificate is issued.

Default

If principal in respect of any Bond is not paid when due and payable, the holder of a Bond represented by the Global Certificate may elect for direct enforcement rights against the Company under the terms of the Deed of Covenant (as defined in the Conditions) to come into effect in relation to a principal amount of Bonds up to an aggregate principal amount in respect of which failure to pay has occurred in favour of the persons entitled to such part of such Bonds as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Certificate and the corresponding entry in the Register kept by the Registrar will become void as to the specified Bonds.

Use of Proceeds

The net proceeds of the issue of the Bonds, after deducting commissions relating to the issue of the Bonds, which are expected to amount to approximately U.S.\$498 million, will be used for general corporate purposes.

Capitalisation and Indebtedness

The following table sets out the consolidated capitalisation and indebtedness of the Company as at 30 June 2017, which has been extracted without material adjustment from the Company's unaudited consolidated financial information as of the same date, and as adjusted to give effect to the issue of the Bonds:

	As at 30 June 2017	
	Actual	As adjusted
	<i>(Millions of yen)</i>	
Current liabilities:		
Bonds and borrowings.....	¥640,847	¥640,847
Total current liabilities.....	640,847	640,847
Non-current liabilities:		
Bonds and borrowings.....	2,730,771	2,730,771
Bonds now being issued	-	56,000
Total non-current liabilities	2,730,771	2,786,771
Equity		
Common stock:		
Authorised: 2,000,000,000 shares		
Issued and outstanding: 1,250,602,867 shares	219,279	219,279
Additional paid-in capital.....	264,124	264,124
Treasury stock	(3,043)	(3,043)
Other components of equity.....	310,798	310,798
Retained earnings	1,627,700	1,627,700
Equity attributable to owners of the parent.....	2,418,858	2,418,858
Non-controlling interests	118,040	118,040
Total equity	2,536,898	2,536,898
Total capitalisation and indebtedness	¥5,908,516	¥5,964,516

Notes:

- (1) Total capitalisation and indebtedness is a total of current liabilities, non-current liabilities and total equity.
- (2) Translation of the U.S. dollar amount of the Bonds into yen has been made at the rate of U.S.\$1.00 = ¥112.00, the approximate rate of exchange prevailing as at 30 June 2017.
- (3) There has been no material change in the total consolidated capitalisation and indebtedness of the Company or in the total amount of any contingent liabilities or guarantees since 30 June 2017.

Recent Business

Certain line items in the Group's consolidated statement of comprehensive income

The following is a description of certain line items in the Group's Consolidated Statement of Comprehensive Income:

Revenues

The Group categorises its revenues into sales of tangible products and sales of services and others.

The Group generates revenues from sales of tangible products:

- in connection with its wholesale, retail, manufacturing and processing operations;
- in connection with its real estate operations; and
- under long-term construction contracts, etc.

The Group generates revenues from the sale of services and others in connection with:

- services related to customised 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 Group enters 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 the Group acts as a principal; and
- fees and commissions received on transactions for which the Group acts 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, the Group recognises revenues from fees and commissions on a net basis.

As a result, sales of services and others contribute a larger portion of the Group's gross profit than they do of its revenues. For the year ended 31 March 2017, sales of services and others accounted for 12.3 per cent of the Group's total revenues, and the gross profit from sales of services and others accounted for 34.4 per cent of its 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 exceeds the recoverable amount of it, an impairment loss is recognised 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 the Group's asset portfolio, the Group may, at times, recognise gains and losses on sales of some of its real estate assets.

Dividends

Dividends reflect dividends declared by companies in which the Company holds interests other than its consolidated subsidiaries or equity-accounted investees.

Gain (loss) on securities and other investments, net

The Group maintains a significant level of investments in order to supplement its 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 recognised in profit or loss. Financial assets measured at amortised cost are initially measured at fair value (including directly attributable transaction costs). Subsequently, the carrying amount of the financial assets measured at amortised cost is calculated using the effective interest method, less impairment losses when necessary.

The Group recognises gains and losses on sales of its financial assets measured at amortised cost and investments in its consolidated subsidiaries or equity-accounted investees when the Group elects to sell investment holdings.

Share of profit (loss) of investments accounted for using the equity method

In connection with the Group's investment strategy and the development of business opportunities, the Group 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, the Group accounts for the earnings or losses of any such investee under the equity method when the level of the investment is between 20 per cent and 50 per cent 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 recognised in other comprehensive income.

Remeasurements of defined benefit pension plans

The Group recognises 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 recognised 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 IFRS.

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 recognised 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 recognised in other comprehensive income.

Critical Accounting Policies

The preparation of the Group’s consolidated financial statements in accordance with IFRS 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, the Group evaluates its 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 the Group’s significant accounting policies, including the critical accounting policies discussed below, see Note 3 to its consolidated financial statements for the year ended 31 March 2017.

The followings are the critical accounting policies that are important to the Group’s financial condition and results of operations and require significant management judgments and estimates:

Revenue recognition

Most of the Group’s revenues are the result (i) of the sale of tangible products in connection with wholesale, retail, manufacturing, and processing operations from which revenue is recognised 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 recognised 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 the Group’s ability to estimate these costs reliably. The impact of revisions of profit estimates on fixed price contracts is recognised 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 recognised 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. In recognising revenue from transactions, the Group must determine whether it is 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 recognise 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 the Group’s risks

and obligations in a certain type of transaction change, the determination of whether revenue should be recognised on a net or gross basis for that type of transaction may also change. The amounts of gross profit and profit attributable to owners of the parent are not affected by whether revenue is reported on a gross or net basis.

Factors that indicate that the Group is acting as a principal, and thus should recognise revenue on a gross basis include:

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

Factors that indicate that the Group is acting as an agent, and thus should recognise 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 amortised cost

The Group engages in a variety of businesses and carry financial assets measured at amortised cost. To ascertain whether these financial assets are impaired, the Group regularly assesses 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 recognised is determined based on estimated future cash flows discounted at the effective interest rate.

Financial assets measured at fair value

The Group carries financial assets measured at fair value such as marketable securities, and other investments. The Group has 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

The Group maintains significant non-current assets in the operation of its global business. The Group reviews non-current assets, such as real estate and intangibles subject to amortisation, 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. The Group also reviews 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, the Group estimates 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. The Group derives cash flow estimates from its historical experience and its internal management 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

The Group recognises deferred tax assets when, in management's judgment, it is more likely than not that the deferred tax assets, or a portion thereof, will be realised. In assessing the realisability of deferred tax assets, the Group must determine whether it 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. The Group considers 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 the Group's operations to generate future taxable income in the tax jurisdictions that give rise to the deferred tax assets could change its assessment as to the realisability of these assets.

Consolidated results for the three months ended 30 June 2017 compared to the three months ended 30 June 2016

Overview

This quarter was characterised by overall improvements across all business segments, resulting in improved revenues and profits. In the mineral resources business, operating conditions recovered in large part due to the effect of higher commodity prices. The tubular business benefited from an improvement in earnings in North America primarily due to the gradually recovering rig count and concentration of delivery. In the non-mineral business, stable performance was seen in the real estate business and leasing business, and the Group made progress in the development and construction of large-scale projects in the power infrastructure business.

Results

Total revenues

Total revenues for the three months ended 30 June 2017 increased by ¥203,123 million, or 22.1 per cent, to ¥1,124,167 million, compared to ¥921,044 million for the three months ended 30 June 2016. The increase was due to a number of factors, including an increase in earnings of the San Cristobal silver-zinc-lead mining project in Bolivia as well as coal mining projects in Australia, and solid performance of the real estate business.

Total cost

Total cost for the three months ended 30 June 2017 increased by ¥168,637 million, or 23.3 per cent, to ¥892,336 million, compared to ¥723,699 million for the three months ended 30 June 2016.

Gross profit

As a result of the above, gross profit for the three months ended 30 June 2017 increased by ¥34,486 million, or 17.5 per cent, to ¥231,831 million, compared to ¥197,345 million for the three months ended 30 June 2016.

Total other income (expenses)

Total other income (expenses) for the three months ended 30 June 2017 decreased by ¥12,271 million, or 6.8 per cent, to an expense of ¥169,429 million, compared to an expense of ¥181,700 million for the three months ended 30 June 2016.

Shares of profit (loss) of investments accounted for using the equity method

Shares of profit (loss) of investments accounted for using the equity method for the three months ended 30 June 2017 increased by ¥15,190 million, or 72.3 per cent, to ¥36,191 million, compared to ¥21,001 million for the three months ended 30 June 2016. This was primarily due to higher price of mineral resources and solid performances by the leasing business and the aluminium smelting business in Malaysia.

Profit before tax

Profit before tax for the three months ended 30 June 2017 increased by ¥65,889 million, or 175.3 per cent, to ¥103,479 million, compared to ¥37,590 million for the three months ended 30 June 2016.

Income tax expense

Income tax expense for the three months ended 30 June 2017 increased by ¥11,318 million, or 96.4 per cent, to ¥23,063 million, compared to ¥11,745 million for the three months ended 30 June 2016.

Profit

Profit for the three months ended 30 June 2017 increased by ¥54,571 million, or 211.1 per cent, to ¥80,416 million, compared to ¥25,845 million for the three months ended 30 June 2016.

Profit attributable to owners of the parent

Profit attributable to owners of the parent for the three months ended 30 June 2017 increased by ¥55,564 million, or 245.2 per cent, to ¥78,224 million, compared to ¥22,660 million for the three months ended 30 June 2016.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the three months ended 30 June 2017 decreased by ¥993 million, or 31.2 per cent, to ¥2,192 million, compared to ¥3,185 million for the three months ended 30 June 2016.

Operating results by business segment

The segment figures in the following discussion are before Corporate and Eliminations.

Metal Products

In the Metal Products segment, revenue for the three months ended 30 June 2017 increased by ¥287 million, or 0.3 per cent, to ¥111,958 million, compared to ¥111,671 million for the three months ended 30 June 2016.

In this segment, profit attributable to owners of the parent for the three months ended 30 June 2017 increased by ¥3,479 million, or 163.9 per cent, to ¥5,602 million compared to ¥2,123 million for the three months ended 30 June 2016, primarily due to stable performances of overseas steel service centres. In addition, shares in tubular products business in North America which had showed sluggish performance in the same period of the previous year was transferred from this segment to the Overseas Subsidiaries and Branches segment in this period.

Transportation & Construction Systems

In the Transportation & Construction Systems segment, revenue for the three months ended 30 June 2017 decreased by ¥22,263 million, or 18.3 per cent, to ¥99,676 million, compared to ¥121,939 million for the three months ended 30 June 2016.

In this segment, profit attributable to owners of the parent for the three months ended 30 June 2017 increased by ¥4,755 million, or 64.0 per cent, to ¥12,183 million, compared to ¥7,428 million for the three months ended 30 June 2016, primarily due to an increase in results for the leasing business and automotive financing business in Indonesia, despite a decrease in earnings caused by a transfer of shares in some subsidiaries in the Americas to the Overseas Subsidiaries and Branches segment.

Environment & Infrastructure

In the Environment & Infrastructure segment, revenue for the three months ended 30 June 2017 increased by ¥25,566 million, or 70.6 per cent, to ¥61,765 million, compared to ¥36,199 million for the three months ended 30 June 2016.

In this segment, profit attributable to owners of the parent for the three months ended 30 June 2017 increased by ¥3,145 million, or 113.9 per cent, to ¥5,906 million, compared to ¥2,761 million for the three months ended 30 June 2016, primarily due to stable performance of overseas independent power production (IPP) business and independent water and power production (IWPP) businesses, as well as progress in construction of large-scale projects in power infrastructure business.

Media, ICT, Lifestyle Related Goods & Services

In the Media, ICT, Lifestyle Related Goods & Services segment, revenue for the three months ended 30 June 2017 increased by ¥31,954 million, or 13.6 per cent, to ¥267,230 million, compared to ¥235,276 million for the three months ended 30 June 2016.

In this segment, profit attributable to owners of the parent for the three months ended 30 June 2017 increased by ¥5,696 million, or 36.8 per cent, to ¥21,179 million, compared to ¥15,483 million for the three months ended 30 June 2016, primarily due to the increased profits from domestic group companies and the real estate business.

Mineral Resources, Energy, Chemical & Electronics

In the Mineral Resources, Energy, Chemical & Electronics segment, revenue for the three months ended 30 June 2017 increased by ¥25,969 million, or 17.6 per cent, to ¥173,135 million, compared to ¥147,166 million for the three months ended 30 June 2016.

In this segment, profit attributable to owners of the parent for the three months ended 30 June 2017 was ¥15,112 million, whereas there was a loss of ¥12,906 million for the three months ended 30 June 2016, primarily due to an increase in revenue from the San Cristobal silver-zinc-lead mining project in Bolivia and coal mining project in Australia as a result of higher mineral resources prices.

Overseas Subsidiaries and Branches

In the Overseas Subsidiaries and Branches segment, revenue for the three months ended 30 June 2017 increased by ¥142,321 million, or 52.7 per cent, to ¥412,363 million, compared to ¥270,042 million for the three months ended 30 June 2016.

In this segment, profit attributable to owners of the parent for the three months ended 30 June 2017 increased by ¥12,179 million, or 314.4 per cent, to ¥16,053 million, compared to ¥3,874 million for the three months

ended 30 June 2016. This was primarily due to improvement in earnings in the tubular products business in North America, as well as a part of shares in subsidiaries in the Americas being transferred from each of the other business segments.

Consolidated results for the year ended 31 March 2017 compared to the year ended 31 March 2016

Overview

During the year ended 31 March 2017, the world economy as a whole showed signs of improvements even though limited growth was seen in certain sectors. Among developed countries, the U.S. economy underperformed compared to expectations particularly in terms of investments, while the economies in Europe and Japan were comparatively solid. Developing economies continued to see slowing growth rate, but remained on a recovering trend with the support of Chinese fiscal stimulus. Uncertainties remained as a result of Brexit and change in the U.S. presidential administration.

Domestically, economic activities remained solid due to the tightening of the employment market and improvements in salaries as well as increased inbound tourism in Japan. The low interest rate environment contributed to strong investments, particularly in relation to housing, even though capital expenditure stagnated compared to the year ended 31 March 2016.

For the year ended 31 March 2017, the Group made the following significant changes in accounting estimates, which had a material impact on its operating results:

- The Group recognised an impairment loss of ¥33,601 million relating to its copper and molybdenum mining business in Chile in the year ended 31 March 2017, due to the revision of the Group's long-term business plan for such mining business based on the performance of the mining operations at the time and the medium and long-term trends in copper prices. The impairment loss was included in "Share of profit (loss) of investments accounted for using the equity method" in the consolidated statements of comprehensive income.
- On 30 December 2011, Minera San Cristobal S.A. ("MSC"), which is a consolidated subsidiary of the Company in Bolivia, received a correction notice relating to its withholding tax returns from the Bolivian tax authority.

MSC made an appeal to the Supreme Court of Bolivia for the revocation of the corrected amount of the tax payment order issued by the General Authority of Taxes. In addition, MSC offered collateral in accordance with the procedures stipulated in applicable Bolivian law. The estimated correction in tax amount in the year ended 31 March 2016 was approximately U.S.\$185 million.

On 4 July 2016, an amended tax code and related regulations thereunder, including provisions for the reduction and exemption of delayed interests and penalties, were promulgated in Bolivia. Based on the consideration among local specialists, MSC withdrew its appeal to the Supreme Court in order to apply the amended tax code and regulations.

Consequently, in the year ended 31 March 2017, the correction in tax amount, being approximately U.S.\$106 million (or ¥10,886 million), was recognised as a loss under "Other, net" in the consolidated statements of comprehensive income. Such amount has already been paid.

Results

Total revenues

Total revenues for the year ended 31 March 2017 decreased by ¥13,834 million, or 0.3 per cent, to ¥3,996,974 million, compared to ¥4,010,808 million for the year ended 31 March 2016.

Total cost

Total cost for the year ended 31 March 2017 increased by ¥37,525 million, or 1.2 per cent, to ¥3,154,276 million, compared to ¥3,116,751 million for the year ended 31 March 2016.

Gross profit

Gross profit for the year ended 31 March 2017 decreased by ¥51,359 million, or 5.7 per cent, to ¥842,698 million, compared to ¥894,057 million for the year ended 31 March 2016. This was primarily due to the impact from the appreciation of the yen and a decrease in earnings of tubular products business in North America despite an increase in earnings of San Cristobal silver-zinc-lead mining project in Bolivia.

Total other expenses

Total other expenses for the year ended 31 March 2017 decreased by ¥46,765 million, or 6.0 per cent, to ¥733,570 million, compared to ¥780,335 million for the year ended 31 March 2016.

Shares of profit (loss) of investments accounted for using the equity method

Shares of profit of investments accounted for using the equity method for the year months ended 31 March 2017 was ¥83,457 million, whereas there was a loss of ¥53,815 million for the year ended 31 March 2016. The increase was mainly due to the amount of impairment loss being much smaller compared to the previous year and, to a lesser extent, increased profits from the leasing business and cable television business.

Profit before tax

Profit before tax for the year ended 31 March 2017 increased by ¥72,985 million, or 52.1 per cent, to ¥213,101 million, compared to ¥140,116 million for the year ended 31 March 2016.

Income tax expense

Income tax expense for the year ended 31 March 2017 decreased by ¥25,653 million, or 49.8 per cent, to ¥25,896 million, compared to ¥51,549 million for the year ended 31 March 2016.

Profit

Profit for the year ended 31 March 2017 increased by ¥98,638 million, or 111.4 per cent, to ¥187,205 million, compared to ¥88,567 million for the year ended 31 March 2016.

Profit attributable to owners of the parent

Profit attributable to owners of the parent for the year ended 31 March 2017 increased by ¥96,343 million, or 129.2 per cent, to ¥170,889 million, compared to ¥74,546 million for the year ended 31 March 2016.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests for the year ended 31 March 2017 increased by ¥2,295 million, or 16.4 per cent, to ¥16,316 million, compared to ¥14,021 million for the year ended 31 March 2016.

Operating results by business segment

On 1 April 2016, a part of the Group's battery business was transferred from the Environment & Infrastructure segment to the Transportation & Construction Systems segment. As a result, comparative segment information for the year ended 31 March 2016 contained in this Offering Circular and in the

consolidated financial statements for the year ended 31 March 2017 included herein has been reclassified accordingly.

The segment figures in the following discussion are before Corporate and Eliminations.

Metal Products

In the Metal Products segment, revenue for the year ended 31 March 2017 decreased by ¥71,274 million, or 12.8 per cent, to ¥485,148 million, compared to ¥556,422 million for the year ended 31 March 2016.

In this segment, profit attributable to owners of the parent for the year ended 31 March 2017 decreased by ¥2,064 million, or 17.2 per cent, to ¥9,966 million compared to ¥12,030 million for the year ended 31 March 2016. Although operations of overseas steel service centres showed stable performances, tubular products business in North America decreased in earnings.

Transportation & Construction Systems

In the Transportation & Construction Systems segment, revenue for the year ended 31 March 2017 decreased by ¥71,681 million, or 12.1 per cent, to ¥519,389 million, compared to ¥591,070 million for the year ended 31 March 2016.

In this segment, profit attributable to owners of the parent for the year ended 31 March 2017 decreased by ¥27,049 million, or 36.6 per cent, to ¥46,911 million, compared to ¥73,960 million for the year ended 31 March 2016. While leasing business and construction equipment rental business showed robust performances, there was a decrease in earnings of ship business due to lacklustre shipping market. In addition, there were profits on sale and revaluation of stocks stemming from the business reorganisation of the automobile financing business in Indonesia in the year ended 31 March 2016.

Environment & Infrastructure

In the Environment & Infrastructure segment, revenue for the year ended 31 March 2017 increased by ¥27,831 million, or 13.8 per cent, to ¥229,424 million, compared to ¥201,593 million for the year ended 31 March 2016.

In this segment, profit attributable to owners of the parent for the year ended 31 March 2017 decreased by ¥2,094 million, or 8.4 per cent, to ¥22,954 million, compared to ¥25,048 million for the year ended 31 March 2016. Although the overseas independent power production (IPP) business and independent water and power production (IWPP) businesses showed stable performance for the year ended 31 March 2017, there were profits from value realisation in renewable energy power generation businesses in the year ended 31 March 2016.

Media, ICT, Lifestyle Related Goods & Services

In the Media, ICT, Lifestyle Related Goods & Services segment, revenue for the year ended 31 March 2017 increased by ¥13,826 million, or 1.5 per cent, to ¥962,594 million, compared to ¥948,768 million for the year ended 31 March 2016.

