

Consolidated quarterly results FY2019 (Three-month period ended June 30, 2019)

[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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(URL <http://www.sumitomocorp.com/en/jp>)**1. Consolidated results for the three-month period ended June 30, 2019**

(Remarks)

Amounts are rounded to the nearest million.

% : change from the same period of the previous year.

(1) Consolidated operating results

	Revenues		Profit before tax		Profit for the period		Profit for the period attributable to owners of the parent		Comprehensive income for the period	
	(millions of yen)	(increase/ decrease) (%)	(millions of yen)	(increase/ decrease) (%)	(millions of yen)	(increase/ decrease) (%)	(millions of yen)	(increase/ decrease) (%)	(millions of yen)	(increase/ decrease) (%)
Three-month period ended										
June 30, 2019	1,313,134	6.7	113,172	(1.9)	83,231	(12.0)	79,740	(12.7)	8,254	(93.5)
June 30, 2018	1,230,806	9.5	115,325	11.4	94,623	17.7	91,355	16.8	126,428	47.3

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)
	(yen)	(yen)
Three-month period ended		
June 30, 2019	63.85	63.79
June 30, 2018	73.17	73.10

(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 June 30, 2019	8,260,707	2,808,235	2,674,532	32.4
As of March 31, 2019	7,916,523	2,906,199	2,771,483	35.0

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, 2019	—	37.00	—	38.00	75.00
Year ending March 31, 2020	—	—	—	—	—
Year ending March 31, 2020 (Forecasts)	—	50.00	—	40.00	90.00

[Note] Revision of the latest dividend forecasts: None

3. Forecasts for the year ending March 31, 2020

(Remarks)

% : change from the previous year.

	Profit for the year attributable to owners of the parent	Earnings per share attributable to owners of the parent
	(millions of yen)	(yen)
Year ending March 31, 2020	340,000	272.30

[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: None

(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	(June 30, 2019)	1,250,787,667	(March 31, 2019)	1,250,787,667
(ii) Treasury stocks	(June 30, 2019)	1,823,202	(March 31, 2019)	1,872,865
(iii) Average stocks during three months (Apr.-Jun.)	(June 30, 2019)	1,248,804,093	(June 30, 2018)	1,248,548,322

*** 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 three-month period ended June 30, 2019, amounted to 1,313.1 billion yen, representing an increase of 82.3 billion yen from the same period of the previous year.

Gross profit totaled 228.1 billion yen decreased by 1.9 billion yen owing to San Cristobal silver-zinc-lead mining project in Bolivia decreased the earnings due to lower mineral resources prices, while the construction of large-scale projects in power infrastructure business progressed. Selling, general and administrative expenses increased by 2.4 billion yen to 159.1 billion yen.

Share of profit (loss) of investments accounted for using the equity method decreased by 11.9 billion yen to 27.9 billion yen, due to low performance of automotive related business and the absence of earnings by telecommunication business in Myanmar caused by the change of their fiscal year in the same period of the previous year.

Other gain (loss) increased by 6.1 billion yen to 6.9 billion yen due mainly to the one-off profit from change in the shareholding structure of Gyxis Corporation.

As a result, profit for the period attributable to owners of the parent totaled 79.7 billion yen, representing a decrease of 11.6 billion yen from the same period of the previous year. Basic profit(*1) totaled 76.4 billion yen, representing a decrease of 16.1 billion yen from the same period of the previous year.

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

Metal Products Business Unit posted profit of 6.4 billion yen, a decrease of 3.7 billion yen from the same period of the previous year, primarily due to the absence of the profit due to stronger market of tubular products business in North America in the same period of the previous year and low performance of overseas steel service centers.

Transportation & Construction Systems Business Unit posted profit of 11.7 billion yen, a decrease of 3.6 billion yen from the same period of the previous year, due to low performance of automotive manufacturing business, while leasing business and construction equipment sales & marketing and rental business kept solid performance.

Infrastructure Business Unit posted profit of 20.4 billion yen, an increase of 8.9 billion yen from the

same period of the previous year. In addition to the one-off profit from IPP/IWPP business, the profit increase is due to the stable progress of construction of large-scale projects in power infrastructure business and stable performance of IPP/IWPP business.

Media & Digital Business Unit posted profit of 8.8 billion yen, a decrease of 3.0 billion yen from the same period of the previous year, due to the absence of earnings by telecommunication business in Myanmar caused by the change of their fiscal year in the same period of the previous year, while domestic major group companies kept solid performance.

