February 6, 2019

Consolidated quarterly results FY2018 (Nine-month period ended December 31, 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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1. Consolidated results for the nine-month period ended December 31, 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)
Nine-month period ended	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
December 31, 2018	3,832,986	10.2	316,381	(2.9)	253,305	(7.3)	241,796	(4.4)	223,054	(36.3)
December 31, 2017	3,478,530	21.8	325,802	132.5	273,300	122.4	252,885	126.7	350,245	134.0

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)
Nine-month period ended	(yen)	(yen)
December 31, 2018	193.64	193.45
December 31, 2017	202.57	202.40

(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 December 31, 2018	7,972,743	2,822,912	2,684,587	33.7
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	Yes

[Note] For further details please refer page 13 "Changes in accounting policies and others" and page 16 "Changes in accounting estimate."

(3) Outstanding stocks (Common stocks)

(shares)

(i)	Outstanding stocks including treasury stock	(December 31, 2018)	1,250,787,667	(March 31, 2018)	1,250,602,867
(ii)	Treasury stocks	(December 31, 2018)	1,966,367	(March 31, 2018)	2,070,753
(iii)	Average stocks during nine months (Apr.-Dec.)	(December 31, 2018)	1,248,598,211	(December 31, 2017)	1,248,367,276

*** 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 nine-month period ended December 31, 2018, amounted to 3,833.0 billion yen, representing an increase of 354.5 billion yen from the same period of the previous year.

Gross profit totaled 685.4 billion yen decreased by 25.0 billion yen due to reorganization of tire business in the U.S., while the construction of large-scale projects in power infrastructure business progressed and coal mining projects in Australia increased their earnings due to higher mineral resources prices. Selling, general and administrative expenses decreased by 69.4 billion yen to 477.2 billion yen.

Gain (loss) on securities and other investments decreased by 24.1 billion yen to 9.4 billion yen due to absence of gain from stock re-valuation by IPO and capital gain from the sale of QUO CARD Co., Ltd in the same period of the previous year.

Share of profit (loss) of investments accounted for using the equity method decreased by 21.4 billion yen to 93.5 billion yen, owing to the impairment loss posted in the Nickel mining and refining business in Madagascar and one-off losses from other projects, in spite of solid performances by telecommunication business in Myanmar and leasing business, and increase of profit by recovered commodity price in banana business in Asia.

As a result, profit for the period attributable to owners of the parent totaled 241.8 billion yen, representing a decrease of 11.1 billion yen from the same period of the previous year. Basic profit(*1) excluding the impact of impairment loss totaled 250.7 billion yen, representing an increase of 18.2 billion yen from the same period of the previous year.

<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.

Metal Products Business Unit posted profit of 31.9 billion yen, an increase of 2.4 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 overseas steel service centers in spite of absence of one-off profit due to U.S. tax reform in the same period of the previous year.

Transportation & Construction Systems Business Unit posted profit of 50.0 billion yen, a decrease of 16.5 billion yen. Despite of the robust performance of leasing business and construction equipment sales & marketing and rental business, the earning decreased due mainly to the absences of one-off profit due to U.S. tax reform in the same period of the previous year.

Infrastructure Business Unit posted profit of 41.9 billion yen, an increase of 15.0 billion yen, due to progress in construction of large-scale projects in power infrastructure business and stable performance of overseas IPP/IWPP business.

Media & Digital Business Unit posted profit of 34.6 billion yen, a decrease of 12.7 billion yen, due to the absence of gain from stock re-valuation by IPO and capital gain from the sale of QUO CARD Co., Ltd in the same period of the previous year, while major group companies such as SCSK and telecommunication business in Myanmar showed stable performance.

Living Related & Real Estate Business Unit posted profit of 32.9 billion yen, representing an increase of 5.8 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 46.0 billion yen, a decrease of 7.5 billion yen, due to the impairment loss posted in the Nickel mining and refining business in Madagascar and one-off losses from other projects, while coal mining projects in Australia showed robust performances due mainly to the higher mineral resources prices.

(*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

Excluding the impact of impairment loss

(Third quarter of FY2018: -10.4 billion yen in the Nickel mining and refining business in Madagascar)

2. Financial position

<Total assets, liabilities, and equity as of December 31, 2018>

Total assets stood at 7,972.7 billion yen, representing an increase of 202.1 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 2,684.6 billion yen, increased by 126.4 billion yen from the previous fiscal year-end, due primarily to an increase in retained earnings.

Interest-bearing liabilities (net) decreased by 3.1 billion yen from the previous fiscal year-end, to 2,518.4 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 117.2 billion yen as basic profit cash flow(*2) totaled to an inflow of 229.7 billion yen because our core businesses performed well in generating cash while working capital increased alongside the expansion of businesses.