In this segment, profit attributable to owners of the parent for the year ended 31 March 2017 increased by ¥12,771 million, or 19.7 per cent, to ¥77,550 million, compared to ¥64,779 million for the year ended 31 March 2016. This was primarily due to factors such as robust performances by domestic major group companies and real estate business, while an impairment loss of ¥9,824 million in the Grain business in Australia was posted in the year ended 31 March 2016.

Mineral Resources, Energy, Chemical & Electronics

In the Mineral Resources, Energy, Chemical & Electronics segment, revenue for the year ended 31 March 2017 increased by ¥226,844 million, or 53.1 per cent, to ¥653,990 million, compared to ¥427,146 million for the year ended 31 March 2016.

In this segment, loss attributable to owners of the parent for the year ended 31 March 2017 decreased by ¥134,412 million, or 88.7 per cent, to ¥17,200 million, compared to ¥151,612 million for the year ended 31 March 2016. This was primarily due to factors such as improvement in earnings resulting from higher mineral resource prices, although an impairment loss of ¥33,601 million for the copper and molybdenum mining business in Chile was recorded. In addition, there were impairment losses of ¥156,764 million in total posted in the year ended 31 March 2016 for several businesses including the Nickel mining and refining business in Madagascar, Iron ore mining projects in South Africa and Brazil.

Overseas Subsidiaries and Branches

In the Overseas Subsidiaries and Branches segment, revenue for the year ended 31 March 2017 decreased by ¥139,796 million, or 10.8 per cent, to ¥1,154,743 million, compared to ¥1,294,539 million for the year ended 31 March 2016.

In this segment, profit attributable to owners of the parent for the year ended 31 March 2017 decreased by ¥1,112 million, or 5.3 per cent, to ¥19,979 million, compared to ¥21,091 million for the year ended 31 March 2016. This was primarily due to factors such as a decrease in earnings of tubular products business in North America, while there were realised gains resulting from asset replacement and impairment losses of ¥23,550 million in total for several businesses, including Edgen group and Grain business in Australia in the year ended 31 March 2016.

Consolidated statement of financial position as at 30 June 2017 compared to consolidated statement of financial position as at 31 March 2017

Total assets as at 30 June 2017 decreased by ¥74,948 million, or 1.0 per cent, to ¥7,686,846 million, compared to ¥7,761,794 million as at 31 March 2017. This was primarily due to a decrease from asset replacements despite there being an increase resulting from execution of investments and loans.

Total liabilities as at 30 June 2017 decreased by ¥124,891 million, or 2.4 per cent, to ¥5,149,948 million, compared to ¥5,274,839 million as at 31 March 2017.

Total equity as at 30 June 2017 increased by ¥49,943 million, or 2.0 per cent, to ¥2,536,898 million, compared to ¥2,486,955 million as at 31 March 2017. This was primarily due to an increase in retained earnings.

Consolidated statement of financial position as at 31 March 2017 compared to consolidated statement of financial position as at 31 March 2016

Total assets as at 31 March 2017 decreased by ¥56,024 million, or 0.7 per cent, to ¥7,761,794 million, compared to ¥7,817,818 million as at 31 March 2016. This was primarily due to a decrease from asset replacement despite an increase resulting from execution of investment and loans.

Total liabilities as at 31 March 2017 decreased by ¥151,034 million, or 2.8 per cent, to ¥5,274,839 million, compared to ¥5,425,873 million as at 31 March 2016.

Total equity as at 31 March 2017 increased by ¥95,010 million, or 4.0 per cent, to ¥2,486,955 million, compared to ¥2,391,945 million as at 31 March 2016. This was primarily due to an increase in retained earnings.

Cash flows for the three months ended 30 June 2017 compared to the three months ended 30 June 2016

Net cash used in operating activities for the three months ended 30 June 2017 was ¥7,913 million whereas there was net cash provided by operating activities of ¥119,631 million for the three months ended 30 June 2016. This reflected an increase in working capital despite core businesses such as the Media, ICT, Lifestyle Related Goods & Services segment performed well in generating cash.

Net cash used in investing activities for the three months ended 30 June 2017 decreased by ¥11,082 million, or 22.6 per cent, to ¥37,895 million, compared to ¥48,977 million for the three months ended 30 June 2016. The Group recovered funds of approximately ¥50.0 billion through the partial sale of office buildings in the United States and asset replacements, however, this was offset by the execution of investments and loans of approximately ¥70.0 billion primarily for participating in the water concession business in Brazil and the purchase of shares in Sumitomo Precision Products Co., Ltd.

Net cash used in financing activities for the three months ended 30 June 2017 decreased by ¥24,030 million, or 25.5 per cent, to ¥70,044 million, compared to ¥94,074 million for the three months ended 30 June 2016. This was primarily due to debt repayment and dividend payment.

As a result of the foregoing factors, cash and cash equivalents as at 30 June 2017 decreased by ¥156,557 million, or 19.2 per cent, to ¥660,649 million, compared to ¥817,206 million as at 30 June 2016.

Cash flows for the year ended 31 March 2017 compared to the year ended 31 March 2016

Net cash provided by operating activities for the year ended 31 March 2017 decreased by ¥253,920 million, or 42.3 per cent, to ¥345,788 million, compared to ¥599,708 million for the year ended 31 March 2016. This reflected the favourable performance of the Group's core business, including the Media, ICT, Lifestyle Related Goods & Services segment.

Net cash used in investing activities for the year ended 31 March 2017 increased by ¥95,225 million, or 111.4 per cent, to ¥180,673 million, compared to ¥85,448 million for the year ended 31 March 2016. This reflected the increase in loans primarily used for acquiring office buildings in the U.S. and Fyffes plc. The Group also recovered funds of approximately ¥180.0 billion through asset replacement such as the sale of interests in Batu Hijau Copper Gold Mine in Indonesia and shares in Soukai Drug Co., Ltd.

Net cash used in financing activities for the year ended 31 March 2017 decreased by ¥252,709 million, or 49.8 per cent, to ¥254,448 million, compared to ¥507,157 million for the year ended 31 March 2016. This was primarily due to the repayment of debt as well as the payment of dividends.

As a result of the foregoing factors, cash and cash equivalents as at 31 March 2017 decreased by ¥92,291 million, or 10.6 per cent, to ¥776,464 million, compared to ¥868,755 million as at 31 March 2016.

Funding

The Group's principal source of funding include short and long-term borrowings from financial institutions, the issuance of corporate bonds and commercial papers and cash flows from operations. As of 31 March

2017, the Group had several committed lines of credit available for immediate borrowing, providing an aggregate of up to U.S.\$1,260 million and ¥445 billion in short-term loans. In addition, the Company and certain of its subsidiaries maintain debt issuance programmes, including a ¥200 billion Japanese shelf registration for primary debt offering, a ¥1.0 trillion commercial paper programme in Japan, a U.S.\$1.5 billion U.S. commercial paper programme, a U.S.\$3.0 billion euro medium term notes programme, and a U.S.\$1.5 billion euro commercial paper programme.

As at 31 March 2017, the Group's bonds and borrowings amounted to ¥3,418,326 million, of which ¥2,255,442 million was incurred by the Company and ¥1,162,884 million by the Company's consolidated subsidiaries. Of the Group's bonds and borrowings, commercial papers and bonds accounted for ¥436,636 million and borrowings accounted for the remaining ¥2,981,690 million. The following table provides information with respect to the maturity spread of the Group's bonds and borrowing as at 31 March 2017.

Maturity	As at 31 March 2017
	<i>(Billions of yen)</i>
Under 1 year	¥659.3
1 year to under 2 years	407.1
2 years to under 3 years	461.1
3 years to under 4 years	366.0
4 years to under 5 years	264.9
5 years or above	1,260.0
Total	<u>¥3,418.3</u>

Business

Overview

The Company is an integrated trading company engaged in a wide range of business activities on a global basis. The Group's business foundation consists of its longstanding reputation, transactional relationships with over 100,000 companies around the world, a global network of offices and operating subsidiaries worldwide, intellectual capital and advanced capabilities in business development, logistic solutions, financial services, IT solutions, risk management and intelligence gathering and analysis. By integrating these elements, the Group provides a diverse array of value to its customers.

Under this business framework, the Group engages in the general trading of a wide range of goods and commodities and in various business activities. The Group acts either as a principal or an agent in these trading transactions. The Group also provides a range of services for a variety of industries, including 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 Group engages 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.

In the year ended 31 March 2017, the Group recorded gross profit and profit for the year attributable to owners of parent of ¥187,205 million and ¥170,889 million, respectively.

The Company's registered head office is located at 8-11, Harumi 1-chome, Chuo-ku, Tokyo 104-8610. As of 1 May 2017, the Group operated a network of 130 office locations (including offices of overseas subsidiaries) in Japan and 65 other countries. The Company had over 70,000 full-time employees on a consolidated basis as of 31 March 2017.

History

The legal entity that is now Sumitomo Corporation was incorporated as a joint stock corporation under the laws of Japan on 24 December 1919 and named as "*Osaka Hokko Kabushiki Kaisha* (Osaka North Harbour Company Limited)". The Company was initially engaged in the real estate management and engineering business. In 1945, the Company began its trading business and in 1952, it adopted the corporate name "*Sumitomo Shoji Kabushiki Kaisha* (Sumitomo Shoji Kaisha, Ltd.)". In 1978, the Company adopted the English company name of "Sumitomo Corporation". From the early 1960s through to the 1980s, the Group expanded its trading business, focusing its activities on imports and exports. Since the late 1980s, the Group has diversified its business and has entered new industries such as information technology, biotechnology and clean energy.

Financial Highlights

The following table sets forth selected financial data of the Group extracted without material adjustment from its audited financial statements as at, and for the years ended, 31 March 2015, 2016 and 2017 prepared in accordance with IFRS and from its unaudited consolidated financial information as at, and for the three months ended, 30 June 2017 prepared on the basis of IFRS in accordance with the regulations for quarterly financial results announcements (*kessan tanshin*).

	For the year ended 31 March			For the three months ended
	2015	2016	2017	30 June 2017
	<i>(Billions of yen, unless otherwise specified)</i>			
Results of operations:				
Revenues	¥3,762.2	¥4,010.8	¥3,997.0	¥1,124.2
Gross profit	952.9	894.1	842.7	231.8
Financial income (costs), net	16.7	80.2	20.5	4.9
Interest expense, net of interest income	(13.0)	(2.6)	(1.7)	(1.5)
Dividends	17.2	10.6	9.4	4.7
Share of profit (loss) of investments accounted for using the equity method	49.1	(53.8)	83.5	36.2
Profit (loss) attributable to owners of the parent	(73.2)	74.5	170.9	78.2
Cash flows:				
Net cash provided by (used in) operating activities	¥243.7	¥599.7	¥345.8	¥(7.9)
Net cash used in investing activities	(399.6)	(85.4)	(180.7)	(37.9)
Free cash flows ⁽¹⁾	(155.9)	514.3	165.1	(45.8)
Net cash used in financing activities	(74.8)	(507.2)	(254.4)	(70.0)
Other financial measures:				
Basic profit ⁽²⁾	¥246.3	¥193.2	¥226.7	¥77.4
Basic profit cash flow ⁽³⁾	203.6	204.3	210.6	105.9
Return on equity ⁽⁴⁾ (%)	(3.0)	3.2	7.4	-
Return on assets ⁽⁵⁾ (%)	(0.8)	0.9	2.2	-

	<u>As at 31 March</u>			<u>As at 30 June</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>

(Billions of yen, unless otherwise specified)

Financial position:

Total assets	¥9,021.4	¥7,817.8	¥7,761.8	¥7,686.8
Equity attributable to owners of the parent	2,481.4	2,251.5	2,366.5	2,418.9
Interest-bearing liabilities (net) ⁽⁶⁾	3,517.5	2,770.3	2,627.9	2,696.9

Other financial measures:

Debt equity ratio (net) ⁽⁷⁾ (times)	1.4	1.2	1.1	1.1
Equity attributable to owners of the parent ratio ⁽⁸⁾ (%)	27.5	28.8	30.5	31.5

Notes:

- (1) Free cash flows = Net cash provided by (used in) operating activities + Net cash used in investing activities
- (2) “Basic profit” is a key financial measure used by the Company to evaluate the underlying profitability of its individual business units or the Group as a whole, seeking to remove the impact of impairment losses, provision for doubtful receivables, extraordinary items and gain (loss) on securities and other investments (other than at the level of equity method affiliates). Basic profit is calculated using the following formula:
- $$\text{Basic profit} = (\text{Gross profit} + \text{Selling, general and administrative expenses (excluding provision for doubtful receivables)} + \text{Interest expense, net of interest income} + \text{Dividends}) \times (1 - \text{Tax rate}) + \text{Share of profit (loss) of investments accounted for using the equity method}$$
- In the above formula, each expense item is expressed as a negative figure.
- In addition, the tax rate used was 36 per cent for the year ended 31 March 2015, 33 per cent for the year ended 31 March 2016 and 31 per cent for the year ended 31 March 2017.
- Based on the above formula, basic profit was ¥184.0 billion, ¥46.5 billion and ¥193.1 billion for the years ended 31 March 2015, 2016 and 2017, respectively.
- The basic profit figures for the years ended 31 March 2015, 2016 and 2017 included in the table above, however, exclude the impact of impairment losses which have been included in “Share of profit (loss) of investments accounted for using the equity method”.
- (3) 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
- (4) Return on equity = Profit (loss) for the year attributable to owners of the parent ÷ Equity attributable to owners of the parent (average of the yearend balance and previous yearend balance)
- (5) Return on assets = Profit (loss) for the year attributable to owners of the parent ÷ Total assets (average of the yearend balance and previous yearend balance)
- (6) Interest-bearing liabilities (net) = Bonds and borrowings – (Cash and cash equivalents + Time deposits)
- (7) Debt equity ratio (net) = Interest-bearing liabilities (net) ÷ Equity attributable to owners of the parent
- (8) Equity attributable to owners of the parent ratio = Equity attributable to owners of the parent ÷ total assets × 100%

Strategy

“Be the Best, Be the One 2017” – Medium-Term Management Plan

In April 2015, the Group adopted its new three-year medium-term management plan called “Be the Best, Be the One 2017” (the “Medium-Term Management Plan”). This was based on the theme of making group-wide efforts in overcoming issues and outlining a path toward the realisation of “What We Aim to Be in 2019, Our

Centennial Year”, in light of changes in the environments that surround the Group’s businesses as well as managerial issues that manifested in large scale impairment losses in the year ended 31 March 2015.

The Medium-Term Management Plan focuses on a number of key measures, including (i) promoting growth strategies; (ii) executing recovery strategy for mineral resources business and tubular products business; and (iii) securing financial soundness.

Promoting growth strategies

The Group is aiming to accomplish its Medium-Term Management Plan by promoting growth strategies and enhancing its earnings pillars.

The Group is continuing to pursue growth in its traditional areas of strength, including the automotive-related, infrastructure and lifestyle and information services fields, while at the same time placing emphasis on developing businesses in industries and regions with high growth potential in the mid- to long-term, such as the energy-related business and retail business in Asia. The Group is also undertaking initiatives to facilitate cross-organisation collaboration between business units to further leverage its strengths in various businesses.

Promoting managerial reforms

To improve discipline in its investments, the Group has strengthened its risk management system, in particular focusing on improving the process for reviewing and monitoring important investments, adopting a more rigorous standard on the acceptable threshold for risk-return premium, and better managing the concentration of exposure in any particular project, industry or region.

In addition, the Group has implemented a number of governance changes, including revising its decision-making process, whereby the Management Council was designated the highest decision-making body at the operational execution level, increasing the number of outside directors and making certain organisation changes to comply with the Japan’s Corporate Governance Code introduced in 2015.

Executing recovery strategy for mineral resources business and tubular products business

The Group is focused on improving the asset quality and risk management in its upstream mineral resources business, with continued cost reductions in the existing business.

In addition, the Group is focused on improving its risk management in the mineral resources business, including by reducing its risk exposure through early financial completion of key projects, managing concentration risk, improving methodology of project valuation, and establishing an expert organisation to strengthen its market analyses and technical evaluation abilities.

For existing projects, the Group is continuing to seek ways to improve operational efficiency and reduce costs, in order to improve profitability.

In addition, the Group is also pursuing higher efficiency and building a leaner operational structure in its tubular business.

Securing financial soundness

Through the various efforts described above, the Group has made steady progress in its business recovery, achieving cumulative basic profit cash flow of approximately ¥520 billion in the two years ended 31 March 2017 and three months ended 30 June 2017. The Group is undertaking an asset replacement programme to replace low margin and low efficiency assets with high quality ones, including in the mineral resources business. During the two years ended 31 March 2017 and three months ended 30 June 2017, the Group has

cumulatively generated proceeds of approximately ¥460 billion from assets replacement, and executed new and replacement investment of approximately ¥680 billion, across all of its business segments. The Group is planning to continue such efforts in the final year of the Medium-Term Management Plan.

As a result of its disciplined cash flow management, the Group has repaid approximately ¥480 billion in interest-bearing debt cumulatively in the two years ended 31 March 2017 and three months ended 30 June 2017 from the post-dividend cash flow that it has generated. As part of its efforts to ensure financial soundness, the Group will be focusing on, and believes it has made significant progress in the past two years in, regaining the balance between its core risk buffer¹ and risk-adjusted assets² to ensure that it will have an appropriate level of capital to absorb possible losses that might result from changes in market environment and market volatility.

Operations

The Group conducts business through five industry-based business segments (business units) and its overseas regional segment (Overseas Subsidiaries and Branches).

The Group's industry-based business segments are:

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

Each business segment operates with a degree of autonomy in pursuing its strategic goals, managing operations and ensuring accountability. Each business unit also has its own planning and coordination departments to strengthen the function of strategy design and its implementation support. The Group's 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 the Group's corporate targets and goals. The Group has designed its infrastructure to centralise and consolidate information from all of the business units and overseas operations to facilitate proper integration and risk control.

The segment figures in the following discussion are before Corporate and Eliminations.

Segment Operations

Metal Products

The Metal Products segment encompasses various metal products, including steel products such as steel sheets, tubular products (which are tubes that are used in oil and gas production, including drill pipe, casing and tubing), and non-ferrous metal products such as aluminium and titanium. This segment also has an

¹ Core risk buffer = Common Stock + Retained earnings + Foreign currency translation adjustments – Treasury stock, at cost

² Risk-adjusted assets is a measure used by the Company to estimate the value of maximum possible loss, and is calculated by aggregating the value of all assets, each multiplied by the risk weight assigned to it. Risk weight is calculated based on the Company's internal risk management methodologies.

extensive value chain that seeks to satisfy the diverse needs of customers in a broad range of fields. Activities of the segment are subdivided into the following fields:

- *Steel Sheet-Related Field* – this unit provides just-in-time delivery services for steel sheet products mainly to automotive and home appliance manufacturers via a worldwide steel service centre network, which provides functions including procurement, inventory management and processing. In the railway field, the unit is involved in the production and maintenance of steel sheets for railway-related products such as rails, wheels and axles. In the automobile-related field, the unit supplies steel products and parts.
- *Tubular Products Field* – this unit has functions as a total service provider by developing oil field services in addition to unique supply chain management system for oil and gas companies. The unit has strategic partnerships with prominent oil and gas companies and participates in oilfield equipment, materials and services businesses, which are closely related to oil country tubular goods businesses. The unit offers an integrated service in response to a rising demand for energy. The Company estimates that it holds a share of approximately 30 per cent in the oil country tubular goods market in the United States.³ Conditions in the tubular business had been challenging in the two years ended 31 March 2017 due to the oil price slump, but partly due to efforts by the Group to improve efficiency and build a lean operating structure in the tubular business, the basic profit for the tubular business has returned to profitability in the three months ended 30 June 2017.
- *Non-Ferrous Products & Metals Field*—a priority of this unit is to expand production and sales locations for aluminium ingot and sheets. It produces aluminium products for the automotive industry, including aluminium sheets for automobile bodies. It is also involved in the aluminium smelting business in Malaysia.

The Metal Products segment recorded revenue of ¥485,148 million, gross profit of ¥67,358 million and profit for the year (attributable to owners of the parent) of ¥9,966 million in the year ended 31 March 2017, and had total assets in the amount of ¥676,055 million as at 31 March 2017.

Transportation & Construction Systems

The Transportation & Construction Systems 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.

