November 1, 2018

Consolidated quarterly results FY2018 (Six-month period ended September 30, 2018)

[Prepared on the basis of International Financial Reporting Standards]

Sumitomo Corporation

Stock Exchange code No. 8053

(Listed on Tokyo, Nagoya and Fukuoka Stock Exchanges)

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The date of payout of dividend: December 3, 2018 (Planned)

1. Consolidated results for the six-month period ended September 30, 2018

(Remarks)
Amounts are rounded to the nearest million.
% : change from the same period of the previous year.

(1) Consolidated operating results

	Revenues	increase/ (decrease)	Profit before tax	increase/ (decrease)	Profit for the period	increase/ (decrease)	Profit for the period attributable to owners of the parent	increase/ (decrease)	Comprehensive income for the period	increase/ (decrease)
Six-month period ended	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
September 30, 2018	2,479,917	8.1	227,597	12.3	186,289	13.2	179,317	15.5	273,606	37.7
September 30, 2017	2,293,506	23.4	202,713	110.7	164,614	126.3	155,295	136.1	198,677	―

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)
Six-month period ended	(yen)	(yen)
September 30, 2018	143.61	143.48
September 30, 2017	124.40	124.30

(2) Consolidated financial position

	Total Assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio
	(millions of yen)	(millions of yen)	(millions of yen)	(%)
As of September 30, 2018	8,055,615	2,924,254	2,785,980	34.6
As of March 31, 2018	7,770,632	2,694,321	2,558,160	32.9

2. Dividends

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Year ended March 31, 2018	―	28.00	―	34.00	62.00
Year ending March 31, 2019	―	37.00			
Year ending March 31, 2019 (Forecasts)			―	38.00	75.00

[Note] Revision of the latest dividend forecasts: None

3. Forecasts for the year ending March 31, 2019

(Remarks)
% : change from the previous year.

	Profit for the year attributable to owners of the parent	increase/ (decrease)	Earnings per share attributable to owners of the parent
	(millions of yen)	(%)	(yen)
Year ending March 31, 2019	320,000	3.7	256.33

[Note] Revision of the latest forecasts: None

Notes

(1) Change in significant subsidiaries (changes in "Specified Subsidiaries" accompanying changes in scope of consolidation) during this period: Yes

Excluded companies: 2 (SMS International Corporation, USPO Atlanta, LLC)

[Note] SMS International Corporation was absorbed by Sumitomo Corporation of Americas.

Part of the shares of USPO Atlanta, LLC was transferred, and the company was excluded from "Specified Subsidiaries."

(2) Changes in accounting policies and accounting estimate

(i)	Changes in accounting policies required by IFRS	Yes
(ii)	Other changes	None
(iii)	Changes in accounting estimate	None

[Note] For further details please refer page 13 "Changes in accounting policies and others."

(3) Outstanding stocks (Common stocks)

(shares)

(i)	Outstanding stocks including treasury stock	(September 30, 2018)	1,250,787,667	(March 31, 2018)	1,250,602,867
(ii)	Treasury stocks	(September 30, 2018)	1,968,633	(March 31, 2018)	2,070,753
(iii)	Average stocks during three months (Apr.-Sep.)	(September 30, 2018)	1,248,640,395	(September 30, 2017)	1,248,358,521

*** This report is not subject to quarterly reviews by certified public accountants or auditing firms.**

*** Cautionary Statement Concerning Forward-looking Statements**

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

Management results

1. Operating results

Revenues for the six-month period ended September 30, 2018, amounted to 2,479.9 billion yen, representing an increase of 186.4 billion yen from the same period of the previous year.

Gross profit totaled 451.2 billion yen decreased by 16.0 billion yen due to reorganization of tire business in the U.S., while coal mining projects in Australia increased their earnings due to higher mineral resources prices and construction of large-scale projects in power infrastructure business progressed. Selling, general and administrative expenses decreased by 43.6 billion yen to 316.0 billion yen.

Share of profit (loss) of investments accounted for using the equity method increased by 8.0 billion yen to 82.7 billion yen, owing to solid performances by telecommunication business in Myanmar and leasing business. Banana business in Asia also increased the profit as the commodity price has recovered.