Living Related & Real Estate Business Unit posted profit of 11.5 billion yen, a decrease of 0.1 billion yen from the same period of the previous year. The domestic major group companies and the real estate business are keeping solid performance.

Mineral Resources, Energy, Chemical & Electronics Business Unit posted profit of 20.9 billion yen, a decrease of 5.5 billion yen from the same period of the previous year, due to decrease in earnings from San Cristobal silver-zinc-lead mining project in Bolivia and Nickel mining and refining business in Madagascar due to lower mineral resources prices, while there was one-off profit from change in the shareholding structure of Gyxis Corporation.

(*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

2. Financial position

<Total assets, liabilities, and equity as of June 30, 2019>

Total assets stood at 8,260.7 billion yen, representing an increase of 344.2 billion yen from the previous fiscal year-end due mainly to an increase by adopting IFRS 16 (change in accounting treatment for “lease”), while decrease in asset by appreciation of Japanese yen.

Equity attributable to owners of the parent totaled 2,674.5 billion yen, decreased by 97.0 billion yen from the previous fiscal year-end, due to Japanese yen’s appreciation and the payment of dividend to shareholders, while an increase in retained earnings.

Interest-bearing liabilities (net) (*2) increased by 79.1 billion yen from the previous fiscal year-end, to 2,506.2 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 48.9 billion yen as basic profit cash flow (*3) totaled to an inflow of 109.8 billion yen as core businesses performed well in generating cash while working capital increased.

Net cash used in investing activities totaled 89.3 billion yen. In this period, we executed investments approx. 120.0 billion yen primarily for the acquisition of the parking provider in northern Europe and the acquisition of domestic real estate assets. On the other hand, we recovered funds of approx. 30.0 billion yen through the sale of offshore wind farms in the United Kingdom and the restructuring of aircraft engine leasing business.

As a result, free cash flow, representing sum of net cash provided by operating activities and net cash used in investing activities, totaled to an outflow of 40.4 billion yen.

Net cash provided by financing activities totaled 64.4 billion yen due primarily to executing borrowing despite the payment of dividend.

In consequence of the foregoing, cash and cash equivalents stood at 675.8 billion yen as of June 30, 2019, representing an increase of 15.5 billion yen from the previous fiscal year-end.

(*2) Interest-bearing liabilities = Sum of bonds and borrowings (current and non-current)
(excluding lease liabilities)

(*3) 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, 2020(*4)

We have not reviewed the forecasts for the fiscal year ending March 31, 2020 from the annual forecasts of 340.0 billion yen announced on May 9, 2019.

(*4) 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 June 30, 2019 and March 31, 2019

	Millions of Yen		Millions of U.S. Dollars
	June 30, 2019	March 31, 2019	June 30, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 675,839	¥ 660,359	\$ 6,258
Time deposits	12,384	10,492	115
Marketable securities	2,123	1,989	20
Trade and other receivables	1,294,695	1,340,451	11,988
Other financial assets	71,951	62,692	666
Inventories	973,060	925,204	9,010
Advance payments to suppliers	161,392	161,037	1,494
Assets classified as held for sale	12,906	56,034	119
Other current assets	361,016	329,392	3,343
Total current assets	3,565,366	3,547,650	33,013
Non-current assets:			
Investments accounted for using the equity method	2,088,089	2,130,517	19,334
Other investments	413,319	429,532	3,827
Trade and other receivables	341,842	371,420	3,165
Other financial assets	75,597	75,576	700
Property, plant and equipment	1,057,388	746,647	9,791
Intangible assets	299,189	259,759	2,770
Investment property	334,731	275,273	3,099
Biological assets	22,031	22,858	204
Prepaid expenses	20,671	21,043	192
Deferred tax assets	42,484	36,248	393
Total non-current assets	4,695,341	4,368,873	43,475
Total assets	¥ 8,260,707	¥ 7,916,523	\$ 76,488

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥108=US\$1.