Activities of the segment are subdivided into the following fields:

- *Ship, Aerospace & Transportation Systems Field*—the Company is the only trading company in Japan having an equity stake in a shipbuilding company (Oshima Shipbuilding Co., Ltd.), which is operated under this unit. The Group is also involved in the ship-owning and operating business, as well as in aerospace-related businesses including aircraft and aircraft engine leasing. SMBC Aviation Capital, an equity method affiliate of the Company, is one of the world's leading companies in aircraft leasing.⁴
- *Automotive Field*—the unit is engaged in the entire automotive value chain on a global basis, from manufacturing automobile and automotive parts to distribution, retail and financial services.

³ Company estimates for recent years based on its own sales data and third party compiled market data.

⁴ In terms of number of aircraft owned or managed as of 31 December 2016.

- *Construction Equipment Field*—the unit deals in construction equipment, including manufacturing such equipment and offering repair and maintenance services. The unit also has a construction equipment rental business.

The Transportation & Construction Systems segment recorded revenue of ¥519,389 million, gross profit of ¥131,207 million and profit for the year (attributable to owners of the parent) of ¥46,911 million in the year ended 31 March 2017, and had total assets in the amount of ¥1,471,865 million as at 31 March 2017.

Environment & Infrastructure

The Environment & Infrastructure segment engages in a wide range of large-scale overseas infrastructure development projects such as power generation and power plant engineering, procurement and construction. 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 equipment, 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.

Activities of the segment are subdivided into the following fields:

- *Environment & Infrastructure Project Field*—the unit is involved in renewable energy businesses around the world focusing on wind and solar power generation and other sources of clean energy, electricity retail in Japan and water infrastructure business. As an example, the unit built Mozambique's first natural gas-fired combined-cycle thermal power plant in February 2016 and Tanzania's first such plant in the following month. The unit is also focusing on domestic electricity businesses in Japan where it is increasing its power generation capacity and retail functions and expanding its business in offshore wind power generation in Europe.
- *Global Power Infrastructure Field*—the unit is initiating new businesses involving rechargeable batteries in addition to the power infrastructure businesses the unit operates globally.
- *Logistics & Insurance Field*—the unit's logistics services include shipping, customs clearance and delivery. The unit also arranges various insurance contracts and develops and operates industrial parks overseas.

The Company believes it is able to achieve stable earnings from power generation due to its long-term contracts, and is currently working on expanding the net generation capacity of its overseas power generation projects.

The Environment & Infrastructure segment recorded revenue of ¥229,424 million, gross profit of ¥54,982 million and profit for the year (attributable to owners of the parent) of ¥22,954 million in the year ended 31 March 2017, and had total assets in the amount of ¥666,251 million as at 31 March 2017.

Media, ICT, Lifestyle Related Goods & Services

The Media, ICT, Lifestyle Related Goods & Services segment engages in cable TV operations, production and distribution of television programmes, 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, commercial and residential properties and funding.

Activities of the segment are subdivided into the following fields:

- *Media and Network Field*—the unit is involved in the cable TV, IT services and mobile solution businesses. The unit has developed business in terms of both infrastructure and content, including owning Jupiter Telecommunications Co., Ltd., a Japanese cable television stations network which has the largest cable TV market share in Japan, as well as being active in multi-channel programming distribution and movie-related businesses. The unit is also involved in the telecommunication business in Myanmar.
- *Retail and Food Field*—the unit continues to develop retail businesses, primarily the TV shopping channel, supermarket, drugstore, fashion and brand businesses, in response to the diversifying lifestyles of consumers. The unit operates a TV shopping business called Jupiter Shop Channel. In addition, the unit is involved in all aspects of production, sales and quality management of food, placing the highest priority on consumer safety and security. The unit has a particular focus in the banana, flour-milling, sugar-refining and meat businesses.
- *Materials, Supplies and Real Estate Field*—the unit provides high-quality and competitive materials and supplies for social infrastructure in the ready-mixed concrete and wood construction material segments. In addition, the unit is also involved in the leasing and management of office buildings and commercial property, residential development and subdivision businesses. The unit has a real estate fund business and is involved in other large-scale mixed-use development ventures.

The Company believes that the Group has the leading company in each of the cable TV, TV shopping, banana importation and sale and mobile phone dealership businesses in Japan. In addition, the Company also believes its subsidiary SCSK Corporation a leading company in IT solutions in Japan⁵ and its wholly-owned subsidiary Summit, Inc. is a leading food supermarket in the Tokyo metropolitan area.⁶

The Media, ICT, Lifestyle Related Goods & Services segment recorded revenue of ¥962,594 million, gross profit of ¥257,040 million and profit for the year (attributable to owners of the parent) of ¥77,550 million in the year ended 31 March 2017, and had total assets in the amount of ¥1,909,301 million as at 31 March 2017.

Mineral Resources, Energy, Chemical & Electronics

The Mineral Resources, Energy, Chemical & Electronics 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 and commodity derivative transactions. This segment also trades petroleum products, liquefied petroleum gas, storage batteries, carbon products, plastics, organic and inorganic chemicals, silicon wafers, LEDs, pharmaceuticals, agricultural chemicals, household insecticide, fertilisers and pet supplies and is also involved and invests in those businesses. This segment also operates electronics manufacturing services mainly in Asia.

Activities of the segment are subdivided into the following fields:

- *Mineral Resources and Energy Field*—the unit has equity interests in mines and oil and gas projects. It participates in the operations and management of mines. The unit is concentrating efforts to bring forward the completion and profit realisation of projects such as the Ambatovy nickel project in

⁵ In terms of sales revenues for the year ended 31 March 2017 among Japanese companies specialising in systems integration.

⁶ Based on store sales. Tokyo metropolitan area includes Tokyo and the surrounding prefectures of Chiba, Kanagawa and Saitama. Food supermarket is defined as a store with floor space of over 250 square metres and where sales of food account for over 70 per cent of revenues.

Madagascar and the Sierra Gorda copper and molybdenum mine project in Chile. In addition, the unit is engaged in the trading of carbon products, steelmaking materials, petroleum and natural gas. The unit also provides commodity derivatives trading functions. The business has been expanding into the global market, focusing on markets in which demand growth is expected such as China and various other Asian countries.

- *Chemicals and Electronics Field*—the unit is engaged in business related to basic chemical products including synthetic resin materials as well as organic/inorganic chemicals and cutting-edge electronic materials. The unit also undertakes global business in pharmaceuticals, agricultural chemicals, fertilisers and pet supplies.

After having taken significant impairment losses in the past two years, the Company believes that the asset quality of its upstream mineral resources portfolio is improving. In particular, the basic profit of its mineral resources business has returned to profitability in the three months ended 30 June 2017.

The Mineral Resources, Energy, Chemical & Electronics segment recorded revenue of ¥653,990 million, gross profit of ¥117,851 million and loss for the year (attributable to owners of the parent) of ¥17,200 million in the year ended 31 March 2017, and had total assets in the amount of ¥1,333,571 million as at 31 March 2017.

Overseas Subsidiaries and Branches

The Overseas Subsidiaries and Branches segment includes the businesses conducted by Sumitomo Corporation of Americas, Sumitomo Corporation Europe Holding Ltd., Sumitomo Corporation Asia & Ocean Pte. Ltd. and certain other overseas subsidiaries (see “—Subsidiaries”). The Overseas Subsidiaries and Branches segment operates in all industry sectors (including those covered by the five industry-based business units mentioned above) based on such subsidiaries’ specialised knowledge of the regions. In certain cases, the subsidiaries in this segment work together on projects in collaboration with the Group’s industry-based business units in order to develop products and services that are focused on a particular region. In such cases revenues and expenses are allocated to the respective units based on their respective roles and investments.

The overseas regional organisations have been consolidated into four broad regions, namely “East Asia”, “Asia & Oceania”, “Europe, Middle East, Africa & CIS” and “The Americas”, in order to further strengthen the functions of each regional business, such as the ability to initiate new businesses and secure and develop human resources. This reorganisation is also aimed at solidifying the foundation of each regional organisation and efficiently allocating corporate resources into growing markets around the world. The four regional organisations work in close collaboration and share common product and regional strategies with the five business units of the Tokyo Head Office, leading the creation of business overseas by fully utilising the Group’s strengths and functions so as to enhance earning power on a global basis.

The Overseas Subsidiaries and Branches segment recorded revenue of ¥1,154,743 million, gross profit of ¥217,182 million and loss for the year (attributable to owners of the parent) of ¥19,979 million in the year ended 31 March 2017, and had total assets in the amount of ¥1,864,439 million as at 31 March 2017.

To allow more effective disclosure of the Group’s activities in each industry sector, the Group also prepares segment information for managing accounting purposes on a “global basis”, in which the revenues and profits of the Overseas Subsidiaries and Branches segment are reallocated to, and combined with, the other five industry-based business segments based on the industry sector involved.

Risk Management

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

The Group classifies risk into two categories: quantifiable risk and non-quantifiable risk. Quantifiable risk is defined as “value creating risk”, which the Group proactively takes to generate a return. The Group’s policy is to maximise the risk-adjusted return while maintaining risk-adjusted assets within its core risk buffer. Non-quantifiable risk is defined as “value breaking risk”, which only generates losses when it surfaces. The Group is engaged in efforts to prevent or minimise the probability of this risk materialising.

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. The excessive concentration of these risks in a specific area is concentration risk. The Group seeks to contain the amount of companywide risk within the scope of its core risk buffer and manage risk based on frameworks that are designed to maximise return and realise return befitting respective risk.

In light of the recognition of significant impairment losses in the year ended 31 March 2015, the Group has significantly reformed its 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, a rigid hurdle rate is set up to ensure that the returns expected on projects are of a sufficient level 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, meetings of the Business Unit Investment Committees of respective business units and the Company Investment Committee are held 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, the Group seeks to 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 the Group has 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, there is an Exit Rule that designates such investment as an “Investment to withdraw from”.

Compliance

The “Activity Guidelines” in the Company’s Corporate Mission Statement serve as the fundamental basis of the 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 the Group’s corporate activities.

With the aim of enabling more agile responses to compliance issues, in 2015 the Company 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 actual business operations. In addition to such initiatives at the Company, the Group companies are also endeavouring to establish internal systems to give first priority to compliance-related issues, and are fully committed to the continued advancement of such efforts.

Litigation

In the course of the Group's business, the Group faces risk of disputes or litigation both in Japan and overseas, whether with or without merit.

The Group is 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 Group.

Management

Board of Directors

The Board of Directors of the Company determines the fundamental management policy and other important matters of management of the Company and supervises the performance of duties of the Directors. All Directors and Corporate Auditors are elected at the general meeting of shareholders. The normal term of office of the Directors expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after such Director's election although each Director may serve any number of consecutive terms. The normal term of office of Corporate Auditors expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within four years after such Corporate Auditor's election although each Corporate Auditor may serve any number of consecutive terms.

The Board of Directors elects from among its members Representative Directors, who have the authority individually to represent the Company. Under the Articles of Incorporation of the Company, the Board of Directors may elect the Chairman of the Board of Directors, a President and Chief Executive Officer, Executive Vice Presidents, Senior Managing Executive Officers, Managing Executive Officers and other titled Executive Officers.

Board of Corporate Auditors

The Corporate Auditors are not required to be certified public accountants, but may not serve as directors or employees of the Company or any of its subsidiaries at the same time. In addition, not less than half of the Corporate Auditors must be outside Corporate Auditors who have never been directors or employees of the Company or any of its subsidiaries within 10 years prior to assuming the position of Corporate Auditors. Under the Articles of Incorporation of the Company, the Corporate Auditors elect from among themselves one or more full-time Corporate Auditors.

The Corporate Auditors have the statutory duty of supervising the administration of the Company's affairs by the Directors and also of examining the financial statements and business reports to be submitted by a Representative Director to general meetings of shareholders. The Corporate Auditors must attend meetings of the Board of Directors and express opinions thereat, if necessary, but they are not entitled to vote.

The Corporate Auditors constitute the Board of Corporate Auditors. The Board of Corporate Auditors has a statutory duty to prepare its audit report. The Board of Corporate Auditors determines audit principles, the method of examination by Corporate Auditors of the Company's affairs and the financial position and other matters concerning the performance of the Corporate Auditors' duties.

The Company must appoint by a resolution of a general meeting of shareholders, an Accounting Auditor in addition to the Corporate Auditors. Such Accounting Auditor has the statutory duty of auditing the financial statements, prepared in accordance with the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), to be submitted by a Representative Director to general meetings of shareholders and reporting its opinion thereon to the Board of Corporate Auditors and the relevant Directors, and auditing the financial statements to be included in periodic reports to be filed by the Company with the Director of the Kanto Local Finance Bureau. Currently, the Company's Accounting Auditors are KPMG AZSA LLC.

In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange Inc., companies listed on the Tokyo Stock Exchange Inc., including the Company, are required to have at least one independent officer.

Such independent officer is required to be an outside director or outside corporate auditor (as defined under the Companies Act) who is unlikely to have conflicts of interest with shareholders of the relevant company.

The names of the Directors and Corporate Auditors of the Company as at the date of this Offering Circular are as follows:

Name	Title
Kazuo Ohmori	Chairman
Kuniharu Nakamura	Representative Director, President and Chief Executive Officer
Naoki Hidaka	Representative Director, Executive Vice President
Hideki Iwasawa	Representative Director, Executive Vice President
Koichi Takahata	Representative Director, Senior Managing Executive Officer
Masao Tabuchi	Representative Director, Senior Managing Executive Officer
Yayoi Tanaka	Outside Director
Nobuyoshi Ehara	Outside Director
Koji Ishida	Outside Director
Takuro Kawahara	Standing Corporate Auditor (Full-Time)
Nobuhiko Yuki	Corporate Auditor (Full-Time)
Haruo Kasama	Outside Corporate Auditor
Toshio Nagai	Outside Corporate Auditor
Yoshitaka Kato	Outside Corporate Auditor

The current business address of each of the Directors is, 8-11 Harumi 1-chome, Chuo-ku, Tokyo 104-8610, Japan.

The aggregate remuneration paid to the Company's Directors (including Outside Directors) by the Company in their capacity as such was ¥942 million for the year ended 31 March 2017. The aggregate remuneration paid to the Company's Corporate Auditors (including Outside Corporate Auditors) by the Company was ¥120 million for the year ended 31 March 2017.

Under the Articles of Incorporation of the Company, the Company may, by a resolution of the Board of Directors, exempt its Directors and Corporate Auditors from their liabilities to the Company, to the extent permitted by applicable laws and regulations, provided that the Directors or Corporate Auditors remain liable for their intentional misconduct or gross negligence in performing their duty.

Further, the Articles of Incorporation of the Company provide that the Company may enter into liability limitation contracts with any of its Directors (excluding, among others, executive directors) and Corporate Auditors in order to limit the maximum amount of such damages to the amount provided by applicable laws and regulations, provided that the Directors or Corporate Auditors remain liable for their intentional misconduct or gross negligence in performing their duty.

Subsidiaries

The Company's subsidiaries as at 31 March 2017 were as follows:

<u>Business segment</u>	<u>Name of subsidiary</u>	<u>Place of incorporation and operation</u>	<u>Percentage of voting rights held by the Company</u> (%)
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 (70 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 Construcción Y Minería 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)

Business segment	Name of subsidiary	Place of incorporation and operation	Percentage of voting rights held by the Company
			(%)
	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)
	Summit Motors Vladivostok	Vladivostok, Russia	100.00 (100.00)
	Others (101 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 (25.00)
	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 (60 companies)		
Media, ICT, Lifestyle Related Goods & Services	SCSK Corporation	Koto-ku, Tokyo	51.11
	Summit, Inc.	Suginami-ku, Tokyo	100.00
	Sumisho Brand Management Corporation	Chiyoda-ku, Tokyo	100.00 (0.92)

Business segment	Name of subsidiary	Place of incorporation and operation	Percentage of voting rights held by the Company (%)
	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
	Sumitomo Corporation Equity Asia Limited	Hong Kong, China	100.00 (20.00)
	Fyffes plc	Dublin, Ireland	100.00 (100.00)
	Others (146 companies)		
Mineral Resources, Energy, Chemical & Electronics	Sumitomo Shoji Chemicals Co., Ltd.	Chuo-ku, Tokyo	100.00
	Sumitronics Corporation	Chuo-ku, Tokyo	100.00
	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)
	Petra 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)

Business segment	Name of subsidiary	Place of incorporation and operation	Percentage of voting rights held by the Company
			(%)
	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)
	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)
	Summit Ambatovy Mineral Resources Investment	Amsterdam, Netherlands	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 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

Business segment	Name of subsidiary	Place of incorporation and operation	Percentage of voting rights held by the Company
			(%)
	Sumitomo Corporation Middle East FZCO	Dubai, U.A.E.	100.00
	Others (131 companies)		(100.00)
Others.....	Sumitomo Shoji Financial Management Co., Ltd.	Chuo-ku, Tokyo	100.00
	Yasato Kosan Co., Ltd.	Chuo-ku, Tokyo	100.00
	Others (6 companies)		

Note:

- (1) The percentage in parenthesis under the column "Percentage of voting rights held by the Company" indicates indirect ownership out of the total ownership noted above.

Taxation

Japanese Taxation

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the Bonds. It does not purport to be a comprehensive description of the tax treatment of the Bonds. Prospective investors should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective investors are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date of this Offering Circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this Offering Circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Bonds or any person subscribing for, purchasing, selling or otherwise dealing in the Bonds or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Bonds.

The Bonds

The Bonds do not fall under the concept of so called “taxable linked notes” as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, being notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order.

Interest Payments on the Bonds

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Bonds, where the Bonds are issued by the Company outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-Resident Holders that are not Specially-Related Persons of the Company

If the recipient of interest on the Bonds is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences on such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a specially-related person of the Company. Most importantly, if such Non-Resident Holder is a specially-related person of the Company, income tax at the rate of 15.315 per cent of the amount of such interest will be withheld by the Company under Japanese tax law.

- (1) If the recipient of interest on the Bonds is a Non-Resident Holder that is not a specially-related person of the Company having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Bonds is not attributable to such permanent establishment, no Japanese income tax or corporate tax is

payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:

- (i) if the relevant Bonds are held through certain participants in an international clearing organisation such as the Euroclear and Clearstream, Luxembourg or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the “Law”) (each such participant or financial intermediary, a “Participant”), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Bonds, certain information (the “Interest Recipient Information”) prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a specially-related person of the Company); and
- (ii) if the relevant Bonds are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the “Written Application for Tax Exemption”) together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by the Company of income tax at the rate of 15.315 per cent of the amount of such interest.

- (2) If the recipient of interest on the Bonds is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315 per cent withholding tax by the Company, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by the Company of income tax at the rate of 15.315 per cent of the amount of such interest. The amount of such interest will be aggregated with the recipient’s other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. Resident Holders, and Non-Resident Holders that are Specially-Related Persons of the Company

Payments of interest on the Bonds to be made to a Resident Holder (except for (a) a Designated Financial Institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act which has received interest through a payment handling agent in Japan as defined in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order (a “Japanese Payment Handling Agent”)) or to a Non-Resident Holder that is a specially-related person of the Company will be subject to deduction in respect of Japanese income tax at the rate of 15.315 per cent.

For an individual resident of Japan and an individual non-resident of Japan that is a specially-related person of the Company having a permanent establishment in Japan, interest on the Bonds in general

constitutes taxable income, together with other interest, dividends and capital gains arising from certain specified bonds and listed shares, and is subject to income taxation by reporting at the rate of 15.315 per cent. Such interest income may be offset against capital losses arising from sale of certain specified bonds or listed shares by filing a tax return. The withholding tax referred to above will in general be credited against their income tax liability reportable by their tax return. Alternatively, they may elect to finalise their income tax liability only by the withholding tax referred to above without filing a tax return.

For an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially related person of the Company having no permanent establishment in Japan, the Japanese taxation is finalised only by the withholding tax referred to above.

Under the Law, if a Non-Resident Holder becomes a specially-related person of the Company, and if such Bonds are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Bonds. As the status of such Non-Resident Holder as a specially-related person of the Company for Japanese withholding tax purposes is determined based on the status as at the beginning of the fiscal year of the Company in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a specially-related person of the Company.

The Japanese withholding tax imposed upon interest on the Bonds paid to a Non-Resident Holder that is a specially-related person of the Company as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such Non-Resident Holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of Bonds outside Japan by a Non-Resident Holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Bonds in connection with the issue of the Bonds, or will such taxes be payable by holders of the Bonds in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Bonds from another individual as legatee, heir or donee.