As a result, Basic profit(*1) totaled 178.9 billion yen, representing an increase of 27.2 billion yen from the same period of the previous year. Profit for the period attributable to owners of the parent totaled 179.3 billion yen, representing an increase of 24.0 billion yen from the same period of the previous year.

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

<Profit for the period attributable to owners of the parent by segment>

On April 1, 2018, we reorganized our product-based business units from five to six after strategically reviewing them from the perspectives of business fields and functions, and the Overseas Subsidiaries and Branches segment has been incorporated into each business segment. Accordingly, the segment information of the same period of the previous year has been reclassified.

Also, Media & ICT segment has changed its name to Media & Digital segment on October 1, 2018. The changed name of the segment is presented in the segment information for the six-month period ended September 30, 2018. This change in the segment name does not affect the segment information.

Metal Products Business Unit posted profit of 20.9 billion yen, an increase of 2.6 billion yen from the same period of the previous year, primarily owing to the recovery in earnings from tubular products business in North America and stable performances of the operations of overseas steel service centers in spite of absence of one-off profit from asset replacement in the same period of the previous year.

Transportation & Construction Systems Business Unit posted profit of 32.6 billion yen, a decrease of 2.8 billion yen from the same period of the previous year due to the one-off loss in automotive business booked in this period, while core businesses such as leasing business and construction equipment sales & marketing and rental business kept solid performance.

Infrastructure Business Unit posted profit of 23.1 billion yen, an increase of 3.0 billion yen from the same period of the previous year, due to the stable progress of construction of large-scale projects in power infrastructure business and stable performance of IPP/IWPP business, although there was one-off profit from renewable energy power generation business in the same period of the previous year.

Media & Digital Business Unit posted profit of 24.4 billion yen, a decrease of 1.6 billion yen from the same period of the previous year, due to transfer of the part of the investment in Jupiter Shop Channel Co.,Ltd to Living Related & Real Estate Business Unit, while major group companies such as SCSK and telecommunication business in Myanmar showed stable performance.

Living Related & Real Estate Business Unit posted profit of 25.9 billion yen, representing an increase of 6.9 billion yen from the same period of the previous year. Real estate business has kept solid performance and banana business in Asia increased the profit due to recovery in commodity price .

Mineral Resources, Energy, Chemical & Electronics Business Unit posted profit of 46.4 billion yen, an increase of 14.9 billion yen from the same period of the previous year. Coal mining projects in Australia showed robust performances mainly because of the higher mineral resources prices.

2. Financial position

<*Total assets, liabilities, and equity as of September 30, 2018*>

Total assets stood at 8,055.6 billion yen, representing an increase of 285.0 billion yen from the previous fiscal year-end due mainly to an increase of assets by Yen's depreciation and of trade receivables and inventories despite a decrease resulting from reorganization of tire business in the U.S.

Equity attributable to owners of the parent totaled 2,786.0 billion yen, increased by 227.8 billion yen from the previous fiscal year-end, due primarily to an increase in retained earnings.

Interest-bearing liabilities (net) decreased by 23.4 billion yen from the previous fiscal year-end, to 2,498.1 billion yen.

In consequence, the net debt-equity ratio (Interest-bearing liabilities (net)/ Equity attributable to owners of the parent) was 0.9.

<Cash flows>

Net cash provided by operating activities totaled 89.0 billion yen as basic profit cash flow(*2) totaled to an inflow of 157.5 billion yen because our core businesses performed well in generating cash while the increase in working capital that arose alongside the expansion of businesses.

Net cash used in investing activities totaled 13.7 billion yen. In this period, we recovered funds of approx. 110.0 billion yen through reorganization of tire business in the U.S. and sale of cross-holding shares. On the other hand, we executed investments approx. 130.0 billion yen primarily for participation in the specialty steel business in India and progress in construction of biomass power plant in Japan.

As a result, Free cash flow, representing sum of net cash provided by operating activities and net cash from investing activities, totaled to an inflow of 75.3 billion yen.

Net cash used by financing activities totaled 55.8 billion yen due primarily to dividend payment.