Net cash used in investing activities totaled 29.2 billion yen. In this period, we recovered funds of approx. 170.0 billion yen through reorganization of tire business in the U.S. and reorganization of leasing business (sale of shares owned directly in aircraft leasing business). On the other hand, we executed investments approx. 200.0 billion yen primarily for participation in the specialty steel business in India and offshore wind farm projects in France.

As a result, free cash flows, representing sum of net cash provided by operating activities and net cash used in investing activities, totaled to an inflow of 88.0 billion yen.

Net cash used in financing activities totaled 91.1 billion yen due primarily to dividend payment.

In consequence of the foregoing, cash and cash equivalents stood at 675.1 billion yen as of December 31, 2018, representing an increase of 8.0 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 did not revise the forecasts for the fiscal year ending March 31, 2019 from the initial annual forecasts of 320.0 billion yen taking into consideration that profit for the period attributable to owners of the parent has achieved 76% against our initial annual forecast and we anticipate that stable performance will continue for the fourth quarter of FY2018.

(*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.

Condensed Consolidated Statements of Financial Position

Sumitomo Corporation and Subsidiaries
As of December 31, 2018 and March 31, 2018

	Millions of Yen		Millions of U.S. Dollars
	December 31, 2018	March 31, 2018	December 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 675,136	¥ 667,152	$ 6,138
Time deposits	14,267	15,187	130
Marketable securities	1,975	1,361	18
Trade and other receivables	1,355,980	1,266,782	12,327
Other financial assets	84,812	66,885	771
Inventories	1,002,219	877,808	9,111
Advance payments to suppliers	174,412	137,675	1,585
Assets classified as held for sale	43,021	247,677	391
Other current assets	306,381	196,759	2,785
Total current assets	3,658,203	3,477,286	33,256
Non-current assets:			
Investments accounted for using the equity method	2,104,729	1,994,366	19,134
Other investments	415,724	462,841	3,779
Trade and other receivables	378,098	381,120	3,437
Other financial assets	79,461	80,214	722
Property, plant and equipment	741,473	750,226	6,742
Intangible assets	256,734	264,477	2,334
Investment property	260,859	278,026	2,371
Biological assets	21,974	16,057	200
Prepaid expenses	20,365	23,817	185
Deferred tax assets	35,123	42,202	319
Total non-current assets	4,314,540	4,293,346	39,223
Total assets	¥ 7,972,743	¥ 7,770,632	$ 72,479

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥110=US$1.

Condensed Consolidated Statements of Financial Position

Sumitomo Corporation and Subsidiaries
As of December 31, 2018 and March 31, 2018

	Millions of Yen		Millions of U.S. Dollars
	December 31, 2018	March 31, 2018	December 31, 2018
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings	¥ 741,323	¥ 603,249	$ 6,739
Trade and other payables	1,189,041	1,038,657	10,809
Other financial liabilities	66,137	59,413	601
Income tax payables	55,717	39,639	507
Accrued expenses	75,328	89,778	685
Advances from customers	—	159,896	—
Contract liabilities	165,051	—	1,500
Provisions	9,053	5,711	82
Liabilities associated with assets classified as held for sale	8,888	74,207	81
Other current liabilities	77,451	87,599	704
Total current liabilities	2,387,989	2,158,149	21,708
Non-current liabilities:			
Bonds and borrowings	2,466,466	2,600,616	22,422
Trade and other payables	106,093	104,108	965
Other financial liabilities	29,668	33,853	270
Accrued pension and retirement benefits	33,134	27,362	301
Provisions	39,110	40,503	356
Deferred tax liabilities	87,371	111,720	794
Total non-current liabilities	2,761,842	2,918,162	25,108
Total liabilities	5,149,831	5,076,311	46,816
Equity:			
Common stock	219,449	219,279	1,995
Additional paid-in capital	264,707	265,126	2,406
Treasury stock	(2,626)	(2,796)	(24)
Other components of equity	213,964	248,564	1,945
Retained earnings	1,989,093	1,827,987	18,083
Equity attributable to owners of the parent	2,684,587	2,558,160	24,405
Non-controlling interests	138,325	136,161	1,258
Total equity	2,822,912	2,694,321	25,663
Total liabilities and equity	¥ 7,972,743	¥ 7,770,632	$ 72,479

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥110=US$1.

