

For Immediate Release

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To whom it may concern:

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**Sumitomo Corporation Announces Additional Notes to Financial Results
for the Fiscal Year ended March 31, 2006**

On June 22, 2006, Sumitomo Corporation announced today additional notes to its consolidated financial statements for the fiscal year ended March 31, 2006, prepared on the basis of accounting principles generally accepted in the United States of America. The consolidated financial statements were originally announced on April 28, 2006.

1. Income Taxes

The reconciliation between the statutory income tax rate in Japan and the Companies' effective income tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2006 and 2005 is summarized as follows:

	%	
	2006	2005
Tax statutory income tax rate in Japan	41.0%	41.0%
Increases (decreases) in tax rate due to:		
Expenses not deductible for tax purposes	1.2	2.1
Tax effect on undistributed earnings of associated companies and corporate joint ventures	(1.8)	(0.7)
Changes in valuation allowance	0.3	0.6
Difference in statutory tax rate of foreign subsidiaries	(5.3)	(4.7)
Other—net	(2.8)	(0.1)
The Companies' effective income tax rate	<u>32.6%</u>	<u>38.2%</u>

The tax effects of temporary difference that give rise to significant components of deferred tax assets and liabilities as of March 31, 2006 and 2005 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2006	2005	2006
Assets:			
Net operating loss carry forwards	¥ 16,660	¥ 46,445	\$ 141
Investment securities	46,787	37,929	397
Inventories and long-lived assets	44,280	40,960	375
Allowance for doubtful receivables	9,873	12,457	84
Accrued pension and retirement benefits	10,179	8,732	86
Accrual and other	<u>19,882</u>	<u>9,752</u>	<u>168</u>

Gross deferred tax assets	147,661	156,275	1,251
Less: Valuation allowance	<u>(12,271)</u>	<u>(10,559)</u>	<u>(104)</u>
Deferred tax assets, less valuation allowance	<u>135,390</u>	<u>145,716</u>	<u>1,147</u>
Liabilities:			
Investment in marketable securities	(183,874)	(75,584)	(1,558)
Deferred gain on sales of property for tax purposes	(27,824)	(43,926)	(236)
Securities contributed to the Trust	(22,773)	(22,944)	(193)
Undistributed earnings of subsidiaries and associated companies	(40,625)	(27,754)	(344)
Long-lived assets	(33,893)	(4,118)	(287)
Other	<u>(12,288)</u>	<u>(8,651)</u>	<u>(104)</u>
Gross deferred tax liabilities	<u>(321,277)</u>	<u>(182,977)</u>	<u>(2,722)</u>
Net deferred tax liabilities	<u>¥ (185,887)</u>	<u>¥ (37,261)</u>	<u>\$ (1,575)</u>

2. Accrued Pension and Retirement Benefits

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

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, lump-sum retirement benefits based on compensation at the time of retirement, years of service and other factors.

Net periodic pension costs for the years ended March 31, 2006 and 2005 include the following components:

	Millions of Yen		Millions of U.S. Dollars
	2006	2005	2006
Service cost — benefits earned during the year	¥ 7,185	¥ 7,143	\$ 61
Interest cost on projected benefit obligation	4,862	4,280	41
Expected return on plan assets	(4,593)	(4,070)	(39)
Amortization of unrecognized actuarial loss	5,147	6,565	44
Amortization of unrecognized prior service cost	61	(11)	0
Loss on settlements and curtailments	1,430	383	12
Net periodic pension cost	<u>¥ 14,092</u>	<u>¥ 14,290</u>	<u>\$ 119</u>

The reconciliation of beginning and ending balances of the projected benefit obligations and the fair value of the plan assets is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2006	2005	2006
Change in benefit obligations:			
Projected benefit obligations, beginning of year	¥ 192,235	¥ 194,794	\$ 1,629
Effect of the change in the reporting period of subsidiaries	(2,107)	—	(18)
Service cost	7,185	7,143	61
Interest cost	4,862	4,280	41
Actuarial (gain) loss	1,618	(9,992)	14
Plan amendments	852	231	7