In consequence of the foregoing, Cash and cash equivalents stood at 707.5 billion yen as of September 30, 2018, representing an increase of 40.3 billion yen from the previous fiscal year-end.

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

3. Forecasts for fiscal year ending March 31, 2019(*3)

We haven't changed the forecasts for the fiscal year ending March 31, 2019 from the initial annual forecasts of 320.0 billion yen taking into consideration the recent fall in some mineral resources prices and the lack of transparency in the outlook due to US-China trade issues although the results for the first half of the fiscal year have remained robust.

(*3)**Cautionary Statement Concerning Forward-Looking Statements**

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

4. Dividend Policy

Sumitomo Corporation aims to increase dividends by achieving medium and long-term earnings growth while adhering to its fundamental policy of paying shareholders a stable dividend over the long term.

During “Medium-Term Management Plan 2020” started from April 2018, we decide the dividend amount in view of the situations regarding basic profit and cash flow, with a consolidated payout ratio of 30% as our guideline.

The annual dividend for fiscal year ending March 31, 2019 will be 75 yen per share (the dividend for the previous term was 62 yen per share) as announced on May 8, 2018. Therefore, the interim dividend for fiscal year ending March 31, 2019 is 37 yen per share, half of the amount of planned annual dividend (the interim dividend for the previous term was 28 yen per share).

Condensed Consolidated Statements of Financial Position

Sumitomo Corporation and Subsidiaries
As of September 30, 2018 and March 31, 2018

	Millions of Yen				Millions of U.S. Dollars	
	September 30, 2018		March 31, 2018		September 30, 2018	
ASSETS						
Current assets:						
Cash and cash equivalents	¥	707,481	¥	667,152	$	6,261
Time deposits		15,082		15,187		133
Marketable securities		1,658		1,361		15
Trade and other receivables		1,349,619		1,266,782		11,944
Other financial assets		76,753		66,885		679
Inventories		951,969		877,808		8,424
Advance payments to suppliers		176,691		137,675		1,564
Assets classified as held for sale		—		247,677		—
Other current assets		246,401		196,759		2,181
Total current assets		3,525,654		3,477,286		31,201
Non-current assets:						
Investments accounted for using the equity method		2,172,488		1,994,366		19,226
Other investments		475,746		462,841		4,210
Trade and other receivables		399,065		381,120		3,531
Other financial assets		71,982		80,214		637
Property, plant and equipment		792,421		750,226		7,013
Intangible assets		267,183		264,477		2,364
Investment property		262,354		278,026		2,322
Biological assets		20,702		16,057		183
Prepaid expenses		27,545		23,817		244
Deferred tax assets		40,475		42,202		358
Total non-current assets		4,529,961		4,293,346		40,088
Total assets	¥	8,055,615	¥	7,770,632	$	71,289

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥113=US$1.

Condensed Consolidated Statements of Financial Position

Sumitomo Corporation and Subsidiaries
As of September 30, 2018 and March 31, 2018

	Millions of Yen		Millions of U.S. Dollars
	September 30, 2018	March 31, 2018	September 30, 2018
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings	¥ 668,645	¥ 603,249	$ 5,917
Trade and other payables	1,108,057	1,038,657	9,806
Other financial liabilities	63,957	59,413	566
Income tax payables	53,627	39,639	475
Accrued expenses	96,103	89,778	850
Advances from customers	―	159,896	―
Contract liabilities	183,488	―	1,624
Provisions	13,092	5,711	116
Liabilities associated with assets classified as held for sale	―	74,207	―
Other current liabilities	83,295	87,599	737
Total current liabilities	2,270,264	2,158,149	20,091
Non-current liabilities:			
Bonds and borrowings	2,552,038	2,600,616	22,584
Trade and other payables	109,197	104,108	966
Other financial liabilities	26,289	33,853	233
Accrued pension and retirement benefits	27,126	27,362	240
Provisions	32,842	40,503	291
Deferred tax liabilities	113,605	111,720	1,005
Total non-current liabilities	2,861,097	2,918,162	25,319
Total liabilities	5,131,361	5,076,311	45,410
Equity:			
Common stock	219,449	219,279	1,942
Additional paid-in capital	265,392	265,126	2,349
Treasury stock	(2,684)	(2,796)	(24)
Other components of equity	323,423	248,564	2,862
Retained earnings	1,980,400	1,827,987	17,526
Equity attributable to owners of the parent	2,785,980	2,558,160	24,655
Non-controlling interests	138,274	136,161	1,224
Total equity	2,924,254	2,694,321	25,879
Total liabilities and equity	¥ 8,055,615	¥ 7,770,632	$ 71,289

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥113=US$1.