U.S. Foreign Account Tax Compliance Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. The Company may be a foreign financial institution for these purposes. A number of jurisdictions (including Japan) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in such jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether

withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

Subscription and Sale

Citigroup Global Markets Limited, Goldman Sachs International and Merrill Lynch International plc (the “Representatives”) and Morgan Stanley & Co. International plc, Barclays Bank PLC, BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc and Société Générale (together with the Representatives, the “Managers”) have entered into a subscription agreement dated 6 September 2017 (the “Subscription Agreement”) with the Company in respect of the Bonds under which, subject to the satisfaction of certain conditions, the Managers have agreed severally but not jointly to subscribe for the Bonds in the amounts described below.

	Principal Amount of the Bonds to be Subscribed
Citigroup Global Markets Limited.....	U.S.\$175,000,000
Goldman Sachs International.....	150,000,000
Merrill Lynch International plc.....	125,000,000
Morgan Stanley & Co. International plc.....	25,000,000
Barclays Bank PLC.....	5,000,000
BNP Paribas.....	5,000,000
Crédit Agricole Corporate and Investment Bank.....	5,000,000
HSBC Bank plc.....	5,000,000
Société Générale.....	5,000,000
Total.....	U.S.\$500,000,000

The Company has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds and agreed to indemnify the Managers against certain liabilities in connection with the issue of the Bonds. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Company.

Selling Restrictions

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Japan

The Bonds have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. Each Manager has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, Bonds in Japan or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organised under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly, offer or sell any of the Bonds to, or for the benefit of, any person other than (a) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of the Company (as described in Article 6, Paragraph (4) of the Special Taxation Measures Act), (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (28) of the Cabinet Order relating to the Special Taxation Measures Act that will hold the Bonds for its own proprietary account, or (c) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

United Kingdom

In the United Kingdom, this Offering Circular is being distributed only to, and is directed only at (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) or (ii) high net worth entities falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as “relevant persons”). This Offering Circular must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this Offering Circular relates is only available to, and will be engaged in with, relevant persons.

Hong Kong

This Offering Circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Bonds have not been and will not be offered or sold in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “Securities and Futures Ordinance”) and any rules made under that Ordinance or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance have been or will be issued, whether in Hong Kong or elsewhere.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, nor may any Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether

directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Other Relationships

Some of the Managers and their respective affiliates have engaged in, and may in the future engage in, various activities, which may include securities trading, commercial and investment banking, financial advisory, investment research, hedging, financing, and brokerage activities, and other commercial dealings in the ordinary course of business with the Company or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates may act as investors for their own accounts and may take up the Bonds in the offering and in that capacity, may retain, purchase or sell for their own accounts such securities and any securities of the Group or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Managers and/or their respective affiliates acting in such capacity. Such person does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, in the ordinary course of their business activities, the Managers and their respective affiliates may purchase or sell, make or hold long or short positions in, a broad array of investments and debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve

securities and/or instruments of the Company or its affiliates. Certain of the Managers or their respective affiliates that have a lending relationship with the Company or its affiliates routinely hedge their credit exposure to the Company or its affiliates consistent with their customary risk management policies. Typically, such Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

General Information

1. The Company has obtained all necessary consents, approvals and authorisations in Japan in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution of the Board of Directors of the Company on 28 July 2017.
2. The Bonds have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems with a Common Code of 165693353. The ISIN for the Bonds is XS1656933535. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.
3. Approval in-principle has been received for the listing of and quotation of the Bonds on the Official List of the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for definitive certificates, the Company will appoint and maintain a paying agent in Singapore, where the definitive certificates may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000, to be traded in a single transaction, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
4. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the past 12 months immediately preceding the date of this Offering Circular which may have or have had in the recent past significant effects on the financial position or profitability of the Company or the Group.
5. There has been no significant change in the financial or trading position of the Company or of the Group since 30 June 2017 and no material adverse change in the prospects of the Company or of the Group since 31 March 2017.
6. There are no material contracts entered into other than in the ordinary course of the Company's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Company's ability to meet its obligations in respect of the Bonds being issued.
7. Copies of the latest annual report in English (including the audited consolidated financial statements of the Company), and English translations of the latest unaudited consolidated quarterly financial results announcement of the Company (*kessan tanshin*) published subsequently to such annual report, may be obtained, and copies of the Fiscal Agency Agreement and the Deed of Covenant (each as defined in the Conditions) will be available for inspection, at the specified offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.
8. The consolidated financial statements of the Company as at and for the years ended 31 March 2016 and 2017 have been prepared in accordance with IFRS and have been audited by KPMG AZSA LLC (Independent Public Accountants) (authorised and regulated by the Certified Public Accountant Law of Japan), in accordance with International Standards on Auditing.

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Independent Auditor's Report

To the Board of Directors of
Sumitomo Corporation:

We have audited the accompanying consolidated financial statements of Sumitomo Corporation and its subsidiaries, which comprise the consolidated financial statement of financial position as at March 31, 2017, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. 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 judgement, 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, while the objective of the financial statement audit is 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 financial position of Sumitomo Corporation and its subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 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 23, 2017
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Consolidated Statement of Financial Position

Sumitomo Corporation and Subsidiaries
As of March 31, 2017 and 2016

ASSETS	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Current assets:			
Cash and cash equivalents (Note 9)	¥ 776,464	¥ 868,755	\$ 6,995
Time deposits	13,996	11,930	126
Marketable securities (Notes 6, 9 and 26)	4,647	4,748	42
Trade and other receivables (Notes 7, 9 and 26)	1,206,398	1,204,650	10,868
Other financial assets (Note 26)	66,550	132,886	600
Inventories (Notes 9 and 10)	830,871	807,371	7,485
Advance payments to suppliers	169,084	164,669	1,523
Other current assets (Note 16)	253,165	192,063	2,281
Total current assets	3,321,175	3,387,072	29,920
Non-current assets:			
Investments accounted for using the equity method (Notes 9 and 11)	1,870,935	1,891,768	16,855
Other investments (Notes 6, 9 and 26)	437,162	410,730	3,938
Trade and other receivables (Notes 7, 9 and 26)	472,462	538,855	4,256
Other financial assets (Note 26)	91,937	120,737	828
Property, plant and equipment (Notes 8, 9 and 12)	795,857	785,009	7,170
Intangible assets (Notes 8 and 13)	357,359	310,789	3,220
Investment property (Notes 8, 9 and 14)	311,115	266,623	2,803
Biological assets (Note 15)	12,536	11,911	113
Prepaid expenses	23,498	22,881	212
Deferred tax assets (Note 16)	67,758	71,443	611
Total non-current assets	4,440,619	4,430,746	40,006
Total assets (Note 4)	¥7,761,794	¥7,817,818	\$69,926

LIABILITIES AND EQUITY	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Current liabilities:			
Bonds and borrowings (Notes 7, 17 and 26)	¥ 659,257	¥ 737,457	\$ 5,939
Trade and other payables (Notes 18 and 26)	1,029,294	933,147	9,273
Other financial liabilities (Note 26)	53,264	66,195	480
Income tax payables	20,737	21,916	187
Accrued expenses	105,164	103,967	947
Advances from customers	223,584	186,383	2,014
Provisions (Note 19)	4,490	10,940	41
Other current liabilities	80,129	60,114	722
Total current liabilities	2,175,919	2,120,119	19,603
Non-current liabilities:			
Bonds and borrowings (Notes 7, 17 and 26)	2,759,069	2,913,486	24,856
Trade and other payables (Notes 18 and 26)	121,126	134,240	1,091
Other financial liabilities (Note 26)	40,599	64,384	366
Accrued pension and retirement benefits (Note 20)	28,076	34,332	253
Provisions (Note 19)	33,210	38,059	299
Deferred tax liabilities (Note 16)	116,840	121,253	1,053
Total non-current liabilities	3,098,920	3,305,754	27,918
Total liabilities	5,274,839	5,425,873	47,521
Equity:			
Common stock (Note 21)	219,279	219,279	1,975
Additional paid-in capital (Note 22)	263,937	256,500	2,378
Treasury stock	(3,113)	(3,344)	(28)
Other components of equity (Note 23)	309,094	311,880	2,785
Retained earnings (Note 22)	1,577,288	1,467,194	14,210
Equity attributable to owners of the parent	2,366,485	2,251,509	21,320
Non-controlling interests	120,470	140,436	1,085
Total equity	2,486,955	2,391,945	22,405
Total liabilities and equity	¥7,761,794	¥7,817,818	\$69,926

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Revenues:			
Sales of tangible products	¥ 3,504,159	¥ 3,439,634	\$ 31,569
Sales of services and others	492,815	571,174	4,440
Total revenues (Notes 4, 14, 26 and 29)	3,996,974	4,010,808	36,009
Cost:			
Cost of tangible products sold	(2,951,459)	(2,905,949)	(26,590)
Cost of services and others	(202,817)	(210,802)	(1,827)
Total cost (Notes 8, 12, 13, 14, 20, 26 and 29)	(3,154,276)	(3,116,751)	(28,417)
Gross profit (Note 4)	842,698	894,057	7,592
Other income (expenses):			
Selling, general and administrative expenses (Notes 5, 12, 13 and 28)	(693,759)	(762,724)	(6,250)
Impairment losses on long-lived assets (Notes 12, 13 and 14)	(18,803)	(57,228)	(169)
Gain (loss) on sale of long-lived assets, net	(876)	23,783	(8)
Other, net (Notes 29 and 35)	(20,132)	15,834	(182)
Total other income (expenses)	(733,570)	(780,335)	(6,609)
Finance income (costs):			
Interest income	26,009	29,724	234
Interest expense	(27,738)	(32,351)	(250)
Dividends	9,372	10,623	85
Gain (loss) on securities and other investments, net (Note 26)	12,873	72,213	116
Finance income (costs), net (Note 29)	20,516	80,209	185
Share of profit (loss) of investments accounted for using the equity method (Note 11)	83,457	(53,815)	752
Profit before tax	213,101	140,116	1,920
Income tax expense (Note 30)	(25,896)	(51,549)	(233)
Profit for the year	187,205	88,567	1,687
Profit for the year attributable to:			
Owners of the parent (Note 4)	¥ 170,889	¥ 74,546	\$ 1,540
Non-controlling interests	16,316	14,021	147
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	22,771	(37,004)	205
Remeasurements of defined benefit pension plans	10,884	(24,894)	98
Share of other comprehensive income of investments accounted for using the equity method	(541)	96	(5)
Total items that will not be reclassified to profit or loss	33,114	(61,802)	298
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	(47,621)	(170,348)	(429)
Cash-flow hedges	2,495	(7,647)	22
Share of other comprehensive income of investments accounted for using the equity method	6,061	(5,874)	55
Total items that may be reclassified subsequently to profit or loss	(39,065)	(183,869)	(352)
Other comprehensive income, net of tax (Note 23)	(5,951)	(245,671)	(54)
Comprehensive income for the year	181,254	(157,104)	1,633
Comprehensive income for the year attributable to:			
Owners of the parent	¥ 169,715	¥ (164,394)	\$ 1,529
Non-controlling interests	11,539	7,290	104
		Yen	U.S. Dollars
Earnings per share (attributable to owners of the parent) (Note 31):			
Basic	¥ 136.91	¥ 59.73	\$ 1.23
Diluted	136.81	59.69	1.23

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, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Equity (Note 21):			
Common stock:			
Balance, beginning of year	¥ 219,279	¥ 219,279	\$ 1,975
Balance, end of year	219,279	219,279	1,975
Additional paid-in capital (Note 22):			
Balance, beginning of year	256,500	260,009	2,311
Acquisition (disposal) of non-controlling interests, net	8,865	(294)	80
Others	(1,428)	(3,215)	(13)
Balance, end of year	263,937	256,500	2,378
Treasury stock:			
Balance, beginning of year	(3,344)	(3,721)	(30)
Acquisition (disposal) of treasury stock, net (Note 25)	231	377	2
Balance, end of year	(3,113)	(3,344)	(28)
Other components of equity (Note 23):			
Balance, beginning of year	311,880	531,343	2,810
Other comprehensive income for the year	(1,174)	(238,940)	(11)
Transfer to retained earnings	(1,612)	19,477	(14)
Balance, end of year	309,094	311,880	2,785
Retained earnings (Note 22):			
Balance, beginning of year	1,467,194	1,474,522	13,218
Transfer from other components of equity	1,612	(19,477)	14
Profit for the year attributable to owners of the parent	170,889	74,546	1,540
Cash dividends (Note 24)	(62,407)	(62,397)	(562)
Balance, end of year	1,577,288	1,467,194	14,210
Equity attributable to owners of the parent	¥2,366,485	¥2,251,509	\$21,320
Non-controlling interests:			
Balance, beginning of year	140,436	135,818	1,265
Cash dividends to non-controlling interests	(20,117)	(4,762)	(181)
Acquisition (disposal) of non-controlling interests and others, net	(11,388)	2,090	(103)
Profit for the year attributable to non-controlling interests	16,316	14,021	147
Other comprehensive income for the year (Note 23)	(4,777)	(6,731)	(43)
Balance, end of year	120,470	140,436	1,085
Total equity	¥2,486,955	¥2,391,945	\$22,405
Comprehensive income for the year attributable to:			
Owners of the parent	169,715	(164,394)	1,529
Non-controlling interests	11,539	7,290	104
Total comprehensive income for the year	¥ 181,254	¥ (157,104)	\$ 1,633

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Operating activities (Note 32):			
Profit for the year	¥ 187,205	¥ 88,567	\$ 1,687
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation and amortization	114,266	125,076	1,029
Impairment losses on long-lived assets	18,803	57,228	169
Finance (income) costs, net	(20,516)	(80,209)	(185)
Share of (profit) loss of investments accounted for using the equity method	(83,457)	53,815	(752)
(Gain) loss on sale of long-lived assets, net	876	(23,783)	8
Income tax expense	25,896	51,549	233
(Increase) decrease in inventories	(8,866)	148,190	(80)
Decrease in trade and other receivables	21,169	174,890	191
(Increase) decrease in prepaid expenses	(2,221)	5,552	(20)
Increase (decrease) in trade and other payables	105,028	(43,778)	946
Other, net	(61,680)	(1,478)	(556)
Interest received	25,799	29,555	233
Dividends received	114,333	117,973	1,030
Interest paid	(26,999)	(32,121)	(243)
Income tax paid	(63,848)	(71,318)	(575)
Net cash provided by operating activities	345,788	599,708	3,115
Investing activities (Note 32):			
Proceeds from sale of property, plant and equipment	17,773	9,009	160
Proceeds from sale of investment property	7,838	45,889	71
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	(27,758)	48,139	(250)
Proceeds from sale of other investments	93,598	101,204	843
Collection of loan receivables	146,404	404,820	1,319
Purchase of property, plant and equipment	(73,004)	(120,442)	(658)
Purchase of investment property	(57,947)	(18,522)	(522)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(83,480)	10,218	(752)
Acquisition of other investments	(94,494)	(131,342)	(851)
Increase in loan receivables	(109,603)	(434,421)	(988)
Net cash used in investing activities	(180,673)	(85,448)	(1,628)
Financing activities (Note 32):			
Net increase in short-term debt	36,090	(212,719)	325
Proceeds from issuance of long-term debt	358,743	329,460	3,232
Repayment of long-term debt	(547,643)	(563,370)	(4,934)
Cash dividends paid	(62,407)	(62,397)	(562)
Capital contribution from non-controlling interests	974	8,175	9
Payment for acquisition of subsidiary's interests from non-controlling interests	(20,120)	(1,630)	(181)
Payment of dividends to non-controlling interests	(20,117)	(4,762)	(181)
(Acquisition) disposal of treasury stock, net	32	86	0
Net cash used in financing activities	(254,448)	(507,157)	(2,292)
Net (decrease) increase in cash and cash equivalents	(89,333)	7,103	(805)
Cash and cash equivalents at the beginning of year	868,755	895,875	7,827
Effect of exchange rate changes on cash and cash equivalents	(2,958)	(34,223)	(27)
Cash and cash equivalents at the end of year	¥ 776,464	¥ 868,755	\$ 6,995

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, 2017 and 2016

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, 2017 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, 2017 is included solely for the convenience of readers and has been made at the rate of ¥111 = U.S. \$1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2017. 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 26 and 29—Financial Instruments

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

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

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

(5) Changes in Accounting Policies

The Companies have applied the Standards and Interpretations required to be adopted from the year ended March 31, 2017. These applications had no material effect on the consolidated financial statements.

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, 2017 and 2016 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, 2017 and 2016 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, coal, and ore 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), 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), retail business operations such as supermarkets and drugstores (Media, ICT, Lifestyle Related Goods & Services Business Unit), and plastic products (Mineral Resources, Energy, Chemical & Electronics Business Unit).

(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), and software development business in which the Companies customize the software to customer specifications (Media, ICT, Lifestyle Related Goods & Services Business Unit).

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, ICT, Lifestyle Related Goods & Services Business Unit).

(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) and rental of commercial real estate (Media, ICT, Lifestyle Related Goods & Services Business Unit).

(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) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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, 2017, 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 2	Share-based Payment	January 1, 2018	March 31, 2019	Clarification of the accounting for classification and measurement of share-based payment transactions
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
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
IFRS 17	Insurance Contracts	January 1, 2021	March 31, 2022	Amendments to the accounting of insurance contracts
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 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
IAS 40	Investment Property	January 1, 2018	March 31, 2019	Clarification of requirements on transfers to, or from, investment properties
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	March 31, 2019	Clarification of the accounting for the transactions that involve advance consideration paid or received in a foreign currency
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	March 31, 2020	Clarification of the accounting for income tax when there is uncertainty over income tax treatments

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, ICT, 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 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 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 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, ICT, Lifestyle Related Goods & Services—

The Media, ICT, Lifestyle Related Goods & Services Business Unit engages in cable television operations, video contents businesses, IT service businesses, cell-phone related businesses, telecommunications, venture investments, and retail businesses such as TV shopping channels, e-commerce businesses, supermarkets, drugstores, and fashion businesses. This segment also engages in trading, marketing, manufacturing, selling, processing and distributing of foodstuffs including fruits, vegetables and meats, cement, timber, and building materials. This segment also engages in a variety of real estate activities relating to office buildings and commercial, residential properties, distribution facilities and funding. This segment consists of the Media Division, the ICT 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 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 veterinary drugs 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.

Information by operating segments for the years ended March 31, 2017 and 2016 is summarized as follows:

2017				
Millions of Yen				
Segment	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 485,148	¥ 67,358	¥ 9,966	¥ 676,055
Transportation & Construction Systems	519,389	131,207	46,911	1,471,865
Environment & Infrastructure	229,424	54,982	22,954	666,251
Media, ICT, Lifestyle Related Goods & Services	962,594	257,040	77,550	1,909,301
Mineral Resources, Energy, Chemical & Electronics	653,990	117,851	(17,200)	1,333,571
Overseas Subsidiaries and Branches	1,154,743	217,182	19,979	1,864,439
Total	4,005,288	845,620	160,160	7,921,482
Corporate and Eliminations	(8,314)	(2,922)	10,729	(159,688)
Consolidated	¥3,996,974	¥842,698	¥170,889	¥7,761,794

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	591,070	175,595	73,960	1,509,303
Environment & Infrastructure	201,593	56,692	25,048	559,357
Media, ICT, Lifestyle Related Goods & Services	948,768	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	4,019,538	897,778	45,296	7,781,701
Corporate and Eliminations	(8,730)	(3,721)	29,250	36,117
Consolidated	¥4,010,808	¥894,057	¥ 74,546	¥7,817,818

2017				
Millions of U.S. Dollars				
Segment	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	\$ 4,371	\$ 607	\$ 90	\$ 6,091
Transportation & Construction Systems	4,679	1,182	422	13,260
Environment & Infrastructure	2,067	495	207	6,002
Media, ICT, Lifestyle Related Goods & Services	8,672	2,316	699	17,201
Mineral Resources, Energy, Chemical & Electronics	5,892	1,062	(155)	12,014
Overseas Subsidiaries and Branches	10,403	1,956	180	16,797
Total	36,084	7,618	1,443	71,365
Corporate and Eliminations	(75)	(26)	97	(1,439)
Consolidated	\$36,009	\$7,592	\$1,540	\$69,926

On April 1, 2016, a part of Battery business was transferred from Environment & Infrastructure Business Unit to 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 year ended March 31, 2016, impairment losses in the Grain business in Australia were recognized in the Media, ICT, 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.

