August 3, 2018

Consolidated quarterly results FY2018 (Three-month period ended June 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)

Representative Director, President and Chief Executive Officer, Masayuki Hyodo

For further information contact:

Kenji Shinmori, Corporate Communications Dept. Tel.+81-3-5166-3100

(URL http://www.sumitomocorp.com/en/jp)

1. Consolidated results for the three-month period ended June 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))
Three-month period ended	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
June 30, 2018	1,230,806	9.5	115,325	11.4	94,623	17.7	91,355	16.8	126,428	47.3
June 30, 2017	1,124,167	22.1	103,479	175.3	80,416	211.1	78,224	245.2	85,834	—

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)
Three-month period ended	(yen)	(yen)
June 30, 2018	73.17	73.10
June 30, 2017	62.66	62.61

(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, 2018	7,967,972	2,777,951	2,642,515	33.2
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	—				
Year ending March 31, 2019 (Forecasts)		37.00	—	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: 1 (SMS International Corporation)

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

(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 12 "Changes in accounting policies and others".

(3) Outstanding stocks (Common stocks)

(shares)

(i)	Outstanding stocks including treasury stock	(June 30, 2018)	1,250,602,867	(March 31, 2018)	1,250,602,867
(ii)	Treasury stocks	(June 30, 2018)	2,048,081	(March 31, 2018)	2,070,753
(iii)	Average stocks during three months (Apr.-Jun.)	(June 30, 2018)	1,248,548,322	(June 30, 2017)	1,248,344,913

*** 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, 2018, amounted to 1,230.8 billion yen, representing an increase of 106.6 billion yen from the same period of the previous year.

Gross profit totaled 230.0 billion yen decreased by 1.9 billion yen. San Cristobal silver-zinc-lead mining project in Bolivia and 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, while earnings decreased due to reorganization of tire business in the U.S. Selling, general and administrative expenses decreased by 19.0 billion yen to 156.7 billion yen.

Share of profit (loss) of investments accounted for using the equity method increased by 3.6 billion yen to 39.8 billion yen, owing to solid performances by telecommunication business in Myanmar and leasing business.

As a result, Basic profit(*1) totaled 92.5 billion yen, representing an increase of 15.1 billion yen from the same period of the previous year. Profit for the period attributable to owners of the parent totaled 91.4 billion yen, representing an increase of 13.1 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.

Metal Products Business Unit posted profit of 10.1 billion yen, an increase of 2.1 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.

Transportation & Construction Systems Business Unit posted profit of 15.2 billion yen, a decrease of 1.0 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 11.5 billion yen, an increase of 1.4 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.

Media & ICT Business Unit posted profit of 11.8 billion yen, an increase of 1.5 billion yen from the same period of the previous year, due to the stable profit contribution of major group companies such as SCSK and telecommunication business in Myanmar.

Living Related & Real Estate Business Unit posted profit of 11.6 billion yen, representing a decrease of 1.7 billion yen from the same period of the previous year. While real estate business has kept solid performance, the profit level of the same period of the previous year was higher than normal level due to sales of several real estate projects.

Mineral Resources, Energy, Chemical & Electronics Business Unit posted profit of 26.4 billion yen, an increase of 8.7 billion yen from the same period of the previous year. Coal mining projects in Australia and San Cristobal silver-zinc-lead mining project in Bolivia showed robust performances mainly because of the higher mineral resources prices. Also there was one-off profit in mineral resources and energy related business.

2. Financial position

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

Total assets stood at 7,968.0 billion yen, representing an increase of 197.3 billion yen from the previous fiscal year-end due mainly to an increase of inventories and of assets by Yen’s depreciation despite a decrease resulting from reorganization of tire business in the U.S.

Equity attributable to owners of the parent totaled 2,642.5 billion yen, increased by 84.4 billion yen from the previous fiscal year-end, due primarily to an increase in retained earnings.

Interest-bearing liabilities (net) increased by 87.6 billion yen from the previous fiscal year-end, to 2,609.1 billion yen.

In consequence, the net debt-equity ratio (Interest-bearing liabilities (net)/ Equity attributable to owners of the parent) was 1.0.

<Cash flows>

Net cash used in operating activities totaled 42.3 billion yen as working capital increased while basic profit cash flow(*2) totaled to an inflow of 103.7 billion yen because our core businesses performed well in generating cash.