Condensed Consolidated Statements of Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the six-month periods ended September 30, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Revenues			
Sales of tangible products	¥ 2,246,704	¥ 2,039,971	$ 19,882
Sales of services and others	233,213	253,535	2,064
Total revenues	2,479,917	2,293,506	21,946
Cost			
Cost of tangible products sold	(1,872,311)	(1,714,064)	(16,569)
Cost of services and others	(156,404)	(112,192)	(1,384)
Total cost	(2,028,715)	(1,826,256)	(17,953)
Gross profit	451,202	467,250	3,993
Other income (expenses)			
Selling, general and administrative expenses	(315,952)	(359,508)	(2,796)
Impairment losses on long-lived assets	(48)	(11)	0
Gain (loss) on sale of long-lived assets, net	609	2,652	5
Other, net	1,911	3,423	17
Total other income (expenses)	(313,480)	(353,444)	(2,774)
Finance income (costs)			
Interest income	14,351	12,879	127
Interest expense	(19,861)	(15,407)	(176)
Dividends	7,226	5,812	64
Gain (loss) on securities and other investments, net	5,446	10,904	48
Finance income (costs), net	7,162	14,188	63
Share of profit (loss) of investments accounted for using the equity method	82,713	74,719	732
Profit before tax	227,597	202,713	2,014
Income tax expense	(41,308)	(38,099)	(365)
Profit for the period	186,289	164,614	1,649
Profit for the period attributable to:			
Owners of the parent	¥ 179,317	¥ 155,295	$ 1,587
Non-controlling interests	6,972	9,319	62
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	11,423	18,251	101
Remeasurements of defined benefit pension plans	4,598	5,518	40
Share of other comprehensive income of investments accounted for using the equity method	1,000	1,462	9
Total items that will not be reclassified to profit or loss	17,021	25,231	150
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	59,984	16,659	531
Cash-flow hedges	4,633	470	41
Share of other comprehensive income of investments accounted for using the equity method	5,679	(8,297)	50
Total items that may be reclassified subsequently to profit or loss	70,296	8,832	622
Other comprehensive income, net of tax	87,317	34,063	772
Comprehensive income for the period	273,606	198,677	2,421
Comprehensive income for the period attributable to:			
Owners of the parent	¥ 266,452	¥ 188,409	$ 2,358
Non-controlling interests	7,154	10,268	63

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥113=US$1.

Condensed Consolidated Statements of Changes in Equity

Sumitomo Corporation and Subsidiaries
For the six-month periods ended September 30, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Equity:			
Common stock:			
Balance, beginning of year	¥ 219,279	¥ 219,279	$ 1,940
Share-based payment transactions	170	―	2
Balance, end of period	219,449	219,279	1,942
Additional paid-in capital:			
Balance, beginning of year	265,126	263,937	2,346
Share-based payment transactions	170	―	2
Acquisition (disposal) of non-controlling interests, net	(127)	(544)	(1)
Others	223	674	2
Balance, end of period	265,392	264,067	2,349
Treasury stock:			
Balance, beginning of year	(2,796)	(3,113)	(25)
Acquisition (disposal) of treasury stock, net	112	89	1
Balance, end of period	(2,684)	(3,024)	(24)
Other components of equity:			
Balance, beginning of year	248,564	309,094	2,200
Other comprehensive income for the period	87,135	33,114	771
Transfer to retained earnings	(12,276)	(10,139)	(109)
Balance, end of period	323,423	332,069	2,862
Retained earnings:			
Balance, beginning of year	1,827,987	1,577,288	16,177
Impact of changes in accounting policies	3,270	―	29
Transfer from other components of equity	12,276	10,139	109
Profit for the period attributable to owners of the parent	179,317	155,295	1,587
Cash dividends	(42,450)	(31,207)	(376)
Balance, end of period	1,980,400	1,711,515	17,526
Equity attributable to owners of the parent	¥ 2,785,980	¥ 2,523,906	$ 24,655
Non-controlling interests:			
Balance, beginning of year	136,161	120,470	1,205
Cash dividends to non-controlling interests	(4,623)	(4,284)	(41)
Acquisition (disposal) of non-controlling interests and others, net	(418)	(1,483)	(3)
Profit for the period attributable to non-controlling interests	6,972	9,319	62
Other comprehensive income for the period	182	949	1
Balance, end of period	138,274	124,971	1,224
Total equity	¥ 2,924,254	¥ 2,648,877	$ 25,879
Comprehensive income for the period attributable to:			
Owners of the parent	266,452	188,409	2,358
Non-controlling interests	7,154	10,268	63
Total comprehensive income for the period	¥ 273,606	¥ 198,677	$ 2,421