Condensed Consolidated Statements of Financial Position

Sumitomo Corporation and Subsidiaries
As of June 30, 2019 and March 31, 2019

	Millions of Yen		Millions of U.S. Dollars
	June 30, 2019	March 31, 2019	June 30, 2019
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings	¥ 787,605	¥ 682,349	\$ 7,293
Trade and other payables	1,094,822	1,178,542	10,137
Lease liabilities	53,692	11,717	497
Other financial liabilities	54,844	50,787	508
Income tax payables	27,363	28,467	253
Accrued expenses	75,558	94,019	700
Contract liabilities	138,369	132,693	1,281
Provisions	4,686	8,356	43
Liabilities associated with assets classified as held for sale	—	8,841	—
Other current liabilities	98,219	82,935	910
Total current liabilities	2,335,158	2,278,706	21,622
Non-current liabilities:			
Bonds and borrowings	2,406,799	2,415,606	22,285
Trade and other payables	55,483	57,775	514
Lease liabilities	454,862	56,637	4,212
Other financial liabilities	23,102	23,660	214
Accrued pension and retirement benefits	33,391	34,869	309
Provisions	44,352	46,364	410
Deferred tax liabilities	99,325	96,707	920
Total non-current liabilities	3,117,314	2,731,618	28,864
Total liabilities	5,452,472	5,010,324	50,486
Equity:			
Common stock	219,449	219,449	2,032
Additional paid-in capital	257,010	258,292	2,380
Treasury stock	(2,435)	(2,501)	(23)
Other components of equity	158,114	234,937	1,464
Retained earnings	2,042,394	2,061,306	18,911
Equity attributable to owners of the parent	2,674,532	2,771,483	24,764
Non-controlling interests	133,703	134,716	1,238
Total equity	2,808,235	2,906,199	26,002
Total liabilities and equity	¥ 8,260,707	¥ 7,916,523	\$ 76,488

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥108=US\$1.

Condensed Consolidated Statements of Comprehensive Income

Sumitomo Corporation and Subsidiaries

For the three-month periods ended June 30, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars	
	2019	2018	2019	
Revenues				
Sales of tangible products	¥ 1,203,864	¥ 1,117,809	\$ 11,147	
Sales of services and others	109,270	112,997	1,012	
Total revenues	1,313,134	1,230,806	12,159	
Cost				
Cost of tangible products sold	(1,030,454)	(932,669)	(9,542)	
Cost of services and others	(54,558)	(68,161)	(505)	
Total cost	(1,085,012)	(1,000,830)	(10,047)	
Gross profit	228,122	229,976	2,112	
Other income (expenses)				
Selling, general and administrative expenses	(159,134)	(156,727)	(1,473)	
Impairment losses on long-lived assets	(194)	(497)	(2)	
Gain (loss) on sale of long-lived assets, net	3,272	55	30	
Other, net	6,923	805	64	
Total other income (expenses)	(149,133)	(156,364)	(1,381)	
Finance income (costs)				
Interest income	7,072	6,487	66	
Interest expense	(11,779)	(9,619)	(109)	
Dividends	5,125	5,771	47	
Gain (loss) on securities and other investments, net	5,827	(749)	54	
Finance income (costs), net	6,245	1,890	58	
Share of profit (loss) of investments accounted for using the equity method	27,938	39,823	259	
Profit before tax	113,172	115,325	1,048	
Income tax expense	(29,941)	(20,702)	(278)	
Profit for the period	83,231	94,623	770	
Profit for the period attributable to:				
Owners of the parent	¥ 79,740	¥ 91,355	\$ 738	
Non-controlling interests	3,491	3,268	32	
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Financial assets measured at fair value through other comprehensive income	(11,321)	5,577	(105)	
Remeasurements of defined benefit pension plans	1,975	1,434	18	
Share of other comprehensive income of investments accounted for using the equity method	(278)	1,002	(2)	
Total items that will not be reclassified to profit or loss	(9,624)	8,013	(89)	
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(53,699)	23,292	(497)	
Cash-flow hedges	(562)	1,614	(5)	
Share of other comprehensive income of investments accounted for using the equity method	(11,092)	(1,114)	(103)	
Total items that may be reclassified subsequently to profit or loss	(65,353)	23,792	(605)	
Other comprehensive income, net of tax	(74,977)	31,805	(694)	
Comprehensive income for the period	8,254	126,428	76	
Comprehensive income for the period attributable to:				
Owners of the parent	¥ 5,049	¥ 123,474	\$ 47	
Non-controlling interests	3,205	2,954	29	

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥108=US\$1.