In the year ended March 31, 2017, impairment losses in the Copper and molybdenum mining business in Chile were recognized in the Mineral Resources, Energy, Chemical & Electronics segment, which post-tax impact to the Profit for the year attributable to owners of the parent was a loss of ¥33,597 million (\$303 million). In the year ended March 31, 2016, impairment losses in the Nickel mining and refining business in Madagascar, the Iron ore mining project in South

Africa and the Iron ore mining project in Brazil were recognized in the Mineral Resources, Energy, Chemical & Electronics segment. The post-tax impact of such impairment losses to the Profit for the year attributable to owners of the parent was a loss of ¥156,764 million in total.

In the year ended March 31, 2016, impairment losses in the Edgen Group and the Grain business in Australia were recognized in the Overseas Subsidiaries and Branches segment, which post-tax impact to the Profit for the year attributable to owners of the parent was a loss of ¥23,550 million in total.

(2) Geographic Information

The Companies' revenue by geographical areas for the years ended March 31, 2017 and 2016 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Japan	¥1,706,352	¥1,596,720	\$15,372
Asia	659,092	570,274	5,938
North America:			
U.S.	821,613	1,024,039	7,402
Others	166,791	176,938	1,503
Europe	440,035	427,726	3,964
Others	203,091	215,111	1,830
Total	¥3,996,974	¥4,010,808	\$36,009

The carrying amount of non-current assets, excluding Financial assets and Deferred tax assets, by geographical areas as of March 31, 2017 and 2016 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Japan	¥ 568,403	¥ 546,588	\$ 5,121
Asia	46,241	53,921	417
North America:			
U.S.	443,812	432,450	3,998
Others	15,842	15,500	143
Europe	278,793	192,457	2,512
Others	147,274	156,297	1,327
Total	¥1,500,365	¥1,397,213	\$13,518

Breakdown by products and services are not available.

5 | Acquisition of Subsidiaries

For the year ended March 31, 2017

On February 17, 2017, the Company acquired the entire share capital of Fyffes plc, an international produce marketer and distributor in Ireland, by means of Scheme of Arrangement under Irish law. The acquisition was executed with the purposes of enhancing the corporate value by further utilizing Fyffes's customer base and distribution networks and formulating more effective supply chains.

The aggregated acquisition-date fair value of the consideration transferred, assets acquired and liabilities assumed and non-controlling interests are as follows. The consideration transferred was paid fully in cash.

As the purchase price allocation is incomplete as of the issuance date of the consolidated financial statements, the Company reports provisional amounts for the items for which the acquisition accounting is incomplete as of March 31, 2017.

	Millions of Yen	Millions of U.S. Dollars
Fair value of the consideration transferred	¥ 91,391	\$ 823
Cash and cash equivalents	7,911	71
Trade and other receivables	14,996	135
Other current assets	16,651	150
Property, plant and equipment	23,975	216
Intangible assets	15,365	139
Other non-current assets	5,918	53
Current liabilities	(21,748)	(196)
Non-current liabilities	(27,660)	(249)
Net assets	35,408	319
Non-controlling interests	(261)	(2)
Goodwill	56,244	506
Total	¥ 91,391	\$ 823

Goodwill consists primarily of future economic benefits and is recognized in the Media, ICT, Lifestyle Related Goods & Services Business Unit. The acquisition-related costs of ¥1,944 million (\$18 million) are included in "Selling, general and administrative expenses" in the Consolidated statement of comprehensive income for the year ended March 31, 2017.

For the year ended March 31, 2016

Business combinations during the year ended March 31, 2016 mainly consisted 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 consisted of cash, the previously held equity interest, assets acquired and liabilities assumed, and non-controlling interests were as follows. The consideration transferred was paid fully in cash.

	Millions of Yen
Fair value of the consideration transferred	¥ 6,334
Fair value of the previously held equity interest	11,091
Total	17,425
Total assets	54,498
Total liabilities	(39,950)
Net assets	14,548
Non-controlling interests	(1,387)
Goodwill	4,264
Total	¥ 17,425

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
	2017	2016	2017
Marketable securities:			
FVTPL	¥ 3,967	¥ 4,048	\$ 36
Amortized cost	680	700	6
Total	4,647	4,748	42
Other investments:			
FVTPL	17,312	25,335	156
FVTOCI	414,543	380,050	3,735
Amortized cost	5,307	5,345	47
Total	¥437,162	¥410,730	\$3,938

The fair values of “Marketable securities” and “Other investments” measured at amortized cost as of March 31, 2017 and 2016 are ¥5,987 million (\$54 million) and ¥6,045 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, 2017 and 2016 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2017		2016		2017	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	¥339,168	¥5,347	¥297,546	¥6,405	\$3,056	\$49
Unlisted	75,375	3,674	82,504	2,087	679	33
Total	¥414,543	¥9,021	¥380,050	¥8,492	\$3,735	\$82

The fair values of “Other investments” measured at FVTOCI as of March 31, 2017 mainly consist of the following:

	Millions of Yen	Millions of U.S. Dollars
	2017	2017
NIPPON STEEL & SUMITOMO METAL CORPORATION	¥46,860	\$422
YAMAZAKI BAKING CO., LTD.	21,423	193
TOYOTA MOTOR CORPORATION	20,250	182
Asahi Group Holdings, Ltd.	16,875	152
Sumitomo Realty & Development Co., LTD.	14,912	134
DAIKIN INDUSTRIES, LTD.	12,733	115
Sumitomo Metal Mining Co., Ltd.	11,085	100
MS&AD Insurance Group Holdings, Inc.	10,620	96
NISSHIN SEIFUN GROUP INC.	10,118	91
Mazda Motor Corporation	9,755	88
Sumitomo Electric Industries, Ltd.	9,245	83
Sumitomo Rubber Industries, Ltd.	9,114	82
Sumitomo Forestry Co., Ltd.	7,408	67
Dai-ichi Life Holdings, Inc.	7,335	66
YAMATO KOGYO CO., LTD.	7,068	64
SUMITOMO HEAVY INDUSTRIES, LTD.	5,790	52
KATO SANGYO CO., LTD.	5,515	50
INTERNATIONAL STEELS LIMITED	5,497	50
NICHIHA CORPORATION	5,240	47
SKY Perfect JSAT Holdings Inc.	5,231	47
Daikyo Nishikawa Corporation	5,214	47
ISUZU MOTORS LIMITED	5,029	45

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

	Millions of Yen 2016
NIPPON STEEL & SUMITOMO METAL CORPORATION	¥39,498
YAMAZAKI BAKING CO., LTD.	22,181
TOYOTA MOTOR CORPORATION	19,948
Sumitomo Realty & Development Co., LTD.	17,020
Asahi Group Holdings, Ltd.	14,064
NISSHIN SEIFUN GROUP INC.	10,898
Mazda Motor Corporation	10,628
DAIKIN INDUSTRIES, LTD.	9,576
MS&AD Insurance Group Holdings, Inc.	9,408
Sumitomo Rubber Industries, Ltd.	8,355
Sumitomo Metal Mining Co., Ltd.	7,823
SKY Perfect JSAT Holdings Inc.	7,290
Sumitomo Electric Industries, Ltd.	6,856
YAMATO KOGYO CO., LTD.	6,012
Daikyo Nishikawa Corporation	5,771
Sumitomo Forestry Co., Ltd.	5,667
KATO SANGYO CO., LTD.	5,374
The Dai-ichi Life Insurance Company, Limited	5,006
SAWAI PHARMACEUTICAL CO., LTD.	4,464
ISUZU MOTORS LIMITED	3,968
HONDA MOTOR CO., LTD.	3,703
SUMITOMO HEAVY INDUSTRIES, LTD.	3,469
Sumitomo Osaka Cement Co., Ltd.	3,176

“Other investments” measured at FVTOCI which were disposed of during the years ended March 31, 2017 and 2016 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2017			2016			2017		
Fair value at the date of sale	Cumulative gains or (losses)	Dividends	Fair value at the date of sale	Cumulative gains or (losses)	Dividends	Fair value at the date of sale	Cumulative gains or (losses)	Dividends
¥7,250	¥(11,714)	¥252	¥21,761	¥6,309	¥221	\$65	\$(106)	\$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 ¥1,410 million (\$13 million) and ¥5,594 million from Other components of equity to Retained earnings for the years ended March 31, 2017 and 2016, 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 ¥9,558 million (\$86 million) and ¥2,279 million from Other components of equity to Retained earnings for the years ended March 31, 2017 and 2016, respectively.

7 | Trade and Other Receivables

The components of Trade and other receivables as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Notes receivable	¥ 60,197	¥ 62,302	\$ 542
Accounts receivable	1,007,951	960,534	9,081
Receivables due from equity-accounted investees	165,194	200,593	1,488
Loans receivable	126,806	156,609	1,142
Finance lease receivable	270,805	302,892	2,440
Other receivables	74,552	86,414	671
Less: Allowance for doubtful receivables	(26,645)	(25,839)	(240)
Trade and other receivables	¥1,678,860	¥1,743,505	\$15,124

Financial assets measured at FVTPL of ¥24,706 million (\$222 million) and ¥29,383 million are included in Accounts receivable as of March 31, 2017 and 2016, respectively.

The components of Trade and other receivables in the Consolidated statement of financial position as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Current assets	¥1,206,398	¥1,204,650	\$10,868
Non-current assets	472,462	538,855	4,256
Total	¥1,678,860	¥1,743,505	\$15,124

Trade and other receivables by operating segment as of March 31, 2017 and 2016 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Metal Products	¥ 241,155	¥ 235,364	\$ 2,172
Transportation & Construction Systems	273,280	276,235	2,462
Environment & Infrastructure	319,154	296,485	2,875
Media, ICT, Lifestyle Related Goods & Services	215,915	226,080	1,945
Mineral Resources, Energy, Chemical & Electronics	465,442	484,092	4,193
Others	163,914	225,249	1,477
Trade and other receivables	¥1,678,860	¥1,743,505	\$15,124

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 ¥4,411 million (\$40 million) and ¥10,538 million as of March 31, 2017 and 2016, 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, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance, beginning of year	¥25,839	¥ 31,853	\$233
Impairment losses	2,278	10,396	21
Charge-off	(1,391)	(14,759)	(13)
Exchange differences on translating foreign operations	(81)	(1,651)	(1)
Balance, end of year	¥26,645	¥ 25,839	\$240

As of March 31, 2017 and 2016, the total gross amount of impaired trade and other receivables is ¥16,494 million (\$149 million) and ¥17,821 million, respectively and the cumulative impairment losses recognized as of March 31, 2017 and 2016 are ¥12,827 million (\$116 million) and ¥13,237 million, respectively.

The age of trade and other receivables that are past due but not impaired as of March 31, 2017 and 2016 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, 2017 and 2016.

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Past due within 90 days	¥103,268	¥ 79,274	\$ 931
Past due over 90 days until 1 year	14,129	20,669	127
Past due over 1 year	17,968	16,301	162
Total	¥135,365	¥116,244	\$1,220

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, 2017 and 2016 are ¥457,586 million (\$4,122 million) and ¥370,757 million, respectively.

Accumulated depreciation and accumulated impairment losses as of March 31, 2017 and 2016 are ¥98,488 million (\$887 million) and ¥77,235 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, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Due in 1 year or less	¥28,190	¥23,529	\$254
Due after 1 year through 5 years	71,893	52,044	648
Due after 5 years	47,012	37,172	424

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 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, 2017 and 2016 are as follows:

	Minimum lease payments receivable		Millions of U.S. Dollars
	Millions of Yen		
	2017	2016	2017
Due in 1 year or less	¥ 81,817	¥ 82,867	\$ 737
Due after 1 year through 5 years	188,131	204,996	1,695
Due after 5 years	83,427	115,855	752
Unguaranteed residual value	4,479	5,371	40
Less: Future finance income	(87,049)	(106,197)	(784)
Net investment in the lease	¥270,805	¥ 302,892	\$2,440

	Net investment in the lease		Millions of U.S. Dollars
	Millions of Yen		
	2017	2016	2017
Due in 1 year or less	¥ 74,081	¥ 75,433	\$ 667
Due after 1 year through 5 years	145,913	159,143	1,315
Due after 5 years	47,865	65,231	431
Unguaranteed residual value	2,946	3,085	27

Contingent rental income recognized in profit for the years ended March 31, 2017 and 2016 are ¥12,400 million (\$112 million) and ¥11,172 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, 2017 and 2016 are ¥73,655 million (\$664 million) and ¥77,776 million, respectively.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Due in 1 year or less	¥ 46,155	¥ 45,224	\$ 416
Due after 1 year through 5 years	150,581	137,902	1,357
Due after 5 years	196,583	197,759	1,771

The Companies also lease machinery and equipment and other assets under arrangements which are classified as finance leases under IAS 17. Costs of the leased properties as of March 31, 2017 and 2016 are ¥92,580 million (\$834 million) and ¥93,014 million, respectively. Accumulated depreciation

and accumulated impairment losses as of March 31, 2017 and 2016 are ¥35,334 million (\$318 million) and ¥33,072 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, 2017 and 2016 are as follows:

	Minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Due in 1 year or less	¥ 22,093	¥ 16,065	\$ 199
Due after 1 year through 5 years	53,923	63,072	486
Due after 5 years	44,592	49,813	402
Less: Future finance cost	(34,514)	(38,576)	(311)
Present value of minimum lease payments	¥ 86,094	¥ 90,374	\$ 776

	Present value of minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Due in 1 year or less	¥21,205	¥14,648	\$191
Due after 1 year through 5 years	45,621	52,763	411
Due after 5 years	19,268	22,963	174

The total amount of lease payments included in "Cost" for the years ended March 31, 2017 and 2016 are ¥12,137 million (\$109 million) and ¥12,334 million, respectively.

9 | Assets Pledged as Security

Assets pledged to secure borrowings, guarantee of contracts and others as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Cash and deposits	¥ 52,714	¥ 46,684	\$ 475
Marketable securities and investments	153,135	153,257	1,380
Trade and other receivables	350,247	394,491	3,155
Inventories	23,471	25,455	211
Property, plant and equipment (Carrying amount)	70,554	72,409	636
Investment property (Carrying amount)	21,249	20,552	191
Total	¥671,370	¥712,848	\$6,048

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.

10 | Inventories

The components of Inventories as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Real estate held for development and resale	¥101,728	¥ 82,229	\$ 917
Commodities	632,744	633,670	5,700
Materials/work in progress	96,399	91,472	868
Inventories	¥830,871	¥807,371	\$7,485

The carrying amounts of Inventories measured at fair value less costs to sell as of March 31, 2017 and 2016 are ¥51,433 million (\$463 million) and ¥45,671 million, respectively.

The write-down of Inventories recognized as expense for the years ended March 31, 2017 and 2016 are ¥10,119 million (\$91 million) and ¥12,895 million, respectively.

11 | 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, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Total carrying amount	¥1,422,451	¥1,381,937	\$12,815
Profit for the year	¥114,277	¥65,299	\$1,029
Other comprehensive income	4,648	(5,642)	42
Comprehensive income for the year	¥118,925	¥59,657	\$1,071

In Iron ore mining project in South Africa, an impairment loss of ¥18,338 million was recognized based on revision of a medium and long-term iron ore price to approximately US \$60/MT which was 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 and ¥960 million were recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively. The impairment loss was included in "Share of profit (loss) of investments accounted for using the equity method" in the Consolidated statement 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, 2017 and 2016 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
	2017	2016	2017
Current assets	¥3,379,865	¥2,784,705	\$30,449
Non-current assets	2,378,459	2,097,701	21,428
Total assets	¥5,758,324	¥4,882,406	\$51,877
Current liabilities	¥2,650,399	¥2,078,582	\$23,877
Non-current liabilities	2,195,651	1,954,788	19,781
Total liabilities	¥4,846,050	¥4,033,370	\$43,658
Non-controlling interests	¥ 101,719	¥ 89,079	\$ 917
Equity	810,555	759,958	7,302
Total equity	¥ 912,274	¥ 849,037	\$ 8,219

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Revenues	¥571,878	¥480,087	\$5,152
Profit for the year	67,022	47,447	604
Other comprehensive income	1,232	(13,537)	11
Comprehensive income for the year	¥ 68,254	¥ 33,910	\$ 615

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, 2017 and 2016 are ¥7,326 million (\$66 million) and ¥8,029 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, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Total carrying amount	¥448,484	¥509,831	\$4,040

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Profit (loss) for the year	¥(30,820)	¥(119,114)	\$(278)
Other comprehensive income	872	(136)	8
Comprehensive income for the year	¥(29,948)	¥(119,250)	\$(270)

In Copper and molybdenum mining business in Chile, an impairment loss of ¥33,601 million (\$303 million) is recognized as a result of revision of a medium and long-term copper price to slightly less than US \$3/lb which is applied to the long-term business plan based on the current performance of mining operation and the medium and long-term trend in copper prices. Impairment losses of ¥33,597 million (\$303 million) and ¥4 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 statement of comprehensive income.

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 was recognized in the Mineral Resources, Energy, Chemical & Electronics segment. In Iron ore mining project in Brazil, an impairment loss

of ¥14,572 million was recognized based on revision of a medium and long-term iron ore price to approximately US \$60/MT which was applied to the long-term business plan due to the decline in the current iron ore price. Impairment losses of ¥14,208 million and ¥364 million were 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 was recognized based on revision of a medium and long-term copper price to approximately US \$3/lb which was applied to the long-term business plan due to the decline in the current copper price. Impairment losses of ¥14,031 million and ¥8 million were recognized in the Mineral Resources, Energy, Chemical & Electronics segment and the Overseas Subsidiaries and Branches segment, respectively.

The impairment loss was included in "Share of profit (loss) of investments accounted for using the equity method" in the Consolidated statement of comprehensive income.

(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, 2017 and 2016 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Management and secondment fees, received	¥5,821	¥ 5,441	\$52
Interest income	6,679	11,227	60
Interest expense	76	13	1

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

12 | Property, Plant and Equipment

Cost and accumulated depreciation and impairment losses of Property, plant and equipment as of March 31, 2017 and 2016 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, 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
Acquisitions	427	8,191	69,434	47,104	1,813	126,969
Reclassification	727	10,129	2,286	(21,491)	(593)	(8,942)
Acquisitions through business combinations	6,852	9,450	7,803	–	–	24,105
Deconsolidation of subsidiaries	(1,927)	(5,504)	(21,998)	(247)	(5,906)	(35,582)
Disposals	(3,484)	(7,838)	(20,056)	(978)	(101,109)	(133,465)
Exchange differences on translating foreign operations	(238)	(2,417)	(9,226)	(317)	(28,175)	(40,373)
Others	(122)	2,405	627	(1,240)	(2,290)	(620)
Balance as of March 31, 2017	¥91,453	¥350,038	¥882,724	¥ 53,776	¥ 231,028	¥1,609,019

	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, 2016	\$803	\$3,024	\$7,692	\$ 279	\$3,309	\$15,107
Acquisitions	4	74	626	424	16	1,144
Reclassification	7	91	21	(194)	(5)	(80)
Acquisitions through business combinations	62	85	70	–	–	217
Deconsolidation of subsidiaries	(17)	(50)	(198)	(2)	(53)	(320)
Disposals	(31)	(70)	(181)	(9)	(911)	(1,202)
Exchange differences on translating foreign operations	(2)	(22)	(83)	(3)	(254)	(364)
Others	(2)	22	6	(11)	(21)	(6)
Balance as of March 31, 2017	\$824	\$3,154	\$7,953	\$ 484	\$2,081	\$14,496

[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, 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)
Deconsolidation of subsidiaries	368	4,975	20,650	5,752	31,745
Disposals	235	4,151	13,832	91,220	109,438
Depreciation expenses	–	(16,425)	(63,920)	(5,061)	(85,406)
Impairment losses	(28)	(2,060)	(7,592)	(68)	(9,748)
Exchange differences on translating foreign operations	6	884	3,638	23,407	27,935
Others	167	480	3,332	813	4,792
Balance as of March 31, 2017	¥ (823)	¥(165,917)	¥(451,018)	¥(195,404)	¥(813,162)

	Millions of U.S. Dollars				
	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of March 31, 2016	\$(14)	\$(1,423)	\$(3,792)	\$(2,806)	\$(8,035)
Deconsolidation of subsidiaries	3	45	186	52	286
Disposals	2	37	125	822	986
Depreciation expenses	–	(147)	(576)	(46)	(769)
Impairment losses	(0)	(19)	(69)	(0)	(88)
Exchange differences on translating foreign operations	0	8	33	211	252
Others	2	4	29	7	42
Balance as of March 31, 2017	\$ (7)	\$(1,495)	\$(4,064)	\$(1,760)	\$(7,326)

[Carrying amount]

	Land and land improvements	Buildings including leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2017 (Millions of Yen)	¥90,630	¥184,121	¥431,706	¥53,776	¥35,624	¥795,857
2016 (Millions of Yen)	¥87,647	¥177,700	¥432,896	¥30,945	¥55,821	¥785,009
2017 (Millions of U.S. Dollars)	\$817	\$1,659	\$3,889	\$484	\$321	\$7,170

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, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Metal Products	¥ (88)	¥ (70)	\$ (1)
Transportation & Construction Systems	(5,223)	(2,338)	(47)
Environment & Infrastructure	–	(18)	–
Media, ICT, Lifestyle Related Goods & Services	(1,845)	(1,479)	(17)
Mineral Resources, Energy, Chemical & Electronics	(277)	(17,301)	(2)
Overseas Subsidiaries and Branches	(2,315)	(2,838)	(21)
Corporate and Eliminations	–	(24)	–
Total	¥(9,748)	¥(24,068)	\$(88)

Impairment losses during the year ended March 31, 2016 mainly consisted 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 recoverable amount based on the present value of estimated future cash flows fell below its carrying amount. Those impairment losses were ¥12,079 million recognized in the Mineral Resources, Energy, Chemical & Electronics segment.