Note:The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥113=US$1.

Condensed Consolidated Statements of Cash Flows

Sumitomo Corporation and Subsidiaries
For the six-month periods ended September 30, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Operating activities:			
Profit for the period	¥ 186,289	¥ 164,614	$ 1,649
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization	56,043	58,639	496
Impairment losses on long-lived assets	48	11	0
Finance (income) costs, net	(7,162)	(14,188)	(63)
Share of (profit) loss of investments accounted for using the equity method	(82,713)	(74,719)	(732)
(Gain) loss on sale of long-lived assets, net	(609)	(2,652)	(5)
Income tax expense	41,308	38,099	365
Increase in inventories	(51,774)	(107,261)	(458)
Increase in trade and other receivables	(71,786)	(31,693)	(635)
Increase in prepaid expenses	(15,501)	(7,484)	(137)
Increase (decrease) in trade and other payables	78,360	(21,365)	693
Other, net	(85,681)	(29,118)	(758)
Interest received	14,289	12,928	126
Dividends received	68,773	96,212	609
Interest paid	(19,823)	(15,323)	(176)
Income tax paid	(21,045)	(16,686)	(186)
Net cash provided by operating activities	89,016	50,014	788
Investing activities:			
Proceeds from sale of property, plant and equipment	5,621	3,659	50
Purchase of property, plant and equipment	(58,429)	(48,423)	(517)
Proceeds from sale of investment property	—	7,640	—
Purchase of investment property	(5,932)	(2,648)	(52)
Proceeds from sale of other investments	86,854	54,249	769
Acquisition of other investments	(67,771)	(76,754)	(600)
Collection of loan receivables	54,013	76,808	478
Increase in loan receivables	(28,080)	(43,493)	(249)
Net cash used in investing activities	(13,724)	(28,962)	(121)
Free Cash Flows:	75,292	21,052	667
Financing activities:			
Net increase in short-term debt	9,367	26,414	83
Proceeds from issuance of long-term debt	175,134	181,928	1,550
Repayment of long-term debt	(193,119)	(215,181)	(1,709)
Cash dividends paid	(42,450)	(31,207)	(376)
Payment for acquisition of subsidiary's interests from non-controlling interests	(194)	(1,424)	(2)
Payment of dividends to non-controlling interests	(4,623)	(4,284)	(41)
(Acquisition) disposal of treasury stock, net	109	39	1
Net cash used in financing activities	(55,776)	(43,715)	(494)
Net increase (decrease) in cash and cash equivalents	19,516	(22,663)	173
Cash and cash equivalents at the beginning of year	667,152	776,464	5,904
Effect of exchange rate changes on cash and cash equivalents	16,301	3,636	144
Net increase in cash and cash equivalents resulting from transfer to assets classified as held for sale	4,512	—	40
Cash and cash equivalents at the end of period	¥ 707,481	¥ 757,437	$ 6,261

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥113=US$1.

Assumptions for Going Concern : None

Changes in accounting policies and others ：

Significant accounting policies applied in this summary of consolidated financial statements for the six months periods ended September 30, 2018, remain the same as those applied in the consolidated financial statements for the previous fiscal year, except for the items below.