Condensed Consolidated Statements of Changes in Equity

Sumitomo Corporation and Subsidiaries

For the three-month periods ended June 30, 2019 and 2018

For the three-month periods ended June 30, 2019

Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Treasury stock	Other components of equity	Retained earnings	Total		
Balance, beginning of year	219,449	258,292	(2,501)	234,937	2,061,306	2,771,483	134,716	2,906,199
Impact of changes in accounting policies					(53,325)	(53,325)	(909)	(54,234)
Balance, beginning of year after changes in accounting policies	219,449	258,292	(2,501)	234,937	2,007,981	2,718,158	133,807	2,851,965
Profit for the period					79,740	79,740	3,491	83,231
Other comprehensive income for the period				(74,691)		(74,691)	(286)	(74,977)
Comprehensive income for the period						5,049	3,205	8,254
Transaction with owners:								
Acquisition (disposal) of non-controlling interests, net		(814)				(814)	55	(759)
Acquisition (disposal) of treasury stock, net			66			66		66
Cash dividends to owners of the parent					(47,459)	(47,459)		(47,459)
Cash dividends to non-controlling interests							(3,364)	(3,364)
Others		(468)				(468)		(468)
Transfer to retained earnings				(2,132)	2,132	—		—
Balance, end of year	219,449	257,010	(2,435)	158,114	2,042,394	2,674,532	133,703	2,808,235

For the three-month periods ended June 30, 2018

Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Treasury stock	Other components of equity	Retained earnings	Total		
Balance, beginning of year	219,279	265,126	(2,796)	248,564	1,827,987	2,558,160	136,161	2,694,321
Impact of changes in accounting policies					3,270	3,270		3,270
Balance, beginning of year after changes in accounting policies	219,279	265,126	(2,796)	248,564	1,831,257	2,561,430	136,161	2,697,591
Profit for the period					91,355	91,355	3,268	94,623
Other comprehensive income for the period				32,119		32,119	(314)	31,805
Comprehensive income for the period						123,474	2,954	126,428
Transaction with owners:								
Acquisition (disposal) of non-controlling interests, net		(115)				(115)	(202)	(317)
Acquisition (disposal) of treasury stock, net			16			16		16
Cash dividends to owners of the parent					(42,450)	(42,450)		(42,450)
Cash dividends to non-controlling interests							(3,477)	(3,477)
Others		160				160		160
Transfer to retained earnings				(9,222)	9,222	—		—
Balance, end of year	219,279	265,171	(2,780)	271,461	1,889,384	2,642,515	135,436	2,777,951

For the three-month periods ended June 30, 2019

Millions of U.S. Dollars

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Additional paid-in capital	Treasury stock	Other components of equity	Retained earnings	Total		
Balance, beginning of year	2,032	2,392	(24)	2,175	19,086	25,661	1,248	26,909
Impact of changes in accounting policies					(494)	(494)	(9)	(503)
Balance, beginning of year after changes in accounting policies	2,032	2,392	(24)	2,175	18,592	25,167	1,239	26,406
Profit for the period					738	738	32	770
Other comprehensive income for the period				(691)		(691)	(3)	(694)
Comprehensive income for the period						47	29	76
Transaction with owners:								
Acquisition (disposal) of non-controlling interests, net		(8)				(8)	1	(7)
Acquisition (disposal) of treasury stock, net			1			1		1
Cash dividends to owners of the parent					(439)	(439)		(439)
Cash dividends to non-controlling interests							(31)	(31)
Others		(4)				(4)		(4)
Transfer to retained earnings				(20)	20	—		—
Balance, end of year	2,032	2,380	(23)	1,464	18,911	24,764	1,238	26,002

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥108=US\$1.