Net cash provided by investing activities totaled 11.4 billion yen. In this period, we executed investments approx. 70.0 billion yen primarily for participation in the specialty steel business in India and participation in gold and copper mining business in Peru. On the other hand, we recovered funds of approx. 80.0 billion yen through reorganization of tire business in the U.S. and sale of cross-holding shares.

As a result, Free cash flow, representing sum of net cash used in operating activities and net cash from investing activities, totaled to an outflow of 30.9 billion yen.

Net cash provided by financing activities totaled 52.6 billion yen due primarily to borrowing despite dividend payment.

In consequence of the foregoing, Cash and cash equivalents stood at 700.3 billion yen as of June 30, 2018, representing an increase of 33.1 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 have not reviewed the forecasts for the fiscal year ending March 31, 2019 from the annual forecasts of 320.0 billion yen announced on May 8, 2018.

(*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 June 30, 2018 and March 31, 2018

	Millions of Yen				Millions of U.S. Dollars	
	June 30, 2018		March 31, 2018		June 30, 2018	
ASSETS						
Current assets:						
Cash and cash equivalents	¥	700,254	¥	667,152	$	6,309
Time deposits		16,038		15,187		144
Marketable securities		1,688		1,361		15
Trade and other receivables		1,279,894		1,266,782		11,531
Other financial assets		64,211		66,885		578
Inventories		1,020,567		877,808		9,194
Advance payments to suppliers		172,613		137,675		1,555
Assets classified as held for sale		25,048		247,677		226
Other current assets		280,462		196,759		2,527
Total current assets		3,560,775		3,477,286		32,079
Non-current assets:						
Investments accounted for using the equity method		2,091,085		1,994,366		18,839
Other investments		466,623		462,841		4,203
Trade and other receivables		398,562		381,120		3,591
Other financial assets		79,853		80,214		718
Property, plant and equipment		767,203		750,226		6,912
Intangible assets		264,587		264,477		2,384
Investment property		256,146		278,026		2,308
Biological assets		18,387		16,057		166
Prepaid expenses		24,482		23,817		221
Deferred tax assets		40,269		42,202		363
Total non-current assets		4,407,197		4,293,346		39,705
Total assets	¥	7,967,972	¥	7,770,632	$	71,784

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥111=US$1.

Condensed Consolidated Statements of Financial Position

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

	Millions of Yen		Millions of U.S. Dollars
	June 30, 2018	March 31, 2018	June 30, 2018
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings	¥ 749,652	¥ 603,249	$ 6,754
Trade and other payables	1,108,836	1,038,657	9,989
Other financial liabilities	58,687	59,413	529
Income tax payables	41,682	39,639	376
Accrued expenses	75,230	89,778	678
Advances from customers	—	159,896	—
Contract liabilities	178,662	—	1,610
Provisions	13,435	5,711	121
Liabilities associated with assets classified as held for sale	465	74,207	4
Other current liabilities	75,830	87,599	682
Total current liabilities	2,302,479	2,158,149	20,743
Non-current liabilities:			
Bonds and borrowings	2,575,712	2,600,616	23,205
Trade and other payables	107,473	104,108	968
Other financial liabilities	30,843	33,853	278
Accrued pension and retirement benefits	27,219	27,362	245
Provisions	32,914	40,503	297
Deferred tax liabilities	113,381	111,720	1,021
Total non-current liabilities	2,887,542	2,918,162	26,014
Total liabilities	5,190,021	5,076,311	46,757
Equity:			
Common stock	219,279	219,279	1,975
Additional paid-in capital	265,171	265,126	2,389
Treasury stock	(2,780)	(2,796)	(25)
Other components of equity	271,461	248,564	2,446
Retained earnings	1,889,384	1,827,987	17,021
Equity attributable to owners of the parent	2,642,515	2,558,160	23,806
Non-controlling interests	135,436	136,161	1,221
Total equity	2,777,951	2,694,321	25,027
Total liabilities and equity	¥ 7,967,972	¥ 7,770,632	$ 71,784

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥111=US$1.

