

Revisions of Consolidated Earnings Forecasts and Dividends  
Forecasts for the fiscal year ending March 31, 2015

September 29, 2014  
Sumitomo Corporation

## Topics

1. Forecast for FY2014

2. Major Projects Causing the Revision of Earnings Forecasts

3. Situations of Other Principal Mineral Resources Projects

4. Dividends

5. Initiatives to Reinforce our Strength

### Cautionary Statement Concerning Forward-looking Statements

These slides include 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 these slides 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.

I am Nakamura, President and CEO of Sumitomo Corporation.

As we announced today at 15:00 p.m., it is truly regrettable that we had to revise our earnings forecasts and dividends forecasts for the year FY2014. It is caused by expected impairment losses in several principle projects.

I will now start to explain today's announcement.

# 1. Forecast for FY2014

(billion yen)	FY2014 Forecast (as of May)	FY2014 Forecast (as of September)
Profit for the Year ① (excluding probable amount of impairment loss)	250.0	250.0
Probable amount of Impairment loss ②	—	-240.0
Profit for the Year ①+②	250.0	10.0

- ✓ Non-Mineral Resources businesses : Generally stable
- ✓ Some Principal Projects : Possibility of impairment loss of -240.0 billion yen

The profit for FY2014, excluding large losses such as impairment losses, is expected to be in line with our initial forecast as most of our non-mineral resources businesses are showing stable performance.

However, we will recognize possible impairment losses of approximately 240 billion yen in the Tight Oil Development Project in the U.S. and other principal projects. As a result, we have revised downward our initial net profit target from 250 billion yen to 10 billion yen.

I will explain these impairment losses in the next slide.

## 2. Major Projects Causing the Revision of Earnings Forecasts

		(billion yen)
<u>(1)Tight Oil Development Project in the U.S.</u>		
Impairment loss is expected		approx. -170.0
➤ Northern part : Difficult to extract the oil and gas efficiently. We cannot secure expected returns while continuing the development. → To divest		
➤ Southern part : Continue holding our interest at present.		
<u>(2)Certain Coal Mining Projects in Australia</u>		
Impairment loss is expected		approx. -30.0
➤ Coal price decline		
<u>(3)Others</u>		
		approx. -40.0
▪ <u>Iron Ore Project in Brazil</u>	approx. -50.0	➤ Iron ore price decline
▪ <u>Tire business in the U.S.(TBC Corporation)</u>	approx. -20.0	➤ Retail business stagnant
▪ <u>Tax effect etc</u>		approx. +30.0

(1)

First of all, I would like to talk about the Tight Oil Development Project in the U.S. We acquired drilling rights etc. from Devon Energy Corporation, an independent Oil & Gas E&P company based in the U.S., in the Permian Basin, Texas and have been conducting this project jointly with them.

The Project has an area of about 220,000 net acres for development, comprising about 170,000 acres in the northern part and about 50,000 acres in the southern part.

We have carried out test drillings in the northern part and explored underground conditions in detail and confirmed the existence of oil and gas. However, we found that the geological conditions are more complex than our assumptions. In other words, the terrestrial conditions are largely different by area even in the same geological layer.

We determined that it is difficult to extract the oil and gas efficiently as we have to establish drilling methods that are optimal for each area and we cannot secure expected returns while continuing the development, and so, we have decided to divest the lease properties, wells and related facilities in the northern part, with Devon.

At present, we plan to continue holding our interest in the southern part which includes profitable development areas. However, the future development of the southern part will be determined considering carefully the development plans and project economics.

Taking into consideration these situations, approximately 170 billion yen of impairment loss will be posted in the 2<sup>nd</sup> quarter as a result of revaluating the recoverability of the carrying amount of the northern assets.

## 2. Major Projects Causing the Revision of Earnings Forecasts

(billion yen)

### (1) Tight Oil Development Project in the U.S.

Impairment loss is expected approx. -170.0

- Northern part : Difficult to extract the oil and gas efficiently.  
We cannot secure expected returns while continuing the development.  
→ To divest
- Southern part : Continue holding our interest at present.