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, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Buildings including leasehold improvements	¥14,934	¥14,015	\$135
Machinery and equipment	¥41,952	¥45,407	\$378

Depreciation expenses for property, plant and equipment are included in "Cost" and "Selling, general and administrative expenses" in the Consolidated statement of comprehensive income.

13 | Intangible Assets

(1) Goodwill

Cost and accumulated impairment losses of goodwill for the years ended March 31, 2017 and 2016 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance, beginning of year	¥196,654	¥205,360	\$1,772
Acquisitions through business combinations	65,611	3,399	591
Deconsolidation of subsidiaries	(3,882)	(1,787)	(35)
Exchange differences on translating foreign operations	(2,123)	(11,257)	(19)
Others	(102)	939	(1)
Balance, end of year	¥256,158	¥196,654	\$2,308

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance, beginning of year	¥(75,927)	¥(48,767)	\$(684)
Impairment losses	(7,243)	(30,399)	(65)
Deconsolidation of subsidiaries	775	862	7
Exchange differences on translating foreign operations	218	2,175	2
Others	(49)	202	(1)
Balance, end of year	¥(82,226)	¥(75,927)	\$(741)

The impairment losses recognized on goodwill for the years ended March 31, 2017 and 2016 are ¥7,243 million (\$65 million) and ¥30,399 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, 2017 consist of mainly operations relating to Edgen Group. The impairment loss of ¥2,601 million (\$23 million) is recognized due to revision of the business plan resulting from stagnation of the oil prices. The impairment losses of ¥754 million (\$7 million) and ¥1,847 million (\$17 million) are recognized in the Metal Products segment and the Overseas Subsidiaries and Branches segment, respectively.

The impairment losses on goodwill during the year ended March 31, 2016 consisted of mainly operations relating to Edgen Group. The impairment loss of ¥19,884 million was 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 and ¥14,118 million were 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 was recognized due to revision of the business plan, etc. The impairment losses of ¥8,723 million and ¥1,101 million were recognized in the Media, ICT, Lifestyle Related Goods & Services segment and the Overseas Subsidiaries and Branches segment, etc., respectively.

[Carrying amount]

	Carrying amount
2017 (Millions of Yen)	¥173,932
2016 (Millions of Yen)	¥120,727
2017 (Millions of U.S. Dollars)	\$1,567

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, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Metal Products	¥ 12,118	¥ 14,701	\$ 109
Transportation & Construction Systems	20,513	21,364	185
Environment & Infrastructure	-	-	-
Media, ICT, Lifestyle Related Goods & Services	81,359	20,106	733
Mineral Resources, Energy, Chemical & Electronics	4,546	4,424	41
Overseas Subsidiaries and Branches	55,396	60,132	499
Total	¥173,932	¥120,727	\$1,567

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 9%, overseas: approximately 6 to 20%).

Significant portions of goodwill included above as of March 31, 2017 are related to that of Fyffes plc, an international produce marketer and distributor in Ireland, of ¥65,167 million (\$587 million) and TBC Corporation of ¥36,508 million (\$329 million), respectively, and as of March 31, 2016 were related to TBC Corporation of ¥36,607 million and Edgen Group of ¥16,662 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, 2017 and 2016 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 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
Acquisitions through business combinations	4	8,656	11	8,671
Separate acquisitions	10,882	201	959	12,042
Deconsolidation of subsidiaries	(1,648)	(3,390)	(104)	(5,142)
Disposals	(2,543)	(247)	(2,941)	(5,731)
Exchange differences on translating foreign operations	(187)	(2,407)	(441)	(3,035)
Others	1,443	880	(854)	1,469
Balance as of March 31, 2017	¥129,699	¥246,707	¥15,111	¥391,517

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2016	\$1,097	\$2,190	\$166	\$3,453
Acquisitions through business combinations	0	78	0	78
Separate acquisitions	98	2	8	108
Deconsolidation of subsidiaries	(15)	(30)	(1)	(46)
Disposals	(23)	(3)	(26)	(52)
Exchange differences on translating foreign operations	(1)	(21)	(4)	(26)
Others	13	7	(7)	13
Balance as of March 31, 2017	\$1,169	\$2,223	\$136	\$3,528

[Accumulated amortization and impairment]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 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)
Disposals	2,394	249	2,932	5,575
Amortization expenses	(9,115)	(12,811)	(1,210)	(23,136)
Impairment losses	(10)	-	(149)	(159)
Deconsolidation of subsidiaries	1,024	1,852	54	2,930
Exchange differences on translating foreign operations	106	1,205	143	1,454
Others	100	(2,300)	627	(1,573)
Balance as of March 31, 2017	¥(105,230)	¥(95,202)	¥ (7,658)	¥(208,090)

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2016	\$(898)	\$(751)	\$(91)	\$(1,740)
Disposals	21	2	27	50
Amortization expenses	(82)	(116)	(11)	(209)
Impairment losses	(0)	-	(1)	(1)
Deconsolidation of subsidiaries	9	17	0	26
Exchange differences on translating foreign operations	1	11	1	13
Others	1	(21)	6	(14)
Balance as of March 31, 2017	\$(948)	\$(858)	\$(69)	\$(1,875)

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2017 (Millions of Yen)	¥24,469	¥151,505	¥7,453	¥183,427
2016 (Millions of Yen)	¥22,019	¥159,617	¥8,426	¥190,062
2017 (Millions of U.S. Dollars)	\$221	\$1,365	\$67	\$1,653

Significant portions of sales licenses, trademarks and customer relationships as of March 31, 2017 are related to TBC Corporation of ¥41,911 million (\$378 million; average remaining amortization period of 15 years), and as of March 31, 2016 were related to TBC Corporation of ¥47,557 million and Edgen Group of ¥45,324 million, respectively.

The impairment loss recognized on intangible assets for the year ended March 31, 2016 was ¥2,554 million, and was 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 was recognized due to revision of the business plan, etc. The impairment losses of ¥1,596 million and ¥684 million were recognized in the Media, ICT, 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, 2017 and 2016 included above are ¥6,756 million (\$61 million) and ¥6,034 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, 2017 and 2016 are ¥360 million (\$3 million) and ¥520 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, 2017 and 2016 are ¥11,711 million (\$106 million) and ¥8,604 million, respectively, and mainly are included in software.

14 | Investment Property

Cost and accumulated depreciation and impairment losses of investment property as of March 31, 2017 and 2016 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance, beginning of year	¥309,050	¥318,400	\$2,784
Acquisitions	57,541	17,716	518
Disposals	(10,406)	(36,014)	(94)
Exchange differences on translating foreign operations	1,663	(1,510)	15
Reclassification	897	10,334	8
Others	267	124	3
Balance, end of year	¥359,012	¥309,050	\$3,234

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance, beginning of year	¥(42,427)	¥(48,940)	\$(382)
Depreciation expenses	(5,724)	(4,617)	(51)
Impairment losses	(1,653)	(207)	(15)
Disposals	2,198	12,501	20
Exchange differences on translating foreign operations	(81)	147	(1)
Reclassification	(218)	(1,158)	(2)
Others	8	(153)	0
Balance, end of year	¥(47,897)	¥(42,427)	\$(431)

Impairment losses recognized for the year ended March 31, 2017 and 2016 are ¥1,653 million (\$15 million) and ¥207 million, respectively, and are included in "Impairment losses on long-lived assets" in the Consolidated statement of comprehensive income.

[Carrying amount and fair value]

	Carrying amount	Fair value
2017 (Millions of Yen)	¥311,115	¥361,388
2016 (Millions of Yen)	¥266,623	¥298,342
2017 (Millions of U.S. Dollars)	\$2,803	\$3,256

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, 2017 and 2016 are ¥28,103 million (\$253 million) and ¥26,050 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, 2017 and 2016 are ¥19,567 million (\$176 million) and ¥19,164 million, respectively, and are included mainly in "Cost."

15 | Biological Assets

Biological assets as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance, beginning of year	¥11,911	¥12,851	\$107
Increases due to purchases	582	833	5
Decreases due to harvest	(788)	(1,035)	(7)
The gain or loss arising from changes in fair value less costs to sell	735	1,062	7
Exchange differences on translating foreign operations	96	(1,800)	1
Balance, end of year	¥12,536	¥11,911	\$113

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.

16 | Deferred Taxes

The tax effects of temporary differences that give rise to significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Net operating loss carry forwards	¥ 58,200	¥ 55,731	\$ 524
Securities and other investments	20,862	19,290	188
Inventories and long-lived assets	41,230	44,987	372
Allowance for doubtful receivables	33,613	8,624	303
Retirement benefit plans	11,797	15,540	106
Others	78,298	81,141	705
Deferred tax assets total	¥ 244,000	¥ 225,313	\$ 2,198
Deferred tax liabilities:			
Investments accounted for using the equity method	¥ (49,707)	¥ (60,292)	\$(448)
Securities and other investments	(73,763)	(62,243)	(665)
Long-lived assets	(98,626)	(87,505)	(888)
Others	(70,986)	(65,083)	(639)
Deferred tax liabilities total	¥(293,082)	¥(275,123)	\$(2,640)

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deferred tax assets	¥ 67,758	¥ 71,443	\$ 611
Deferred tax liabilities	(116,840)	(121,253)	(1,053)

Changes in deferred tax assets and liabilities for the years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net deferred tax assets (liabilities):			
Balance, beginning of year	¥(49,810)	¥(85,084)	\$(448)
Amount recognized in other comprehensive income:			
Financial assets measured at FVTOCI	(9,936)	23,511	(90)
Remeasurements of defined benefit pension plans	(5,223)	8,598	(47)
Exchange differences on translating foreign operations	(976)	(421)	(9)
Cash-flow hedges	(1,345)	3,349	(12)
Share of other comprehensive income of investments accounted for using the equity method	466	(647)	4
Amount recognized in profit or loss	22,440	(1,484)	202
Effects of acquisitions and divestitures	(4,698)	2,368	(42)
Balance, end of year	¥(49,082)	¥(49,810)	\$(442)

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, 2017 and 2016 is an increase of ¥15,257 million (\$137 million) and a decrease of ¥15,358 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 ¥577,890 million (\$5,206 million) and ¥132,711 million (\$1,196 million) as of March 31, 2017 and ¥523,739 million and ¥247,437 million as of March 31, 2016, 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, 2017 and 2016 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
1st year	¥ 1,430	¥ 1,188	\$ 13
2nd year	107,061	2,467	964
3rd year	34,432	107,836	310
4th year	2,302	36,203	21
5th year and thereafter	432,665	376,045	3,898
Total	¥577,890	¥523,739	\$5,206

As of March 31, 2017 and 2016, 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, 2017 and 2016 totaled to ¥1,043,299 million (\$9,399 million) and ¥1,072,513 million, respectively.

Other current assets as of March 31, 2017 and 2016 included tax receivables of ¥45,140 million (\$407 million) and ¥31,531 million, respectively.

17 | Bonds and Borrowings

Details of the bonds and borrowings (non-current), and interest rates as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Secured:			
Loans from banks and insurance companies, maturing serially through 2039, average interest rate 3.12%	¥ 277,845	¥ 291,711	\$ 2,503
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2035, average interest rate 0.76%	2,560,143	2,751,225	23,064
Bonds payable in Japanese yen due, 2016, fixed rates 1.70% to 2.12%	–	25,205	–
2017, fixed and floating rates 0.50% to 1.98%	20,038	30,224	181
2018, fixed and floating rates 0.34% to 1.89%	30,168	30,403	272
2019, fixed rates 0.76% to 2.21%	35,965	36,589	324
2020, fixed rates 0.33% to 1.46%	30,669	31,023	276
2021, fixed rate 0.14%	9,955	–	90
2022, fixed rates 0.88% to 1.71%	89,017	90,577	802
2023, fixed rate 0.86%	30,783	31,064	277
2024, fixed rates 0.77% to 0.83%	35,571	35,742	320
2029, fixed rates 1.24% to 1.29%	27,634	28,036	249
2030, fixed rate 2.26%	12,178	12,376	110
2031, fixed rate 2.19%	12,035	12,237	108
Medium-term notes, maturing serially through 2022, average interest rate 1.51%	57,061	51,230	514
Subtotal	3,229,062	3,457,642	29,090
Less: Current maturities	(469,993)	(544,156)	(4,234)
Bonds and borrowings (non-current)	¥2,759,069	¥2,913,486	\$24,856

Details of the bonds and borrowings (current) as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Short-term loans, principally from banks	¥143,702	¥152,378	\$1,295
Commercial paper	45,562	40,923	410
Total	¥189,264	¥193,301	\$1,705

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, 2017 and 2016 are 1.72% and 1.31%, respectively.

The weighted average interest rates for commercial paper for the years ended March 31, 2017 and 2016 are 0.76% and 0.24%, respectively.

The Companies have lines of credit agreements available for immediate borrowing with a syndicate of foreign banks as well as U.S. and European banks in the amount of \$1,260 million in total and with two syndicates of domestic banks in the amount of ¥445,000 million (\$4,009 million) in total.

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, 2017 and 2016, 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, 2017 and 2016.

18 | Trade and Other Payables

The components of Trade and other payables as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Notes payable	¥ 29,299	¥ 30,162	\$ 264
Accounts payable	830,713	745,366	7,484
Payables to equity-accounted investees	39,907	42,498	359
Finance lease obligations	77,136	82,333	695
Other payables	173,365	167,028	1,562
Trade and other payables	¥1,150,420	¥1,067,387	\$10,364

The amount of Trade and other payables above includes financial liabilities measured at FVTPL of ¥78,782 million (\$710 million) and ¥79,080 million as of March 31, 2017 and 2016, respectively.

Payables to equity-accounted investees above include finance lease obligations of ¥8,958 million (\$81 million) and ¥8,041 million as of March 31, 2017 and 2016, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Current liabilities	¥1,029,294	¥ 933,147	\$ 9,273
Non-current liabilities	121,126	134,240	1,091
Total	¥1,150,420	¥1,067,387	\$10,364

19 | Provisions

The changes in Provisions for the year ended March 31, 2017 are as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥26,335	¥1,679	¥ 20,985	¥ 48,999
Provisions made	4,019	11	2,998	7,028
Provisions used	(564)	(42)	(12,696)	(13,302)
Accretion expense	819	-	-	819
Others	(4,495)	(14)	(1,335)	(5,844)
Balance, end of year	¥26,114	¥1,634	¥ 9,952	¥ 37,700

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	¥ 129	¥ -	¥4,361	¥ 4,490
Non-current	25,985	1,634	5,591	33,210
Total	¥26,114	¥1,634	¥9,952	¥37,700

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	\$237	\$15	\$ 189	\$ 441
Provisions made	36	0	27	63
Provisions used	(5)	(0)	(114)	(119)
Accretion expense	7	-	-	7
Others	(40)	(0)	(12)	(52)
Balance, end of year	\$235	\$15	\$ 90	\$ 340

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Current	\$ 1	\$ -	\$40	\$ 41
Non-current	234	15	50	299
Total	\$235	\$15	\$90	\$340

Asset retirement obligations are principally related to the dismantlement costs of oil, coal, or ore exploration installations.

The provision for employee benefits mainly represents long service leave entitlements accrued and other provisions primarily consist of the provision for warranties and cancellation.

20 | Employee Benefits

(1) Post-employment benefit

The Company has non-contributory defined benefit pension plans and lump-sum retirement benefit plans covering substantially all employees other than directors and executive officers. The plans provide benefits based upon years of service, compensation at the time of severance, and other factors.

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, 2017 and 2016 are as follows:

[Changes in the defined benefit obligations]

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance, beginning of year	¥(358,402)	¥(335,183)	\$(3,229)
Service cost	(11,785)	(11,053)	(106)
Interest on obligation	(2,355)	(4,874)	(21)
Past service cost	914	(18)	8
Remeasurement	6,885	(25,723)	62
Exchange differences on translating foreign operations	1,648	3,015	15
Benefits paid	12,251	12,218	110
Acquisitions and disposals	(20,289)	3,216	(183)
Balance, end of year	¥(371,133)	¥(358,402)	\$(3,344)

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance, beginning of year	¥327,084	¥336,092	\$2,947
Interest on plan assets	2,800	4,331	25
Remeasurement	9,222	(7,769)	83
Exchange differences on translating foreign operations	(213)	(761)	(2)
Contributions by the employer	5,526	6,013	50
Benefits paid	(11,002)	(10,668)	(99)
Acquisitions and disposals	17,351	(154)	156
Balance, end of year	¥350,768	¥327,084	\$3,160

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 23% equity securities, 45% debt securities, and 32% 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, 2017 are as follows:

Categories of plan assets	Millions of Yen		Total
	Prices are quoted in a market	Prices are not quoted in a market	
Cash and cash equivalents	¥ 58,387	¥ –	¥ 58,387
Equity securities:			
Domestic	31,751	–	31,751
Foreign	66,991	–	66,991
Debt securities:			
Domestic	29,685	–	29,685
Foreign	86,566	–	86,566
Hedge funds	–	50,738	50,738
Life insurance company general accounts	–	19,724	19,724
Private equity	–	3,046	3,046
Others	–	3,880	3,880
Total	¥273,380	¥77,388	¥350,768

The major categories of plan assets as of March 31, 2016 are as follows:

Categories of plan assets	Millions of Yen		Total
	Prices are quoted in a market	Prices are not quoted in a market	
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, 2017 are as follows:

Categories of plan assets	Millions of U.S. Dollars		Total
	Prices are quoted in a market	Prices are not quoted in a market	
Cash and cash equivalents	\$ 526	\$ -	\$ 526
Equity securities:			
Domestic	286	-	286
Foreign	604	-	604
Debt securities:			
Domestic	267	-	267
Foreign	780	-	780
Hedge funds	-	457	457
Life insurance company general accounts	-	178	178
Private equity	-	27	27
Others	-	35	35
Total	\$2,463	\$697	\$3,160

Principal assumptions used in the actuarial valuations for the years ended March 31, 2017 and 2016 are as follows:

	%	
	2017	2016
Discount rate as of March 31	1.0	0.9
The expected rate of salary increase	2.8	2.7

The changes in the key assumptions may affect the valuations of defined benefit obligations as of March 31, 2017 and 2016, a 0.5% increase in discount rate would lead to a decrease of ¥22,295 million (\$201 million) and ¥22,665 million, respectively, a 0.5% decrease in discount rate would lead to an increase of ¥26,569 million (\$239 million) and ¥26,766 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, 2018 are ¥10,298 million (\$93 million).

The weighted-average duration of the defined benefit obligation for the year ending March 31, 2017 is 18 years.

The Companies' pension and retirement benefits expense at the defined contribution plans for the years ended March 31,

2017 and 2016 are ¥4,717 million (\$42 million) and ¥4,889 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, 2018 are ¥498 million (\$4 million).

(2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the years ended March 31, 2017 and 2016 are ¥138,670 million (\$1,249 million) and ¥143,606 million, respectively.

21 | Common Stock

The numbers of shares authorized and issued as of March 31, 2017 and 2016 are as follows:

	2017 (Number of shares)	2016 (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, 2017 and 2016 included in the number of shares issued shown above were 2,333,692 shares and 2,506,842 shares, respectively.

22 | 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 ¥367,656 million (\$3,312) and ¥318,141 million, shown by the Company's accounting records for the years ended March 31, 2017 and 2016, respectively, were not restricted by the limitations under the Companies Act.

