

**FY2018 Business Unit IR Meeting**  
**(Mineral Resources, Energy, Chemical & Electronics Business Unit)**  
**<Summary of Q&A>**

Date: May 28, 2018

Attendees: Masahiro Fujita, General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit  
Tsuyoshi Oikawa, General Manager, Planning & Coordination Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit  
Kyo Onojima, General Manager, Mineral Resources Division No. 1  
Haruhiko Aritomo, General Manager, Mineral Resources Division No. 2  
Shuichi Suzuki, General Manager, Energy Division  
Yoshiyuki Sakamoto, General Manager, Basic Chemicals & Electronics Division  
Kotaro Tameda, General Manager, Life Science Division

**Investment Strategies (Upstream Assets)**

**Q: How much are you planning to increase upstream assets in the future?**

A: Our upstream assets account for less than 10% of company total assets. Given the potential profitability when the market is rising, we intend to increase assets from the current level. However, we do not anticipate drastically increasing the overall asset weight within the company.

**Q: Which areas are you planning to invest in? Will you decrease the thermal coal assets?**

A: We are conscious that the proportion of energy assets such as crude oil and natural gas is relatively small within our portfolio. In terms of zinc, we would like to move forward to the next project following San Cristobal. As for thermal coal, we believe that it is one of our social responsibilities to supply thermal coal steadily to meet increasing electricity demand mainly in emerging markets. We will not shift away from thermal coal completely, however we are not planning to actively increase it in our assets.

**Q: What are your strategies for new investments? What will be your participation style?**

A: It is important to carefully identify projects in which we can leverage our strengths that are cost competitive and have tolerance to downside risks. When considering new projects, we list projects that meet our criteria and investigate the possibility of participation in each project. We will not simply chase available targets. Based on lessons in the past, we bear in mind risks in engaging in multiple new projects when prices are rising as well as risks in making a large amount of investments in a specific project. Our participation style varies depending on the project. We will decide on our level of involvement by considering whether or not we can leverage our accumulated know-how and expertise.

**Q: Will you consider the cash cost curve as a judgment criterion when replacing upstream assets?**

A: We consider the cost curve an important criterion. However, we also consider various other elements including the relationship with the partners, political climate, economic situation, market conditions and mine life.

**Individual Businesses**

**Q: Can you tell us the forecast of production volume at San Cristobal in the future?**

A: San Cristobal achieved record profit in FY2017 with a record level of production volume and recovery rate. Profit is expected to decline by 9.0 billion yen in FY2018 compared to FY2017, which is mainly due to the delay of some shipments from FY2016 into FY2017 and the mining of lower ore grade expected in FY2018 compared to FY2017. We expect that production volume continues to decrease gradually after FY2019 toward the end of mining scheduled for the mid-2020s, while production volume is likely to fluctuate more or less depending on the grade of deposits.

**Q: Why is your outlook on production volume at Ambatovy more conservative compared to Sherritt?**

A: Ambatovy's average operating rate during January-March remained at 40% due to the effect of the cyclone and operational constraints in sulfuric acid plant. Also, the current operating rate is around 60% and we are expecting it to recover to 80% by ramping up sulfuric acid plant. While our outlook is more conservative than Sherritt, we share the view that ramping up sulfuric acid plant will take place. We have already identified critical issues, and by overcoming these issues we are confident that we will be able to achieve a high level and stable operation.

**Q: What kind of areas will you focus on specifically in the natural gas business?**

A: The importance of natural gas and LNG is expected to increase in a low-carbon society. We will aim to increase our market share in all fields including the upstream business, the midstream infrastructure business and the downstream trading business.

**Q: Can you explain the strategic rationale behind your investment in Upsher-Smith?**

A: One of the global issues in the pharmaceutical industry is the rise in medical expenses. In recent years, the momentum for popularization of generic drugs is increasing in Japan by government policies. Capturing changes in the domestic market, Summit Pharmaceuticals International Corporation has been increasing the volume of pharmaceutical intermediates and ingredients for generic drugs. As a next initiative following Japan market, we considered entering into the U.S. market, the world's largest generic pharmaceutical market, with Sawai Pharmaceutical, which is our important partner in domestic market. We would like to expand this initiative to other countries in the future.

**Q: Could you tell us about the current situation of Hartz?**

A: In recent years, the company's earnings have been improving and we feel confident about its business. This is driven by the new products reflecting Unicharm's technologies, rationalized the product segment and expansion of new sales channels such as pet specialty stores, e-commerce which provides high-end and unique products.

Others

**Q: Can you explain Sumitomo Corporation's strengths in upstream strategies?**

A: One of our strengths is the business management capability. The capability is not based on how much assets we have but on how deeply we are involved in management and operations. For example, we have an experience and knowledge from San Cristobal in which we are conducting all operations in-house. Over the years of our involvement in the operation, we have continuously sent some of our young talent to the mine site to accumulate hands on operation and management experience. We have also been highly regarded in the mining industry for building a cooperative relationship with local societies.