Condensed Consolidated Statements of Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the nine-month periods ended December 31, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Revenues			
Sales of tangible products	¥ 3,526,250	¥ 3,089,027	$ 32,057
Sales of services and others	306,736	389,503	2,788
Total revenues	3,832,986	3,478,530	34,845
Cost			
Cost of tangible products sold	(2,951,213)	(2,594,240)	(26,829)
Cost of services and others	(196,360)	(173,922)	(1,785)
Total cost	(3,147,573)	(2,768,162)	(28,614)
Gross profit	685,413	710,368	6,231
Other income (expenses)			
Selling, general and administrative expenses	(477,176)	(546,564)	(4,338)
Impairment losses on long-lived assets	(597)	(52)	(6)
Gain (loss) on sale of long-lived assets, net	3,577	3,397	33
Other, net	293	4,596	3
Total other income (expenses)	(473,903)	(538,623)	(4,308)
Finance income (costs)			
Interest income	20,848	20,221	190
Interest expense	(30,029)	(23,767)	(273)
Dividends	11,145	9,168	101
Gain (loss) on securities and other investments, net	9,391	33,508	85
Finance income (costs), net	11,355	39,130	103
Share of profit (loss) of investments accounted for using the equity method	93,516	114,927	850
Profit before tax	316,381	325,802	2,876
Income tax expense	(63,076)	(52,502)	(573)
Profit for the period	253,305	273,300	2,303
Profit for the period attributable to:			
Owners of the parent	¥ 241,796	¥ 252,885	$ 2,198
Non-controlling interests	11,509	20,415	105
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	(31,789)	43,521	(289)
Remeasurements of defined benefit pension plans	(3,585)	9,150	(33)
Share of other comprehensive income of investments accounted for using the equity method	(2,120)	3,977	(19)
Total items that will not be reclassified to profit or loss	(37,494)	56,648	(341)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	5,081	26,879	46
Cash-flow hedges	3,187	2,496	29
Share of other comprehensive income of investments accounted for using the equity method	(1,025)	(9,078)	(9)
Total items that may be reclassified subsequently to profit or loss	7,243	20,297	66
Other comprehensive income, net of tax	(30,251)	76,945	(275)
Comprehensive income for the period	223,054	350,245	2,028
Comprehensive income for the period attributable to:			
Owners of the parent	¥ 211,889	¥ 328,444	$ 1,926
Non-controlling interests	11,165	21,801	102

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥110=US$1.

Condensed Consolidated Statements of Changes in Equity

Sumitomo Corporation and Subsidiaries
For the nine-month periods ended December 31, 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	$ 1,993
Share-based payment transactions	170	—	2
Balance, end of period	219,449	219,279	1,995
Additional paid-in capital:			
Balance, beginning of year	265,126	263,937	2,410
Share-based payment transactions	170	—	2
Acquisition (disposal) of non-controlling interests, net	(939)	(544)	(9)
Others	350	863	3
Balance, end of period	264,707	264,256	2,406
Treasury stock:			
Balance, beginning of year	(2,796)	(3,113)	(26)
Acquisition (disposal) of treasury stock, net	170	108	2
Balance, end of period	(2,626)	(3,005)	(24)
Other components of equity:			
Balance, beginning of year	248,564	309,094	2,260
Other comprehensive income for the period	(29,907)	75,559	(272)
Transfer to retained earnings	(4,693)	(13,746)	(43)
Balance, end of period	213,964	370,907	1,945
Retained earnings:			
Balance, beginning of year	1,827,987	1,577,288	16,618
Impact of changes in accounting policies	3,270	—	30
Transfer from other components of equity	4,693	13,746	43
Profit for the period attributable to owners of the parent	241,796	252,885	2,198
Cash dividends	(88,653)	(66,160)	(806)
Balance, end of period	1,989,093	1,777,759	18,083
Equity attributable to owners of the parent	¥ 2,684,587	¥ 2,629,196	$ 24,405
Non-controlling interests:			
Balance, beginning of year	136,161	120,470	1,238
Cash dividends to non-controlling interests	(7,884)	(7,272)	(72)
Acquisition (disposal) of non-controlling interests and others, net	(1,117)	(1,610)	(10)
Profit for the period attributable to non-controlling interests	11,509	20,415	105
Other comprehensive income for the period	(344)	1,386	(3)
Balance, end of period	138,325	133,389	1,258
Total equity	¥ 2,822,912	¥ 2,762,585	$ 25,663
Comprehensive income for the period attributable to:			
Owners of the parent	211,889	328,444	1,926
Non-controlling interests	11,165	21,801	102
Total comprehensive income for the period	¥ 223,054	¥ 350,245	$ 2,028

Note:The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥110=US$1.