(1) IFRS 9 “Financial Instruments” (issued in July 2014)

The Companies have applied International Financial Reporting Standard No.9 *Financial Instruments* (issued in July 2014) (“IFRS 9”) from the reporting period.

Accordingly, the Companies have changed accounting policies regarding “classification and measurement of financial assets,” “modifications of financial liabilities that do not result in derecognition,” “impairment of financial assets,” “hedge accounting.”

<u>Classification and measurement of financial assets</u>

A classification in which debt instruments are subjected to subsequent measurement of fair value through other comprehensive income (FVTOCI) was newly established.

The Companies evaluate the business model holding such financial instruments at the beginning of the current fiscal year, along with the terms of contract involved therein, whereby the financial instruments are, insofar as they meet the following criteria, subjected to subsequent measurement of fair value through other comprehensive income:

-If the financial instruments are held for the purpose of both the contractual collection and eventual sale of cash flows, under the business model of the Companies; and

-If the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

<u>Modifications of financial liabilities that do not result in derecognition</u>

Even if the modification or exchanges of financial liabilities do not result in derecognition due to the terms with no substantially different, such modifications are recognized in profit or loss at the date of the modification or exchange.

<u>Impairment loss on financial assets</u>

For financial assets measured at amortized cost, lease receivables, contract assets, and debt instruments measured at fair value through other comprehensive income, the Companies recognize impairment losses based on expected credit losses model on such financial assets instead of incurred loss model under IAS 39 “Financial Instruments: Recognition and Measurement.”

At each reporting date, if the credit risk on financial assets has not increased significantly since initial recognition, the impairment loss is measured at an amount equal to 12-months of expected credit losses. On the other hand, if the credit risk on financial assets has increased significantly since initial recognition, the impairment loss is measured at an amount equal to the lifetime expected credit losses.

However, the impairment loss for trade and other receivables, etc. which do not contain any significant financial elements is always at an amount equal to the lifetime expected credit loss.

Hedge accounting

The Companies, pursuant to the provisions of hedge accounting under IFRS 9, treat items that qualify for hedge accounting not only under IAS 39 “Financial Instruments: Recognition and Measurement” but also under IFRS 9 as continuous hedging relationships.

In accordance with the transitional measures under IFRS 9, the cumulative effect is recognized as an adjustment to the opening balance of retained earnings for the year ending March 31, 2019.

Accordingly, compared with the case where the previous accounting standards would be applied, “Retained earnings” and “Investments accounted for using the equity method” are reduced by ¥3,394 million respectively at the beginning of the fiscal year.

(2) IFRS 15 “Revenue from Contracts with Customers”

The Companies have applied International Financial Reporting Standard No. 15 *Revenue from Contracts with Customers* (“IFRS 15”) from the reporting period.

In accordance with IFRS 15, the Companies recognize revenue for goods sold and services provided in the ordinary course of business, except for lease and financial instrument transaction, based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The policies on revenue recognition and principal versus agent considerations are as follows.

Revenue from sales of tangible products

The Companies recognize revenue from sales of tangible products in connection with the Companies’ wholesale, retail, manufacturing and processing operations and real estate operations when the Companies satisfy a performance obligation by a promised good or service to a customer. 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 transfer control of a good or service over time and, therefore, satisfy a performance obligation and recognize revenue and costs over time, if certain conditions are met, 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, and software development business in which the Companies customize the software to customer specifications. Progress towards complete satisfaction of a performance obligation is measured 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 revenue, costs, or extent of progress toward completion, then, revisions to the estimates are made.

Revenue from sales of services and others

The Companies also generate revenue from sales of services and others in connection with services related to software, loans, finance leases and operating leases of commercial real estate and vessels.

Revenue from maintenance related to software is recognized over the contractual period or as the services are rendered.

Revenue from loans in connection with vessels is recognized using the effective interest method over the terms of the loans.

Revenue from finance leases is calculated using the interest rate implicit in the lease.

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

Principal versus agent considerations

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 recognize 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 period attributable to owners of the parent" are not affected by whether revenue is recognized on a gross or net basis.