Condensed Consolidated Statements of Cash Flows

Sumitomo Corporation and Subsidiaries

For the three-month periods ended June 30, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars	
	2019	2018	2019	
Operating activities:				
Profit for the period	¥ 83,231	¥ 94,623	\$	770
Adjustments to reconcile profit for the period to net cash provided by operating activities:				
Depreciation and amortization	38,437	27,646		356
Impairment losses on long-lived assets	194	497		2
Finance (income) costs, net	(6,245)	(1,890)		(58)
Share of (profit) loss of investments accounted for using the equity method	(27,938)	(39,823)		(259)
(Gain) loss on sale of long-lived assets, net	(3,272)	(55)		(30)
Income tax expense	29,941	20,702		278
Increase in inventories	(37,496)	(130,186)		(347)
Decrease (increase) in trade and other receivables	39,836	(12,405)		369
Increase in prepaid expenses	(6,997)	(13,815)		(65)
(Decrease) increase in trade and other payables	(66,203)	57,561		(613)
Other, net	(28,382)	(64,560)		(263)
Interest received	7,035	6,464		65
Dividends received	66,815	56,853		618
Interest paid	(12,224)	(9,210)		(113)
Income tax paid	(27,792)	(34,681)		(257)
Net cash provided by (used in) operating activities	48,940	(42,279)		453
Investing activities:				
Proceeds from sale of property, plant and equipment	1,300	453		12
Purchase of property, plant and equipment	(19,530)	(26,834)		(181)
Proceeds from sale of investment property	3,214	—		30
Purchase of investment property	(15,825)	(1,316)		(146)
Proceeds from sale of other investments	24,528	65,973		227
Acquisition of other investments	(80,990)	(46,181)		(750)
Collection of loan receivables	9,918	40,755		92
Increase in loan receivables	(11,942)	(21,422)		(111)
Net cash (used in) provided by investing activities	(89,327)	11,428		(827)
Free Cash Flows:	(40,387)	(30,851)		(374)
Financing activities:				
Net increase in short-term debt	115,595	118,036		1,070
Proceeds from issuance of long-term debt	89,168	36,511		826
Repayment of long-term debt	(89,564)	(55,859)		(829)
Cash dividends paid	(47,459)	(42,450)		(439)
Capital contribution from non-controlling interests	2,314	—		21
Payment for acquisition of subsidiary's interests from non-controlling interests	(2,316)	(182)		(22)
Payment of dividends to non-controlling interests	(3,364)	(3,477)		(31)
(Acquisition) disposal of treasury stock, net	18	33		0
Net cash provided by financing activities	64,392	52,612		596
Net increase in cash and cash equivalents	24,005	21,761		222
Cash and cash equivalents at the beginning of year	660,359	667,152		6,114
Effect of exchange rate changes on cash and cash equivalents	(9,021)	8,385		(83)
Net increase in cash and cash equivalents resulting from transfer to assets classified as held for sale	496	2,956		5
Cash and cash equivalents at the end of period	¥ 675,839	¥ 700,254	\$	6,258

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥108=US\$1.

Assumptions for Going Concern

: None

Changes in accounting policies and others

:

Significant accounting policies applied in this summary of the consolidated financial statements for the three months period ended June 30, 2019, remain the same as those applied in the consolidated financial statements for the previous fiscal year, except for the items below.

(1) IFRS 16 “Leases”

The Companies have applied International Financial Reporting Standard No.16 *Leases* (“IFRS 16”) from the reporting period. For leases that the Companies as lessee previously classified as operating leases applying International Accounting Standard No.17 *Leases* (“IAS 17”), right-of-use assets and lease liabilities are recognized at the date of initial application.

At inception of a contract, the Companies assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract is, or contains, a lease, the Companies recognize right-of-use assets and lease liabilities on the consolidated statement of financial position at the commencement date. The Companies recognize the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured by using the cost model and are measured at cost less any accumulated depreciation and accumulated impairment losses.

An acquisition cost of right-of-use assets includes the amount of the initial measurement of lease liabilities adjusted for initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated using the straight-line method over its lease terms.

Lease liabilities are initially measured at the discounted present value of unpaid lease payments at the commencement date of the contract. Lease payments are allocated into finance costs and the portion of the balance of lease liabilities, to ensure that the interest rate remains constant for the balance of lease liabilities. Finance costs are presented separately from the depreciation of the right-of-use assets in the consolidated statement of comprehensive income.

In addition, “Lease liabilities,” which were previously included in “Trade and other payables” in the consolidated statement of financial position, have increased as a result of application of IFRS 16. It has been presented independently from the reporting period. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

Accordingly, Finance lease obligations that were included in “Trade and Other Payables” in the consolidated statement of financial position for the previous fiscal year have been reclassified to “lease liabilities.” The reclassified amount was ¥68,354 million.

Right-of-use assets were included in “Inventories,” “Property, plant and equipment,” “Intangible assets” and “Investment property.”

In accordance with the transitional measures under IFRS 16 (the modified retrospective approach), the

cumulative effect is recognized as an adjustment to the opening balance of retained earnings for the year ended March 31, 2020.

Accordingly, compared with the case where the previous accounting standards would be applied, total assets increased by ¥391,100 million, total liabilities increased by ¥415,116 million and retained earnings decreased by ¥23,107 million each at the beginning of the year ended March 31, 2020.

In addition, cash flows from operating activities increased, and cash flows from financing activities decreased by the same amount, as lease payments of the principal of lease liabilities are classified as financing activities in the consolidated statement of cash flows.

The weighted average of the Company's incremental borrowing rate applied to lease liabilities on the consolidated statement of financial position at the date of initial application is 1.3%.