Condensed Consolidated Statements of Cash Flows

Sumitomo Corporation and Subsidiaries
For the nine-month periods ended December 31, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Operating activities:			
Profit for the period	¥ 253,305	¥ 273,300	$ 2,303
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization	83,923	89,800	763
Impairment losses on long-lived assets	597	52	6
Finance (income) costs, net	(11,355)	(39,130)	(103)
Share of (profit) loss of investments accounted for using the equity method	(93,516)	(114,927)	(850)
(Gain) loss on sale of long-lived assets, net	(3,577)	(3,397)	(33)
Income tax expense	63,076	52,502	573
Increase in inventories	(130,731)	(169,842)	(1,188)
Increase in trade and other receivables	(84,800)	(42,849)	(771)
Increase in prepaid expenses	(11,589)	(4,213)	(105)
Increase in trade and other payables	120,500	64,027	1,095
Other, net	(102,836)	(14,550)	(935)
Interest received	20,875	20,288	190
Dividends received	94,519	109,451	859
Interest paid	(29,537)	(23,416)	(269)
Income tax paid	(51,632)	(34,751)	(469)
Net cash provided by operating activities	117,222	162,345	1,066
Investing activities:			
Proceeds from sale of property, plant and equipment	15,950	4,434	145
Purchase of property, plant and equipment	(89,993)	(65,680)	(818)
Proceeds from sale of investment property	5,100	10,135	46
Purchase of investment property	(9,434)	(3,230)	(86)
Proceeds from sale of other investments	152,335	40,966	1,385
Acquisition of other investments	(127,885)	(99,636)	(1,163)
Collection of loan receivables	57,632	94,689	524
Increase in loan receivables	(32,915)	(60,360)	(299)
Net cash used in investing activities	(29,210)	(78,682)	(266)
Free Cash Flows:	88,012	83,663	800
Financing activities:			
Net increase in short-term debt	72,526	25,503	659
Proceeds from issuance of long-term debt	224,941	271,140	2,045
Repayment of long-term debt	(290,567)	(338,007)	(2,641)
Cash dividends paid	(88,653)	(66,160)	(806)
Capital contribution from non-controlling interests	217	343	2
Payment for acquisition of subsidiary's interests from non-controlling interests	(1,753)	(1,432)	(16)
Payment of dividends to non-controlling interests	(7,884)	(7,272)	(72)
(Acquisition) disposal of treasury stock, net	109	58	1
Net cash used in financing activities	(91,064)	(115,827)	(828)
Net decrease in cash and cash equivalents	(3,052)	(32,164)	(28)
Cash and cash equivalents at the beginning of year	667,152	776,464	6,065
Effect of exchange rate changes on cash and cash equivalents	7,025	7,260	64
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets classified as held for sale	4,011	(3,730)	37
Cash and cash equivalents at the end of period	¥ 675,136	¥ 747,830	$ 6,138

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥110=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 nine months periods ended December 31, 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.

<u>Revenue from sales of services and others</u>

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.

<u>Principal versus agent considerations</u>

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.

Changes in accounting estimate :

The significant change in accounting estimate in the Condensed Consolidated Statements is as follow.

Sumitomo recognized the impairment loss of 10,431 million yen relating to the Nickel mining and refining business in Madagascar in the 3rd quarter of FY 2018, as a result of reassessment of assets based on the latest long-term business plan and the medium and long-term trend in prices. The impairment loss is included in “Share of profit (loss) of investments accounted for using the equity method” in the Condensed Consolidated Statements of Comprehensive Income.

Segment Information (Condensed)

Sumitomo Corporation and Subsidiaries
For the nine-month periods ended December 31, 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	¥	990,410	561,783	359,874	257,558	734,510	757,126	3,661,261	171,725	3,832,986
Gross profit		110,912	118,547	79,964	66,145	157,917	144,153	677,638	7,775	685,413
Share of profit (loss) of investments accounted for using the equity method		7,827	37,574	10,293	35,592	7,229	(8,133)	90,382	3,134	93,516
Profit for the period (attributable to owners of the parent)		31,908	49,967	41,909	34,588	32,920	46,016	237,308	4,488	241,796
Total assets (As of December 31)		1,286,254	1,762,441	915,008	799,725	1,202,735	1,728,958	7,695,121	277,622	7,972,743

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	¥	794,904	835,973	196,302	197,776	685,143	656,745	3,366,843	111,687	3,478,530
Gross profit		97,370	215,455	59,706	60,852	143,381	127,183	703,947	6,421	710,368
Share of profit (loss) of investments accounted for using the equity method		5,160	37,850	9,260	37,994	4,752	16,531	111,547	3,380	114,927
Profit for the period (attributable to owners of the parent)		29,515	66,476	26,931	47,324	27,123	53,478	250,847	2,038	252,885
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	$	9,004	5,107	3,272	2,341	6,677	6,883	33,284	1,561	34,845
Gross profit		1,008	1,078	727	601	1,436	1,310	6,160	71	6,231
Share of profit (loss) of investments accounted for using the equity method		71	342	94	323	66	(74)	822	28	850
Profit for the period (attributable to owners of the parent)		290	454	381	315	299	418	2,157	41	2,198
Total assets (As of December 31)		11,693	16,022	8,319	7,270	10,934	15,718	69,956	2,523	72,479

Notes:
1) The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥110=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.