Condensed Consolidated Statements of Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the three-month periods ended June 30, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Revenues			
Sales of tangible products	¥ 1,117,809	¥ 991,279	$ 10,070
Sales of services and others	112,997	132,888	1,018
Total revenues	1,230,806	1,124,167	11,088
Cost			
Cost of tangible products sold	(932,669)	(834,508)	(8,402)
Cost of services and others	(68,161)	(57,828)	(614)
Total cost	(1,000,830)	(892,336)	(9,016)
Gross profit	229,976	231,831	2,072
Other income (expenses)			
Selling, general and administrative expenses	(156,727)	(175,724)	(1,412)
Impairment losses on long-lived assets	(497)	—	(4)
Gain (loss) on sale of long-lived assets, net	55	2,673	0
Other, net	805	3,622	7
Total other income (expenses)	(156,364)	(169,429)	(1,409)
Finance income (costs)			
Interest income	6,487	6,103	59
Interest expense	(9,619)	(7,589)	(87)
Dividends	5,771	4,734	52
Gain (loss) on securities and other investments, net	(749)	1,638	(7)
Finance income (costs), net	1,890	4,886	17
Share of profit (loss) of investments accounted for using the equity method	39,823	36,191	359
Profit before tax	115,325	103,479	1,039
Income tax expense	(20,702)	(23,063)	(187)
Profit for the period	94,623	80,416	852
Profit for the period attributable to:			
Owners of the parent	¥ 91,355	¥ 78,224	$ 823
Non-controlling interests	3,268	2,192	29
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	5,577	6,566	50
Remeasurements of defined benefit pension plans	1,434	3,091	13
Share of other comprehensive income of investments accounted for using the equity method	1,002	568	9
Total items that will not be reclassified to profit or loss	8,013	10,225	72
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	23,292	(1,271)	210
Cash-flow hedges	1,614	(570)	15
Share of other comprehensive income of investments accounted for using the equity method	(1,114)	(2,966)	(10)
Total items that may be reclassified subsequently to profit or loss	23,792	(4,807)	215
Other comprehensive income, net of tax	31,805	5,418	287
Comprehensive income for the period	126,428	85,834	1,139
Comprehensive income for the period attributable to:			
Owners of the parent	¥ 123,474	¥ 83,323	$ 1,112
Non-controlling interests	2,954	2,511	27

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥111=US$1.

Condensed Consolidated Statements of Changes in Equity

Sumitomo Corporation and Subsidiaries
For the three-month periods ended June 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	$ 1,975
Balance, end of period	219,279	219,279	1,975
Additional paid-in capital:			
Balance, beginning of year	265,126	263,937	2,389
Acquisition (disposal) of non-controlling interests, net	(115)	(513)	(1)
Others	160	700	1
Balance, end of period	265,171	264,124	2,389
Treasury stock:			
Balance, beginning of year	(2,796)	(3,113)	(25)
Acquisition (disposal) of treasury stock, net	16	70	0
Balance, end of period	(2,780)	(3,043)	(25)
Other components of equity:			
Balance, beginning of year	248,564	309,094	2,239
Other comprehensive income for the period	32,119	5,099	289
Transfer to retained earnings	(9,222)	(3,395)	(82)
Balance, end of period	271,461	310,798	2,446
Retained earnings:			
Balance, beginning of year	1,827,987	1,577,288	16,468
Impact of changes in accounting policies	3,270	-	30
Transfer from other components of equity	9,222	3,395	82
Profit for the period attributable to owners of the parent	91,355	78,224	823
Cash dividends	(42,450)	(31,207)	(382)
Balance, end of period	1,889,384	1,627,700	17,021
Equity attributable to owners of the parent	¥ 2,642,515	¥ 2,418,858	$ 23,806
Non-controlling interests:			
Balance, beginning of year	136,161	120,470	1,227
Cash dividends to non-controlling interests	(3,477)	(3,630)	(31)
Acquisition (disposal) of non-controlling interests and others, net	(202)	(1,311)	(2)
Profit for the period attributable to non-controlling interests	3,268	2,192	29
Other comprehensive income for the period	(314)	319	(2)
Balance, end of period	135,436	118,040	1,221
Total equity	¥ 2,777,951	¥ 2,536,898	$ 25,027
Comprehensive income for the year attributable to:			
Owners of the parent	123,474	83,323	1,112
Non-controlling interests	2,954	2,511	27
Total comprehensive income for the period	¥ 126,428	¥ 85,834	$ 1,139

Note:The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥111=US$1.