The Companies determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). To the extent that the Companies are acting as a principal in a transaction, the Companies recognize revenue on a gross basis when or as the entity satisfies a performance obligation. To the extent that the Companies are acting as an agent in a transaction, the Companies recognize revenue on a net basis in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party when or as the entity satisfies a performance obligation.

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

-the Companies are primarily responsible for fulfilling the promise to provide the specified good or service;

-the Companies have inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and

-the Companies have discretion in establishing the price for the specified good or service.

In addition, with the application of IFRS 15, the balance which had previously been included in “Advances from customers” in consolidated statements of financial position is presented as “Contract liabilities.”

In accordance with the transitional measures under IFRS 15, the cumulative effect is recognized as an adjustment to the opening balance of retained earnings for the year ending March 31, 2019.

Accordingly, compared with the case where the previous accounting standards would be applied, “Retained earnings” and “Investments accounted for using the equity method” increased by ¥6,664 million respectively at the beginning of the fiscal year.

Segment Information (Condensed)

Sumitomo Corporation and Subsidiaries
For the six-month periods ended September 30, 2018 and 2017

2018:		Metal Products	Transportation & Construction Systems	Infrastructure	Media & Digital	Living Related & Real Estate	Mineral Resources, Energy, Chemical & Electronics	Segment Total	Corporate and Eliminations	Consolidated
		Millions of Yen								
Total revenues	¥	638,335	369,334	208,862	168,504	503,297	488,163	2,376,495	103,422	2,479,917
Gross profit		73,743	76,542	48,618	42,768	107,851	96,660	446,182	5,020	451,202
Share of profit (loss) of investments accounted for using the equity method		5,015	26,976	7,911	24,562	5,751	10,306	80,521	2,192	82,713
Profit for the period (attributable to owners of the parent)		20,866	32,644	23,101	24,443	25,939	46,423	173,416	5,901	179,317
Total assets (As of September 30)		1,296,426	1,760,067	999,558	826,352	1,159,563	1,711,414	7,753,380	302,235	8,055,615

2017:		Metal Products	Transportation & Construction Systems	Infrastructure	Media & Digital	Living Related & Real Estate	Mineral Resources, Energy, Chemical & Electronics	Segment Total	Corporate and Eliminations	Consolidated
		Millions of Yen								
Total revenues	¥	505,136	554,705	124,138	130,869	482,374	429,206	2,226,428	67,078	2,293,506
Gross profit		64,295	141,043	38,655	39,751	97,184	81,224	462,152	5,098	467,250
Share of profit (loss) of investments accounted for using the equity method		4,046	24,561	6,883	23,929	2,523	10,622	72,564	2,155	74,719
Profit for the period (attributable to owners of the parent)		18,250	35,395	20,113	26,002	19,082	31,555	150,397	4,898	155,295
Total assets (As of March 31)		1,169,777	1,913,980	878,044	841,477	1,139,440	1,614,120	7,556,838	213,794	7,770,632

2018:		Metal Products	Transportation & Construction Systems	Infrastructure	Media & Digital	Living Related & Real Estate	Mineral Resources, Energy, Chemical & Electronics	Segment Total	Corporate and Eliminations	Consolidated
		Millions of U.S. Dollars								
Total revenues	$	5,649	3,269	1,848	1,491	4,454	4,320	21,031	915	21,946
Gross profit		653	677	430	379	955	855	3,949	44	3,993
Share of profit (loss) of investments accounted for using the equity method		45	239	70	217	51	91	713	19	732
Profit for the period (attributable to owners of the parent)		185	289	204	216	230	411	1,535	52	1,587
Total assets (As of September 30)		11,473	15,576	8,846	7,313	10,261	15,145	68,614	2,675	71,289

Notes:
1) The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥113=US$1.
2) On April 1, 2018, we reorganized our product-based business units from five to six after strategically reviewing them from the perspectives of business fields and functions, and the Overseas Subsidiaries and Branches segment has been incorporated into each business segment. Accordingly, the segment information of the same period of the previous year has been reclassified.
Media & ICT segment has changed its name to Media & Digital segment on October 1, 2018. The changed name of the segment is presented in the segment information for the six-month periods ended September 30, 2018.
This change in the segment name does not affect the segment information.