23 | Other Components of Equity and Other Comprehensive Income (Loss)

The changes in Other components of equity for the years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Financial assets measured at FVTOCI			
Balance, beginning of year	¥142,580	¥ 182,195	\$1,285
Adjustment for the year	22,277	(36,300)	201
Transfer to retained earnings	8,148	(3,315)	73
Balance, end of year	¥173,005	¥ 142,580	\$1,559
Remeasurements of defined benefit pension plans			
Balance, beginning of year	¥ -	¥ -	\$ -
Adjustment for the year	9,760	(22,792)	88
Transfer to retained earnings	(9,760)	22,792	(88)
Balance, end of year	¥ -	¥ -	\$ -
Exchange differences on translating foreign operations			
Balance, beginning of year	¥199,395	¥ 365,709	\$1,796
Adjustment for the year	(41,769)	(166,314)	(376)
Balance, end of year	¥157,626	¥ 199,395	\$1,420
Cash-flow hedges			
Balance, beginning of year	¥ (30,095)	¥ (16,561)	\$ (271)
Adjustment for the year	8,558	(13,534)	77
Balance, end of year	¥ (21,537)	¥ (30,095)	\$ (194)
Other components of equity			
Balance, beginning of year	¥311,880	¥ 531,343	\$2,810
Adjustment for the year	(1,174)	(238,940)	(11)
Transfer to retained earnings	(1,612)	19,477	(14)
Balance, end of year	¥309,094	¥ 311,880	\$2,785

The following table provides each component of Other comprehensive income (loss) included in Non-controlling interests for the years ended March 31, 2017 and 2016.

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Financial assets measured at FVTOCI	¥ 233	¥ (322)	\$ 2
Remeasurements of defined benefit pension plans	844	(2,388)	8
Exchange differences on translating foreign operations	(5,852)	(4,034)	(53)
Cash-flow hedges	(2)	13	(0)
Other comprehensive income (loss)	¥(4,777)	¥(6,731)	\$(43)

The following table provides an analysis of each component of other comprehensive income (loss) and related tax effects (including those on Non-controlling interests) for the years ended March 31, 2017 and 2016.

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
2017			
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	¥ 32,707	¥ (9,936)	¥ 22,771
Adjustment for the year	32,707	(9,936)	22,771
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	16,107	(5,223)	10,884
Adjustment for the year	16,107	(5,223)	10,884
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	(30,095)	5,954	(24,141)
Reclassification to profit or loss for the year	(16,550)	(6,930)	(23,480)
Adjustment for the year	(46,645)	(976)	(47,621)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	5,712	(1,446)	4,266
Reclassification to profit or loss for the year	(1,872)	101	(1,771)
Adjustment for the year	3,840	(1,345)	2,495
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	873	466	1,339
Reclassification to profit or loss for the year	4,181	–	4,181
Adjustment for the year	5,054	466	5,520
Total other comprehensive income (loss)	¥ 11,063	¥(17,014)	¥ (5,951)

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
2016			
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)

2017	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	\$ 295	\$ (90)	\$ 205
Adjustment for the year	295	(90)	205
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	145	(47)	98
Adjustment for the year	145	(47)	98
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	(271)	54	(217)
Reclassification to profit or loss for the year	(149)	(63)	(212)
Adjustment for the year	(420)	(9)	(429)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	51	(13)	38
Reclassification to profit or loss for the year	(17)	1	(16)
Adjustment for the year	34	(12)	22
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	8	4	12
Reclassification to profit or loss for the year	38	-	38
Adjustment for the year	46	4	50
Total other comprehensive income (loss)	\$ 100	\$ (154)	\$ (54)

24 | Dividends

(1) Dividends paid during the years ended March 31, 2017 and 2016 are as follows:

Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date
		Millions of Yen (Millions of U.S. Dollars)	Yen (U.S. Dollars)		
Ordinary general meeting of shareholders held on June 23, 2015	Ordinary shares	¥31,195	¥25	March 31, 2015	June 24, 2015
Board of Directors' meeting held on October 30, 2015	Ordinary shares	¥31,201	¥25	September 30, 2015	December 1, 2015
Ordinary general meeting of shareholders held on June 24, 2016	Ordinary shares	¥31,202 (\$281)	¥25 (\$0.23)	March 31, 2016	June 27, 2016
Board of Directors' meeting held on November 1, 2016	Ordinary shares	¥31,204 (\$281)	¥25 (\$0.23)	September 30, 2016	December 1, 2016

(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	Dividends per share	Record date	Effective date
		Millions of Yen (Millions of U.S. Dollars)	Source of dividends Yen (U.S. Dollars)		
Ordinary general meeting of shareholders held on June 23, 2017	Ordinary shares	¥31,207 (\$281)	Retained earnings ¥25 (\$0.23)	March 31, 2017	June 26, 2017

25 | Share-based Payments

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

Stock option plan

The Company has stock option plans for directors, executive officers, and corporate officers under the Company's qualification system. Under the plans, each stock option entitles the recipient to acquire 100 shares of common stock at an exercise price equal to the greater of (i) 105% of the average closing market price of the Company's common stock on the Tokyo Stock Exchange for the calendar month before the grant date (excluding days when there are no transactions), or (ii) the closing market price of the Company's common stock on the

Tokyo Stock Exchange on the grant date (or the closing market price on the day immediately preceding that date, if there are no transactions on that date).

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

On May 18, 2016, the Board of Directors authorized the issue of new stock options for up to 182,000 shares of common stock. The options for 182,000 shares were granted under these authorizations. On May 17, 2017, the Board of Directors authorized the issue of new stock options for up to 205,000 shares of common stock.

The Company's stock option activities for the years ended March 31, 2017 and 2016 are as follows:

	2017			2016	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen
Outstanding, beginning of year	496,000	¥1,400	\$13	535,200	¥1,302
Granted	182,000	1,124	10	178,000	1,532
Exercised	30,000	1,191	11	80,100	1,161
Cancelled or expired	101,000	1,358	12	137,100	1,326
Outstanding, end of year	547,000	1,328	12	496,000	1,400
Options exercisable, end of year	367,000	¥1,428	\$13	322,000	¥1,329

Stock options outstanding and exercisable as of March 31, 2017 are as follows:

Exercise price range Yen	2017						
	Outstanding				Exercisable		
	Number of shares	Weighted average exercise price		Weighted average remaining life in years	Number of shares	Weighted average exercise price	
Yen		U.S. Dollars	Yen			U.S. Dollars	
¥1,001–1,200	204,000	¥1,124	\$10	3.78	24,000	¥1,125	\$10
1,201–1,400	81,000	1,312	12	1.25	81,000	1,312	12
1,401–1,600	262,000	1,491	13	2.80	262,000	1,491	13
	547,000	¥1,328	\$12	2.94	367,000	¥1,428	\$13

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

	2017	2016
Expected life (year)	4.5	4.5
Risk-free rate (%)	0.00	0.07
Expected volatility (%)	26.68	23.58
Expected dividend yield (%)	3.99	3.72

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 18, 2016, the Board of Directors authorized the issue of new stock options under these stock-linked compensation plans for up to 250,000 shares of common stock. Options for 169,500 shares were granted under these authorizations. On May 17, 2017, the Board of Directors authorized the issue of new stock options for up to 210,000 shares of common stock based on the plans.

The Company's stock-linked compensation plans for the years ended March 31, 2017 and 2016 are as follows:

	2017	2016
	Number of shares	Number of shares
Outstanding, beginning of year	892,100	972,200
Granted	169,500	127,700
Exercised	93,900	207,800
Cancelled or expired	-	-
Outstanding, end of year	967,700	892,100
Options exercisable, end of year	403,100	351,600

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

	2017	2016
Expected life (year)	3.20	2.56
Risk-free rate (%)	0.00	0.01
Expected volatility (%)	27.91	22.00
Expected dividend yield (%)	3.96	3.79

Compensation expense incurred on the stock option plans and the stock-linked compensation plans for the years ended March 31, 2017 and 2016 are ¥173 million (\$2 million) and ¥190 million, respectively.

26 | Financial Instruments and Related Disclosures

(1) Capital Management

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

The key metrics used for capital management are as follows:

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

^{*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 from these derivative contracts, 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.

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.

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

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
	2017	2016	2017
Profit before tax	¥(219)	¥(116)	\$(2)

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, 2017 and 2016 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
	2017	2016	2017
Profit before tax	¥(11,849)	¥(13,532)	\$(107)

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, agricultural products, 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

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

Millions of Yen				
2017				
	At year-end	High	Low	Average
VaR	¥6,956	¥8,331	¥5,840	¥6,795

Millions of Yen				
2016				
	At year-end	High	Low	Average
VaR	¥5,698	¥5,705	¥3,354	¥4,646

Millions of U.S. Dollars				
2017				
	At year-end	High	Low	Average
VaR	\$63	\$75	\$53	\$61

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 almost fell within our VaR threshold in the back testing during the twelve months ended December 31, 2016 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.

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 principal market-sensitive commodity transactions.

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, 2017 and 2016:

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.

The Companies' remaining contractual maturities for non-derivative financial liabilities (excluding lease obligations and some other liabilities) as of March 31, 2017 and 2016 are as follows:

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2017				
Bonds and borrowings	¥ 659,257	¥1,499,094	¥1,259,975	¥3,418,326
Trade and other payables	1,009,521	19,487	34,228	1,063,236
Financial guarantee contracts	78,540	38,662	49,709	166,911
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

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2017				
Bonds and borrowings	\$5,939	\$13,505	\$11,351	\$30,795
Trade and other payables	9,095	176	308	9,579
Financial guarantee contracts	708	348	448	1,504

The Companies' liquidity analysis for derivatives as of March 31, 2017 and 2016 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
2017					
Interest rate contracts	cash receipt	¥ 9,758	¥ 26,352	¥18,674	¥ 54,785
	/ (payment)	(1,031)	(2,908)	(1,904)	(5,843)
Foreign exchange contracts	cash receipt	24,676	6,147	1,978	32,801
	/ (payment)	(13,609)	(5,532)	(1,074)	(20,215)
Commodity contracts	cash receipt	52,934	28,678	564	82,176
	/ (payment)	(50,266)	(24,598)	(547)	(75,411)
2016					
Interest rate contracts	cash receipt	¥ 12,512	¥ 34,704	¥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)

		Millions of U.S. Dollars			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2017					
Interest rate contracts	cash receipt	\$ 88	\$ 238	\$168	\$ 494
	/ (payment)	(10)	(26)	(17)	(53)
Foreign exchange contracts	cash receipt	222	56	18	296
	/ (payment)	(122)	(50)	(10)	(182)
Commodity contracts	cash receipt	477	258	5	740
	/ (payment)	(453)	(221)	(5)	(679)

(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.

2. Financial instruments measured at amortized cost

The fair values of financial instruments measured at amortized cost as of March 31, 2017 and 2016 are as follows: Financial instruments measured at amortized cost that are included in "Marketable securities" and "Other investments" are disclosed in Note 6.

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.

	Millions of Yen	
	2017	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥1,654,154	¥1,660,537
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,418,326	3,430,437
Trade and other payables	1,071,638	1,071,691
	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 U.S. Dollars	
	2017	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	\$14,902	\$14,960
Financial liabilities measured at amortized cost:		
Bonds and borrowings	30,795	30,905
Trade and other payables	9,654	9,655

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, 2017 and 2016 are as follows:

2017	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 6,435	¥ 1	¥14,843	¥ 21,279
Financial assets measured at FVTOCI	339,168	-	75,375	414,543
Trade and other receivables measured at FVTPL	-	24,706	-	24,706
Other financial assets (derivatives)				
Derivatives designated as hedges	-	71,727	-	71,727
Derivatives not designated as hedges	7,567	90,059	21	97,647
Total	¥353,170	¥ 186,493	¥90,239	¥ 629,902
Liabilities:				
Trade and other payables measured at FVTPL	¥ -	¥ (78,782)	¥ -	¥ (78,782)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	-	(15,957)	-	(15,957)
Derivatives not designated as hedges	(10,842)	(74,633)	(3)	(85,478)
Total	¥ (10,842)	¥(169,372)	¥ (3)	¥(180,217)

2016	Millions of Yen			
	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)

2017	Millions of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments				
Financial assets measured at FVTPL	\$ 58	\$ 0	\$134	\$ 192
Financial assets measured at FVTOCI	3,056	–	679	3,735
Trade and other receivables measured at FVTPL	–	222	–	222
Other financial assets (derivatives)				
Derivatives designated as hedges	–	646	–	646
Derivatives not designated as hedges	68	812	0	880
Total	\$3,182	\$ 1,680	\$813	\$ 5,675
Liabilities:				
Trade and other payables measured at FVTPL	\$ –	\$ (710)	\$ –	\$ (710)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	–	(144)	–	(144)
Derivatives not designated as hedges	(98)	(672)	(0)	(770)
Total	\$ (98)	\$(1,526)	\$ (0)	\$(1,624)

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, 2017 is as follows:

2017	Millions of Yen		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	¥19,188	¥ 82,504	¥ 335
Purchases	1,960	9,004	–
Comprehensive income			
Profit or loss for the year	(457)	–	(74)
Other comprehensive income	–	(11,606)	–
Disposals	(5,254)	(3,287)	–
Settlements	(594)	(1,240)	(243)
Balance, end of year	¥14,843	¥ 75,375	¥ 18
Loss for the year included in earnings relating to financial instruments still held at the end of year	¥ (652)	¥ –	¥ (69)

	Millions of U.S. Dollars		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
2017			
Balance, beginning of year	\$173	\$ 743	\$ 3
Purchases	18	81	-
Comprehensive income			
Profit or loss for the year	(4)	-	(1)
Other comprehensive income	-	(104)	-
Disposals	(47)	(30)	-
Settlements	(6)	(11)	(2)
Balance, end of year	\$134	\$ 679	\$ 0
Loss for the year included in earnings relating to financial instruments still held at the end of year	\$ (6)	\$ -	\$(1)

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, 2017 and 2016, net gains or losses for hedged items were net gains of ¥17,363 million (\$156 million) and net losses of ¥16,185 million, respectively, and net gains or losses for hedging instruments were net losses of ¥17,363 million (\$156 million) and net gains of ¥16,185 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, 2017 and 2016, net derivative gains or losses

(net of the related tax) that were expected to be reclassified into profit or loss within the next fiscal year were net losses of ¥2,558 million (\$23 million) and net losses of ¥5,671 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, 2017 and 2016 are as follows:

2017	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥54,011	¥ 229	¥ -	¥ 157	¥ 54,397
Foreign exchange contracts	-	13,745	1,384	17,672	32,801
Commodity contracts	54	2,304	-	79,818	82,176
Total	¥54,065	¥ 16,278	¥ 1,384	¥ 97,647	¥ 169,374
Other financial assets (current)					66,550
Other financial assets (non-current)					91,937
Total					¥ 158,487
[Derivative liabilities]					
Interest rate contracts	¥ (510)	¥ (5,142)	¥ -	¥ (157)	¥ (5,809)
Foreign exchange contracts	(25)	(6,611)	(2,552)	(11,027)	(20,215)
Commodity contracts	(61)	(1,056)	-	(74,294)	(75,411)
Total	¥ (596)	¥(12,809)	¥(2,552)	¥(85,478)	¥(101,435)
Other financial liabilities (current)					(53,264)
Other financial liabilities (non-current)					(40,599)
Total					¥ (93,863)

Other than the above, the Companies have foreign currency borrowings of ¥59,228 million (\$534 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 ¥37,980 million (\$342 million).

2016	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥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 had foreign currency borrowings of ¥66,544 million that were 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 were subject to enforceable master netting arrangements or similar arrangements were ¥46,181 million.

2017	Millions of U.S. Dollars				Total
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	
[Derivative assets]					
Interest rate contracts	\$487	\$ 2	\$ -	\$ 1	\$ 490
Foreign exchange contracts	-	124	12	160	296
Commodity contracts	0	21	-	719	740
Total	\$487	\$ 147	\$ 12	\$ 880	\$1,526
Other financial assets (current)					600
Other financial assets (non-current)					828
Total					\$1,428
[Derivative liabilities]					
Interest rate contracts	\$ (4)	\$ (47)	\$ -	\$ (2)	\$ (53)
Foreign exchange contracts	(0)	(60)	(23)	(99)	(182)
Commodity contracts	(1)	(9)	-	(669)	(679)
Total	\$ (5)	\$(116)	\$(23)	\$(770)	\$ (914)
Other financial liabilities (current)					(480)
Other financial liabilities (non-current)					(366)
Total					\$ (846)

27 | Exchange Difference Gains and Losses

Gains and losses resulting from translating assets and liabilities denominated in a currency other than the functional currency of the reporting entity or from settling such items are included in profit or loss as they arise. Net foreign exchange gains of ¥180 million (\$2 million) and ¥2,605 million are included in the Consolidated statement of comprehensive income for the years ended March 31, 2017 and 2016, respectively.

28 | Selling, General and Administrative Expenses

The components of Selling, general and administrative expenses for the years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Employee benefits expenses	¥367,431	¥397,886	\$3,310
Equipment expenses	117,548	127,368	1,059
Travel and transportation expenses	25,974	28,676	234
Outsourcing expenses	56,627	58,898	510
Advertising expenses	19,220	24,568	173
Amortization expenses	20,300	22,710	183
Impairment losses on receivables	2,278	10,396	21
Others	84,381	92,222	760
Selling, general and administrative expenses	¥693,759	¥762,724	\$6,250

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

29 | Finance Income and Costs

The components of Finance income and costs for the years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Interest income:			
Financial assets measured at amortized cost	¥ 23,283	¥ 27,303	\$ 210
Derivatives	2,726	2,421	24
Total	26,009	29,724	234
Interest expense:			
Financial liabilities measured at amortized cost	(39,265)	(45,486)	(354)
Derivatives	11,527	13,135	104
Total	(27,738)	(32,351)	(250)
Dividends:			
Financial assets measured at FVTPL	99	1,910	1
Financial assets measured at FVTOCI	9,273	8,713	84
Total	9,372	10,623	85
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	31	(1,943)	0
Others	12,842	74,156	116
Total	¥ 12,873	¥ 72,213	\$ 116

Others of "Gain (loss) on securities and other investments, net" are mainly gains and losses on investments in subsidiaries and associates. Gain (loss) of ¥17,060 million (\$154 million) and ¥46,685 million such as deconsolidation of subsidiaries are recognized for the year ended March 31, 2017 and 2016, respectively.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2017 and 2016 are losses of ¥8,522 million (\$77

million) and gains of ¥20,186 million in "Revenues" and "Cost," and losses of ¥739 million (\$7 million) and gains of ¥414 million in "Other, net," respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2017 and 2016 are ¥28,624 million (\$258 million) and ¥81,940 million in "Revenues," respectively, and interest expense from financial liabilities measured at amortized cost are ¥8,236 million (\$74 million) and ¥27,189 million in "Cost," respectively.

30 | Income Tax Expense

Income tax expense for the years ended March 31, 2017 and 2016 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Current tax	¥ 48,336	¥50,065	\$ 435
Deferred tax	(22,440)	1,484	(202)
Total	¥ 25,896	¥51,549	\$ 233

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 31.0% and

33.0% for the years ended March 31, 2017 and 2016, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The reconciliation between the applicable income tax rate in Japan and the Companies' average effective income tax rate in the Consolidated statement of comprehensive income for the years ended March 31, 2017 and 2016 are as follows:

	%	
	2017	2016
The applicable income tax rate in Japan	31.0	33.0
Tax effect on equity-accounted investees	(14.3)	(6.5)
Tax effect on expenses not deductible for tax purposes	0.6	5.2
Difference in applicable tax rate of foreign subsidiaries	2.3	(4.9)
Reassessment of the recoverability of deferred tax assets	(7.2)	11.0
Others—net	(0.2)	(1.0)
The Companies' average effective income tax rate	12.2	36.8

31 | Earnings per share

A calculation of the basic and diluted earnings per share (attributable to owners of the parent) for the years ended March 31, 2017 and 2016 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Profit for the year attributable to owners of the parent	¥170,889	¥74,546	\$1,540

	Number of shares	
	2017	2016
Weighted-average shares—basic	1,248,188,266	1,247,994,051
Dilutive effect of: Stock options	948,307	939,524
Weighted-average shares—diluted	1,249,136,573	1,248,933,575

	Yen		U.S. Dollars
	2017	2016	2017
Earnings per share (attributable to owners of the parent):			
Basic	¥136.91	¥59.73	\$1.23
Diluted	136.81	59.69	1.23

32 | Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2017 and 2016 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Non-cash investing and financing activities:			
Finance lease obligations incurred	¥ 9,237	¥15,355	\$ 83
Acquisition of securities through debt-equity swap	-	76,993	-
Acquisition of subsidiaries:			
Total consideration paid	(91,391)	(6,334)	(823)
Cash and cash equivalents included in assets acquired	7,911	16,552	71
Acquisition of subsidiaries, net of cash and cash equivalents acquired	¥(83,480)	¥10,218	\$(752)

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, 2017 was ¥16,497 million (\$149 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	¥ 44,255	\$ 399
Trade and other receivables	3,790	34
Property, plant and equipment	2,693	24
Intangible assets	3,905	35
Other assets	5,742	52
Current liabilities	(53,354)	(481)
Non-current liabilities	(1,985)	(18)

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2016 was ¥69,725 million. Each major class of assets and liabilities at the point of sale is as follows:

	Millions of Yen
Cash and cash equivalents	¥ 21,382
Trade and other receivables	257,644
Property, plant and equipment	74,268
Intangible assets	3,058
Other assets	30,722
Current liabilities	(119,052)
Non-current liabilities	(166,454)

One of the major subsidiaries disposed of during the year ended March 31, 2016 was P. T. Oto Multiartha and P. T. Summit Oto Finance ("Oto Group"). In March 2016, the Company transferred portions of common shares of Oto Group to Sumitomo Mitsui Banking Corporation. This resulted in loss of control of Oto Group and they become entities accounted for using the equity method.