Condensed Consolidated Statements of Cash Flows

Sumitomo Corporation and Subsidiaries

For the three-month periods ended June 30, 2018 and 2017

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Operating activities:			
Profit for the period	¥ 94,623	¥ 80,416	$ 852
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation and amortization	27,646	28,974	249
Impairment losses on long-lived assets	497	—	4
Finance (income) costs, net	(1,890)	(4,886)	(17)
Share of (profit) loss of investments accounted for using the equity method	(39,823)	(36,191)	(359)
(Gain) loss on sale of long-lived assets, net	(55)	(2,673)	(0)
Income tax expense	20,702	23,063	187
Increase in inventories	(130,186)	(53,985)	(1,173)
(Increase) decrease in trade and other receivables	(12,405)	30,834	(112)
Increase in prepaid expenses	(13,815)	(6,612)	(124)
Increase (decrease) in trade and other payables	57,561	(104,033)	519
Other, net	(64,560)	4,890	(582)
Interest received	6,464	6,100	58
Dividends received	56,853	69,632	512
Interest paid	(9,210)	(7,601)	(83)
Income tax paid	(34,681)	(35,841)	(312)
Net cash used in operating activities	(42,279)	(7,913)	(381)
Investing activities:			
Proceeds from sale of property, plant and equipment	453	1,886	4
Purchase of property, plant and equipment	(26,834)	(23,092)	(242)
Proceeds from sale of investment property	—	7,622	—
Purchase of investment property	(1,316)	(2,103)	(12)
Proceeds from sale of other investments	65,973	20,985	595
Acquisition of other investments	(46,181)	(46,570)	(416)
Collection of loan receivables	40,755	22,718	367
Increase in loan receivables	(21,422)	(19,341)	(193)
Net cash provided by (used in) investing activities	11,428	(37,895)	103
Free Cash Flows:	(30,851)	(45,808)	(278)
Financing activities:			
Net increase in short-term debt	118,036	34,834	1,063
Proceeds from issuance of long-term debt	36,511	54,784	329
Repayment of long-term debt	(55,859)	(123,602)	(503)
Cash dividends paid	(42,450)	(31,207)	(382)
Payment for acquisition of subsidiary's interests from non-controlling interests	(182)	(1,242)	(2)
Payment of dividends to non-controlling interests	(3,477)	(3,630)	(31)
(Acquisition) disposal of treasury stock, net	33	19	0
Net cash provided by (used in) financing activities	52,612	(70,044)	474
Net increase (decrease) in cash and cash equivalents	21,761	(115,852)	196
Cash and cash equivalents at the beginning of year	667,152	776,464	6,010
Effect of exchange rate changes on cash and cash equivalents	8,385	37	76
Net increase in cash and cash equivalents resulting from transfer to assets classified as held for sale	2,956	—	27
Cash and cash equivalents at the end of period	¥ 700,254	¥ 660,649	$ 6,309

Note: The U.S. Dollar amounts represent translations of Japanese Yen amounts at the rate of ¥111=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 three months periods ended June 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 three-month periods ended June 30, 2018 and 2017

2018:		Metal Products	Transportation & Construction Systems	Infrastructure	Media & ICT	Living Related & Real Estate	Mineral Resources, Energy,Chemical & Electronics	Segment Total	Corporate and Eliminations	Consolidated
		Millions of Yen								
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	55,282	54,415	226,599	3,377	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	11,472	11,752	11,633	26,413	86,584	4,771	91,355
Total assets (As of June 30)		1,242,264	1,718,661	942,363	793,396	1,152,308	1,745,099	7,594,091	373,881	7,967,972

2017:		Metal Products	Transportation & Construction Systems	Infrastructure	Media & ICT	Living Related & Real Estate	Mineral Resources, Energy,Chemical & Electronics	Segment Total	Corporate and Eliminations	Consolidated
		Millions of Yen								
Total revenues	¥	253,415	269,425	64,288	62,763	212,132	221,830	1,083,853	40,314	1,124,167
Gross profit		32,110	65,706	17,559	17,531	50,475	45,697	229,078	2,753	231,831
Share of profit (loss) of investments accounted for using the equity method		2,222	13,169	3,031	12,009	1,517	3,225	35,173	1,018	36,191
Profit for the period (attributable to owners of the parent)		7,979	16,270	10,055	10,213	13,315	17,702	75,534	2,690	78,224
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 & ICT	Living Related & Real Estate	Mineral Resources, Energy,Chemical & Electronics	Segment Total	Corporate and Eliminations	Consolidated
		Millions of U.S. Dollars								
Total revenues	$	2,712	1,711	931	727	2,388	2,168	10,637	451	11,088
Gross profit		323	344	205	181	498	490	2,041	31	2,072
Share of profit (loss) of investments accounted for using the equity method		23	124	43	126	22	12	350	9	359
Profit for the period (attributable to owners of the parent)		91	137	103	106	105	238	780	43	823
Total assets (As of June 30)		11,191	15,483	8,490	7,148	10,381	15,722	68,415	3,369	71,784

Notes:
1) The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥111=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.