The following is a reconciliation of non-cancellable operating leases contracts based on IAS 17 as of March 31, 2019 and lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

(Millions of Yen)

Non-cancellable operating leases contracts	322,421
The weighted average of the Company's incremental borrowing rate	1.3%
Non-cancellable operating leases contracts (after discount)	304,390
Finance lease obligations	68,354
Cancellable operating leases contracts, etc.	107,150
Lease liabilities	479,894

In applying IFRS 16, the Companies have elected the practical expedient and assesses whether contracts contain leases in accordance with IAS 17 and IFRIC 4 “*Determining whether an Arrangement contains a Lease.*”

The following practical expedients are used in the application of IFRS 16.

- Leases for which the lease term ends within 12 months of the date of initial application are accounted for in the same way as short-term leases.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.
- The Companies use hindsight to calculate the lease term for lease contracts including options to extend or terminate the lease.

(2) IAS 28 “Investments in Associates and Joint Ventures”

The Companies have applied amendments of International Financial Reporting Standard No.28 *Investments in Associates and Joint Ventures* (“IAS 28”) from the reporting period. The amendments clarified the accounting for long-term interests in associates and joint ventures. As a result, the Companies have recognized impairment loss by applying IFRS 9 “*Financial Instruments*” to long-term interests before applying the equity method.

In accordance with the transitional measures under the amendments of IAS 28, the cumulative effect is

recognized as an adjustment to the opening balance of retained earnings for the year ended March 31, 2020.

Accordingly, compared with the case where the previous accounting standards would be applied, “Trade and other receivables” and “Retained earnings” decreased by ¥30,218 million each at the beginning of the year ended March 31, 2020.

Segment Information

Sumitomo Corporation and Subsidiaries
For the three-month periods ended June 30, 2019 and 2018

2019:	Millions of Yen									
		Metal Products	Transportation & Construction Systems	Infrastructure	Media & Digital	Living Related & Real Estate	Mineral Resources, Energy, Chemical & Electronics	Segment Total	Corporate and Eliminations	Consolidated
Total revenues	¥	308,826	198,768	140,265	91,292	250,675	273,531	1,263,357	49,777	1,313,134
Gross profit		29,619	39,271	31,629	22,618	54,805	46,723	224,665	3,457	228,122
Share of profit (loss) of investments accounted for using the equity method		1,967	9,349	2,819	9,703	1,805	1,463	27,106	832	27,938
Profit for the period (attributable to owners of the parent)		6,397	11,663	20,355	8,764	11,491	20,905	79,575	165	79,740
Total assets (As of June 30)		1,215,716	1,712,713	881,864	838,657	1,512,482	1,643,719	7,805,151	455,556	8,260,707

2018:	Millions of Yen									
		Metal Products	Transportation & Construction Systems	Infrastructure	Media & Digital	Living Related & Real Estate	Mineral Resources, Energy, Chemical & Electronics	Segment Total	Corporate and Eliminations	Consolidated
Total revenues	¥	301,089	189,900	103,300	80,685	265,058	240,624	1,180,656	50,150	1,230,806
Gross profit		35,888	38,212	22,781	20,021	55,283	54,415	226,600	3,376	229,976
Share of profit (loss) of investments accounted for using the equity method		2,536	13,798	4,791	13,953	2,454	1,347	38,879	944	39,823
Profit for the period (attributable to owners of the parent)		10,086	15,228	11,465	11,752	11,640	26,413	86,584	4,771	91,355
Total assets (As of March 31)		1,245,179	1,752,518	923,098	813,196	1,243,284	1,700,969	7,678,244	238,279	7,916,523

2019:	Millions of U.S. Dollars									
		Metal Products	Transportation & Construction Systems	Infrastructure	Media & Digital	Living Related & Real Estate	Mineral Resources, Energy, Chemical & Electronics	Segment Total	Corporate and Eliminations	Consolidated
Total revenues	\$	2,860	1,840	1,299	845	2,321	2,533	11,698	461	12,159
Gross profit		274	364	293	209	507	433	2,080	32	2,112
Share of profit (loss) of investments accounted for using the equity method		18	87	26	90	17	13	251	8	259
Profit for the period (attributable to owners of the parent)		59	108	189	81	106	194	737	1	738
Total assets (As of June 30)		11,257	15,858	8,165	7,765	14,005	15,220	72,270	4,218	76,488

Notes:

- 1) The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥108=US\$1.
- 2) On October 1, 2018, Smart city project in North Hanoi, Vietnam was transferred from Living Related & Real Estate Business Unit to Infrastructure Business Unit. Accordingly, the segment information of the same period of the previous year has been reclassified.