33 | Related Party Transactions

Compensation for directors

The remuneration for directors for the years ended March 31, 2017 and 2016 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
1. Monthly remuneration	¥714	¥720	\$6
2. Bonuses resolved at the 149th ordinary general meeting of shareholders	149	–	1
3. Bonuses resolved at the 148th ordinary general meeting of shareholders	–	67	–
4. Expenses recognized for the grant of the 15th of stock option issued on August 2, 2016	5	–	0
5. Expenses recognized for the grant of the 14th of stock option issued on July 31, 2015	–	7	–
6. Expenses recognized for the grant of the 11th of stock option (stock-linked compensation plan) issued on August 2, 2016	55	–	1
7. Expenses recognized for the grant of the 10th of stock option (stock-linked compensation plan) issued on July 31, 2015	19	62	0
8. Expenses recognized for the grant of the 9th of stock option (stock-linked compensation plan) issued on August 1, 2014	–	22	–
Total	¥942	¥878	\$8

34 | Subsidiaries

The Companies' subsidiaries as of March 31, 2017 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
	Sumitomo Corporation Global Metals Co., Ltd.	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 (70 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 Minería 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)	
Summit Motors Vladivostok	Vladivostok, Russia	100.00	
		(100.00)	
	Others (101 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
			(25.00)
	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 (60 Companies)		
Media, ICT, Lifestyle Related Goods & Services	SCSK Corporation	Koto-ku, Tokyo	51.11
	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
	Sumitomo Corporation Equity Asia Limited	Hong Kong, China	100.00
			(20.00)
Fyffes PLC	Dublin, Ireland	100.00	
		(100.00)	
	Others (146 Companies)		
Mineral Resources, Energy, Chemical & Electronics	Sumitomo Shoji Chemicals Co., Ltd.	Chuo-ku, Tokyo	100.00
	Sumitronics Corporation	Chuo-ku, Tokyo	100.00
	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	

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)	
Mineral Resources, Energy, Chemical & Electronics	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)	
	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)	
	Summit Ambatovy Mineral Resources Investment B.V.	Amsterdam, Netherlands	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 & Oceania Pte. Ltd	Singapore	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 FZE		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)			

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.

35 | Commitments and Contingent Liabilities

(1) Commitments

The Companies customarily enter into long-term purchase commitments for certain items, principally ocean transport vessels and industry materials, either at fixed prices or at 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 ¥413,063 million (\$3,721 million) as of March 31, 2017. 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 ¥1,217,028 million (\$10,964 million), ¥134,285 million (\$1,210 million) out of this aggregate amount with Equity-accounted investees, as of March 31, 2017.

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, 2017:

	Millions of Yen 2017	Millions of U.S. Dollars 2017
Guarantees of indebtedness to:		
Equity-accounted investees	¥117,259	\$1,057
Third parties	49,652	447
Total	¥166,911	\$1,504

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 ¥4,810 million (\$43 million) as of March 31, 2017. 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 2042. 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 appealed to the Supreme Court for the revocation of corrected amount of tax payment order issued by the General Authority of Taxes. In addition, MSC offered the appropriate fixed assets as a collateral in accordance with the procedure stipulated in the related Bolivian law. The estimated corrected tax amount in the year ended March 31, 2016 was approximately \$185 million. On July 4, 2016, the amended tax code and its regulations, including measures for the reduction and exemption of delayed interests and penalties, were promulgated in Bolivia. Based on the consideration among the local specialists, MSC withdrew its appeal to the Supreme Court in order to apply the amended tax code and its regulations. Consequently, in the year ended March 31, 2017, the loss of the corrected tax amount approximately \$106 million (¥10,886 million) was recognized as "Other, net" in the consolidated statements of comprehensive income and the same amount was already paid.

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

36 | Subsequent Events

There are no subsequent events to be disclosed as of June 23, 2017, the date the consolidated financial statements were approved.

37 | Approval of Consolidated Financial Statements

The Consolidated financial statements were approved by Kuniharu Nakamura, Representative Director, President and Chief Executive Officer, and Koichi Takahata, CFO, on June 23, 2017.



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

Consolidated Statement of Financial Position

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

ASSETS	Millions of Yen		Millions of U.S. Dollars
	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		Millions of U.S. Dollars
	2016	2015	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

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.

(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.

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.

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

2016	Millions of Yen			
	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Segment				
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			
	Revenue	Gross profit	Profit (loss) for the year (attributable to owners of the parent)	Total assets
Segment				
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			
	Revenue	Gross profit	Profit for the year (attributable to owners of the parent)	Total assets
Segment				
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]

	Sales licenses, trademarks and customer relationships			
	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:

Categories of plan assets	Millions of Yen		Total
	Prices are quoted in a market	Prices are not quoted in a market	
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:

Categories of plan assets	Millions of Yen		Total
	Prices are quoted in a market	Prices are not quoted in a market	
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:

Categories of plan assets	Millions of U.S. Dollars		Total
	Prices are quoted in a market	Prices are not quoted in a market	
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	2015
	(Number of shares)	(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)

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.

2016	Millions of Yen		
	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)

2015	Millions of Yen		
	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	Dividends per share	Record date	Effective date
		Millions of Yen (Millions of U.S. Dollars)	Yen (U.S. Dollars)		
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	Source of	Dividends per share	Record date	Effective date
		Millions of Yen (Millions of U.S. Dollars)	dividends	Yen (U.S. Dollars)		
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:

Exercise price range Yen	2016							
	Number of shares	Outstanding			Weighted average remaining life in years	Number of shares	Exercisable	
		Weighted average exercise price		Weighted average exercise price			Weighted average exercise price	
		Yen	U.S. Dollars				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.

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.

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

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.

	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:

2016	Millions of Yen			
	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

	Millions of U.S. Dollars		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
2016			
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:

2016	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥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).

2015	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥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				Total
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	
[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
	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 Minería 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)	
PT. 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)	

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.

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*prepared on the basis of IFRS in accordance with the regulations for quarterly financial results announcements
(kessan tanshin)*

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Consolidated Statements of Financial Position

Sumitomo Corporation and Subsidiaries
As of June 30, 2017 and March 31, 2017

	Millions of Yen		Millions of U.S. Dollars	
	June 30, 2017	March 31, 2017	June 30, 2017	
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 660,649	¥ 776,464	\$ 5,899	
Time deposits	14,061	13,996	125	
Marketable securities	5,222	4,647	47	
Trade and other receivables	1,198,030	1,206,398	10,697	
Other financial assets	62,173	66,550	555	
Inventories	888,683	830,871	7,935	
Advance payments to suppliers	160,429	169,084	1,432	
Other current assets	285,404	253,165	2,548	
Total current assets	3,274,651	3,321,175	29,238	
Non-current assets:				
Investments accounted for using the equity method	1,870,848	1,870,935	16,704	
Other investments	447,987	437,162	4,000	
Trade and other receivables	453,812	472,462	4,052	
Other financial assets	89,331	91,937	798	
Property, plant and equipment	807,194	795,857	7,207	
Intangible assets	355,648	357,359	3,175	
Investment property	281,967	311,115	2,518	
Biological assets	13,221	12,536	118	
Prepaid expenses	28,007	23,498	250	
Deferred tax assets	64,180	67,758	573	
Total non-current assets	4,412,195	4,440,619	39,395	
Total assets	¥ 7,686,846	¥ 7,761,794	\$ 68,633	

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥112=US\$1.

Consolidated Statements of Financial Position

Sumitomo Corporation and Subsidiaries
As of June 30, 2017 and March 31, 2017

	Millions of Yen		Millions of U.S. Dollars
	June 30, 2017	March 31, 2017	June 30, 2017
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings	¥ 640,847	¥ 659,257	\$ 5,722
Trade and other payables	1,008,325	1,029,294	9,003
Other financial liabilities	56,450	53,264	504
Income tax payables	25,010	20,737	223
Accrued expenses	81,763	105,164	730
Advances from customers	186,551	223,584	1,666
Provisions	4,346	4,490	39
Other current liabilities	73,425	80,129	655
Total current liabilities	2,076,717	2,175,919	18,542
Non-current liabilities:			
Bonds and borrowings	2,730,771	2,759,069	24,382
Trade and other payables	114,391	121,126	1,021
Other financial liabilities	38,559	40,599	344
Accrued pension and retirement benefits	29,393	28,076	263
Provisions	33,549	33,210	300
Deferred tax liabilities	126,568	116,840	1,130
Total non-current liabilities	3,073,231	3,098,920	27,440
Total liabilities	5,149,948	5,274,839	45,982
Equity:			
Common stock	219,279	219,279	1,958
Additional paid-in capital	264,124	263,937	2,358
Treasury stock	(3,043)	(3,113)	(27)
Other components of equity	310,798	309,094	2,775
Retained earnings	1,627,700	1,577,288	14,533
Equity attributable to owners of the parent	2,418,858	2,366,485	21,597
Non-controlling interests	118,040	120,470	1,054
Total equity	2,536,898	2,486,955	22,651
Total liabilities and equity	¥ 7,686,846	¥ 7,761,794	\$ 68,633

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥112=US\$1.

Consolidated Statements of Comprehensive Income

Sumitomo Corporation and Subsidiaries

For the three-month periods ended June 30, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars	
	2017	2016	2017	
Revenues				
Sales of tangible products	¥ 991,279	¥ 811,361	\$ 8,851	
Sales of services and others	132,888	109,683	1,186	
Total revenues	1,124,167	921,044	10,037	
Cost				
Cost of tangible products sold	(834,508)	(676,816)	(7,451)	
Cost of services and others	(57,828)	(46,883)	(516)	
Total cost	(892,336)	(723,699)	(7,967)	
Gross profit	231,831	197,345	2,070	
Other income (expenses)				
Selling, general and administrative expenses	(175,724)	(170,894)	(1,569)	
Impairment losses on long-lived assets	—	(73)	—	
Gain (loss) on sale of long-lived assets, net	2,673	320	24	
Other, net	3,622	(11,053)	32	
Total other income (expenses)	(169,429)	(181,700)	(1,513)	
Finance income (costs)				
Interest income	6,103	5,756	55	
Interest expense	(7,589)	(6,771)	(68)	
Dividends	4,734	3,587	42	
Gain (loss) on securities and other investments, net	1,638	(1,628)	15	
Finance income (costs), net	4,886	944	44	
Share of profit (loss) of investments accounted for using the equity method	36,191	21,001	323	
Profit before tax	103,479	37,590	924	
Income tax expense	(23,063)	(11,745)	(206)	
Profit for the period	80,416	25,845	718	
Profit for the period attributable to:				
Owners of the parent	¥ 78,224	¥ 22,660	\$ 698	
Non-controlling interests	2,192	3,185	20	
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	6,566	(14,650)	59	
Remeasurements of defined benefit pension plans	3,091	(2,287)	27	
Share of other comprehensive income of investments accounted for using the equity method	568	38	5	
Total items that will not be reclassified to profit or loss	10,225	(16,899)	91	
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,271)	(163,248)	(11)	
Cash-flow hedges	(570)	(4,238)	(5)	
Share of other comprehensive income of investments accounted for using the equity method	(2,966)	(151)	(27)	
Total items that may be reclassified subsequently to profit or loss	(4,807)	(167,637)	(43)	
Other comprehensive income, net of tax	5,418	(184,536)	48	
Comprehensive income for the period	85,834	(158,691)	766	
Comprehensive income for the period attributable to:				
Owners of the parent	¥ 83,323	¥ (156,163)	\$ 744	
Non-controlling interests	2,511	(2,528)	22	

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥112=US\$1.

Consolidated Statements of Changes in Equity

Sumitomo Corporation and Subsidiaries

For the three-month periods ended June 30, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Equity:			
Common stock:			
Balance, beginning of year	¥ 219,279	¥ 219,279	\$ 1,958
Balance, end of period	219,279	219,279	1,958
Additional paid-in capital:			
Balance, beginning of year	263,937	256,500	2,357
Acquisition (disposal) of non-controlling interests, net	(513)	—	(5)
Others	700	1,216	6
Balance, end of period	264,124	257,716	2,358
Treasury stock:			
Balance, beginning of year	(3,113)	(3,344)	(28)
Acquisition (disposal) of treasury stock, net	70	57	1
Balance, end of period	(3,043)	(3,287)	(27)
Other components of equity:			
Balance, beginning of year	309,094	311,880	2,760
Other comprehensive income for the period	5,099	(178,823)	46
Transfer to retained earnings	(3,395)	3,309	(31)
Balance, end of period	310,798	136,366	2,775
Retained earnings:			
Balance, beginning of year	1,577,288	1,467,194	14,083
Transfer from other components of equity	3,395	(3,309)	31
Profit for the period attributable to owners of the parent	78,224	22,660	698
Cash dividends	(31,207)	(31,202)	(279)
Balance, end of period	1,627,700	1,455,343	14,533
Equity attributable to owners of the parent	¥ 2,418,858	¥ 2,065,417	\$ 21,597
Non-controlling interests:			
Balance, beginning of year	120,470	140,436	1,076
Cash dividends to non-controlling interests	(3,630)	(3,008)	(32)
Acquisition (disposal) of non-controlling interests and others, net	(1,311)	545	(12)
Profit for the period attributable to non-controlling interests	2,192	3,185	20
Other comprehensive income for the period	319	(5,713)	2
Balance, end of period	118,040	135,445	1,054
Total equity	¥ 2,536,898	¥ 2,200,862	\$ 22,651
Comprehensive income for the period attributable to:			
Owners of the parent	83,323	(156,163)	744
Non-controlling interests	2,511	(2,528)	22
Total comprehensive income for the period	¥ 85,834	¥ (158,691)	\$ 766

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥112=US\$1.

Consolidated Statements of Cash Flows

Sumitomo Corporation and Subsidiaries

For the three-month periods ended June 30, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars	
	2017	2016	2017	
Operating activities:				
Profit for the period	¥ 80,416	¥ 25,845	\$	718
Adjustments to reconcile profit for the period to net cash provided by operating activities:				
Depreciation and amortization	28,974	28,491		259
Impairment losses on long-lived assets	—	73		—
Finance (income) costs, net	(4,886)	(944)		(44)
Share of (profit) loss of investments accounted for using the equity method	(36,191)	(21,001)		(323)
(Gain) loss on sale of long-lived assets, net	(2,673)	(320)		(24)
Income tax expense	23,063	11,745		206
Increase in inventories	(53,985)	(31,704)		(482)
Decrease in trade and other receivables	30,834	86,508		275
Increase in prepaid expenses	(6,612)	(8,710)		(59)
Decrease in trade and other payables	(104,033)	(18,810)		(929)
Other, net	4,890	25,091		44
Interest received	6,100	5,768		54
Dividends received	69,632	55,518		622
Interest paid	(7,601)	(6,824)		(68)
Income tax paid	(35,841)	(31,095)		(320)
Net cash (used in) provided by operating activities	(7,913)	119,631		(71)
Investing activities:				
Proceeds from sale of property, plant and equipment	1,886	1,694		17
Purchase of property, plant and equipment	(23,092)	(19,713)		(206)
Proceeds from sale of investment property	7,622	4,023		68
Purchase of investment property	(2,103)	(25,711)		(19)
Proceeds from sale of other investments	20,985	4,062		188
Acquisition of other investments	(46,570)	(18,158)		(416)
Collection of loan receivables	22,718	54,941		203
Increase in loan receivables	(19,341)	(50,115)		(173)
Net cash used in investing activities	(37,895)	(48,977)		(338)
Free Cash Flows:	(45,808)	70,654		(409)
Financing activities:				
Net increase in short-term debt	34,834	(14,194)		311
Proceeds from issuance of long-term debt	54,784	23,464		489
Repayment of long-term debt	(123,602)	(69,794)		(1,103)
Cash dividends paid	(31,207)	(31,202)		(279)
Capital contribution from non-controlling interests	—	657		—
Payment for acquisition of subsidiary's interests from non-controlling interests	(1,242)	—		(11)
Payment of dividends to non-controlling interests	(3,630)	(3,008)		(32)
(Acquisition) disposal of treasury stock, net	19	3		0
Net cash used in financing activities	(70,044)	(94,074)		(625)
Net decrease in cash and cash equivalents	(115,852)	(23,420)		(1,034)
Cash and cash equivalents at the beginning of year	776,464	868,755		6,933
Effect of exchange rate changes on cash and cash equivalents	37	(28,129)		0
Cash and cash equivalents at the end of period	¥ 660,649	¥ 817,206	\$	5,899

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥112=US\$1.

Assumptions for Going Concern : None

Significant changes in equity attributable to owners of the parent : None

Segment Information (Condensed)

Sumitomo Corporation and Subsidiaries

For the three-month periods ended June 30, 2017 and 2016

2017:	Segment	Millions of Yen		
		Gross profit	Profit for the period (attributable to owners of the parent)	As of June 30 Total assets
	Metal Products	¥ 16,385	¥ 5,602	¥ 597,954
	Transportation & Construction Systems	17,673	12,183	1,278,310
	Environment & Infrastructure	15,667	5,906	657,361
	Media, ICT, Lifestyle Related Goods & Services	66,580	21,179	1,841,507
	Mineral Resources, Energy, Chemical & Electronics	35,912	15,112	1,298,315
	Overseas Subsidiaries and Branches	80,038	16,053	2,071,888
	Segment Total	232,255	76,035	7,745,335
	Corporate and Eliminations	(424)	2,189	(58,489)
	Consolidated	¥ 231,831	¥ 78,224	¥ 7,686,846

2016:	Segment	Millions of Yen		
		Gross profit	Profit for the period (attributable to owners of the parent)	As of March 31 Total assets
	Metal Products	¥ 15,959	¥ 2,123	¥ 676,055
	Transportation & Construction Systems	30,964	7,428	1,471,865
	Environment & Infrastructure	12,747	2,761	666,251
	Media, ICT, Lifestyle Related Goods & Services	60,849	15,483	1,909,301
	Mineral Resources, Energy, Chemical & Electronics	22,364	(12,906)	1,333,571
	Overseas Subsidiaries and Branches	54,047	3,874	1,864,439
	Segment Total	196,930	18,763	7,921,482
	Corporate and Eliminations	415	3,897	(159,688)
	Consolidated	¥ 197,345	¥ 22,660	¥ 7,761,794

2017:	Segment	Millions of U.S. Dollars		
		Gross profit	Profit for the period (attributable to owners of the parent)	As of June 30 Total assets
	Metal Products	\$ 146	\$ 50	\$ 5,339
	Transportation & Construction Systems	158	109	11,414
	Environment & Infrastructure	140	53	5,869
	Media, ICT, Lifestyle Related Goods & Services	594	189	16,442
	Mineral Resources, Energy, Chemical & Electronics	321	135	11,592
	Overseas Subsidiaries and Branches	715	143	18,499
	Segment Total	2,074	679	69,155
	Corporate and Eliminations	(4)	19	(522)
	Consolidated	\$ 2,070	\$ 698	\$ 68,633

Notes:

1) The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥112=US\$1.

2) On April 1, 2017, the Company changed reportable segments for the part of the interest in certain subsidiaries in the U.S. that resulted in decrease of the total assets of business segments by 218,524 million yen, and the increase of the total assets of the Overseas Subsidiaries and Branches segment by the same amount.

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

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