Benefits paid	(8,385)	(7,122)	(71)
Settlements	(1,035)	(929)	(9)
Acquisitions and divestitures	2,833	3,919	24
Foreign currency translation adjustments	513	(89)	5
Projected benefit obligations, end of year	<u>198,571</u>	<u>192,235</u>	<u>1,683</u>
Change in plan assets:			
Fair value of plan assets, beginning of year	185,617	185,424	1,573
Effect of the change in the reporting period of subsidiaries	(1,971)	—	(17)
Actual return on plan assets	30,533	(4,127)	259
Employer contribution	13,756	8,600	117
Benefits paid from plan assets	(7,097)	(6,652)	(60)
Settlements	(2,380)	(514)	(20)
Acquisitions and divestitures	1,598	2,912	14
Foreign currency translation adjustments	323	(26)	2
Fair value of plan assets, end of year	<u>220,379</u>	<u>185,617</u>	<u>1,868</u>
Funded status	21,808	(6,618)	185
Unrecognized actuarial loss	48,363	78,310	410
Unrecognized prior service cost	933	116	8
Net amount recognized	<u>¥ 71,104</u>	<u>¥ 71,808</u>	<u>\$ 603</u>
Amounts recognized in the accompanying Consolidated Balance Sheets consist of:			
Other current assets and Prepaid expenses, non-current (Prepaid cost for retirement benefits)	84,284	83,590	714
Accrued pension and retirement benefits	<u>(13,180)</u>	<u>(11,782)</u>	<u>(111)</u>
Net amount recognized	<u>¥ 71,104</u>	<u>¥ 71,808</u>	<u>\$ 603</u>

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

The Company contributed certain marketable equity securities as described in Note 5 to an employee retirement benefit trust (the "Trust") in the year ended March 31, 2004. Those securities and cash held in this trust are qualified plan assets under SFAS No. 87, "Employers' Accounting for Pensions."

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. Also, the Company may contribute certain marketable equity securities, or cash to the Trust in order to maintain a sufficient level of funding at the end of fiscal year.

The asset allocations are as follows:

	2006	2005
	Actual Allocation	Actual Allocation
Equity securities	56%	57%
Debt securities	30%	27%
Other*	14%	16%
Total	<u>100%</u>	<u>100%</u>

*Other mainly includes cash, alternative investments and life insurance company general accounts.

The Companies set investment policies, strategies and target allocation and oversees the investment allocation process, which includes selecting investment managers, commissioning periodic asset-liability studies, setting

long-term strategic targets and monitoring asset allocations. The target allocations are guidelines, not limitations, and occasionally the Companies will approve an allocation above or below a target allocation.

The Companies' target allocation is 53% equity securities, 31% debt securities and 16% other.

Assumptions used for the years ended March, 31 2006 and 2005 in determining costs and the funded status information shown above are principally as follows:

Weighted average assumptions used to determine the net periodic benefit cost

	<u>2006</u>	<u>2005</u>
Discount rate	2.6%	2.2%
Expected long-term rate of return on plan assets	2.3%	2.2%
Rate of expectable salary increase	2.7%	2.7%

Weighted average assumptions used to determine the benefit obligations

	<u>2006</u>	<u>2005</u>
Discount rate	2.6%	2.6%
Rate of expectable salary increase	3.0%	2.7%

The Companies' expected long-term rate of return on plan assets assumption is derived from a detailed study that includes a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, risks and correlations for each of the asset classes that comprise the funds' asset mix.

The accumulated benefit obligations for the defined benefit plans of the Companies are as follows:

	<u>Millions of Yen</u>		<u>Millions of U.S. Dollars</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>
Accumulated benefit obligations, end of year	¥ 190,931	¥ 185,052	\$ 1,618

The employer's contributions expected to be paid for the year ending March 31, 2007 are ¥11,092 million (\$94 million).

Benefits expected to be paid in the future are as follows:

<u>Year ending March 31,</u>	<u>Millions of Yen</u>		<u>Millions of U.S. Dollars</u>
2007	¥	10,799	\$ 91
2008		10,477	89
2009		10,504	89
2010		10,685	91
2011		10,839	92
2012 - 2016		56,465	478
Total	¥	<u>109,769</u>	<u>\$ 930</u>

In addition to unfunded retirement benefit plans or funded pension plans, certain domestic subsidiaries and associated companies also participate in a multiemployer defined benefit pension plan, recognizing the required contributions for a period as net pension cost and recognizing any contributions due and unpaid as a liability. The

total amount of the domestic subsidiaries' contributions to the plan for the years ended March 31, 2006 and 2005 were ¥ 1,972 million (\$17 million) and ¥1,179 million, respectively.