### (2) Certain Coal Mining Projects in Australia

Impairment loss is expected approx. -30.0

- Coal price decline

### (3) Others approx. -40.0

- Iron Ore Project in Brazil approx. -50.0 ➤ Iron ore price decline
- Tire business in the U.S.(TBC Corporation) approx. -20.0 ➤ Retail business stagnant
- Tax effect etc approx. +30.0

(2)

Secondly, I would like to mention the current status of certain coal mining projects in Australia. The forecast of the future coal market price has been lowered because demand in China, one of the major markets, is not expected to recover so quickly.

Taking account of this situation, we have discussed the future business plan of the Isaac Plains coal mining project with Vale, our joint venture partner, and have decided to halt operations. It will be in care and maintenance in January, 2015.

We also reviewed the profitability of other coal mining projects and anticipate posting approximately 30 billion yen of impairment losses in the project with Vale and certain other coal mining projects, as a whole, in Australia, by the end of FY2014.

## 2. Major Projects Causing the Revision of Earnings Forecasts

		(billion yen)
<u>(1) Tight Oil Development Project in the U.S.</u>		
Impairment loss is expected		approx. -170.0
➤ Northern part : Difficult to extract the oil and gas efficiently. We cannot secure expected returns while continuing the development. → To divest		
➤ Southern part : Continue holding our interest at present.		
<u>(2) Certain Coal Mining Projects in Australia</u>		
Impairment loss is expected		approx. -30.0
➤ Coal price decline		
<u>(3) Others</u>		
		approx. -40.0
▪ <u>Iron Ore Project in Brazil</u>	approx. -50.0	➤ Iron ore price decline
▪ <u>Tire business in the U.S.(TBC Corporation)</u>	approx. -20.0	➤ Retail business stagnant
▪ <u>Tax effect etc</u>		approx. +30.0

(3)

Meanwhile, iron ore market prices have dropped dramatically recently and its recovery in the short-term is not expected. Our iron ore project in Brazil is facing a delay in a planned expansion due to a lagging construction of the export terminal and deterioration of supply and demand. Taking these factors into consideration, we anticipate approximately 50 billion yen of loss.

The performance of TBC Corporation, the tire business in the U.S., has been weak due to delay in capturing diversified customer needs and material changes of market conditions such as the decrease of targeted aged cars following weak new car sales after the Lehman bankruptcy in 2008.

To cope with this, we set up a business plan last year focused on reconstructing the retail business as a matter of top-priority and have put the plan into action.

TBC Corporation moved into the black last August which was a seasonal demand period. However, the recovery speed is slower than our expectations at present, and so, we factored in approximately 20 billion yen of loss.

### 3. Situations of Other Principal Mineral Resources Projects

#### ■ Nickel project in Madagascar

- Achieved operation rate of 60% stably
- In the process of ramp-up step-by-step toward financial completion

#### ■ Copper mining project in Indonesia

- Obtained export permit from Indonesian Government and going to resume export
- On track to resuming full-scale operation by the end of the year

I would now like to explain the other principal mineral resources projects in this slide.

I will begin with an update of the nickel project in Madagascar. We commenced commercial production in January, 2014 and we are generally able to maintain an operational rate of 60% stably.

Currently, we are coping with issues for completion test and production ramp-up is going well, generally as planned.

We will continue to promote production ramp-up step-by-step with an aim to achieve financial completion by the end of June, 2015.

I will also mention about our copper mining project in Indonesia. We halted operations due to an export ban following the implementation of new mining laws and regulations in Indonesia. After discussions with the Indonesian Government, we obtained export permit and going to resume export. We will resume full operations within this year.

There is no necessity to post impairment losses at present for these two projects.

## 4. Dividends

### FY2014 Dividend

Interim : 25 yen as announced in May, 2014

Year-end : To be determined based on  
2<sup>nd</sup> half business performance

	FY2014 Forecast (as of May)	FY2014 Forecast (as of September)
Dividend (interim / year-end)	25yen / 25yen	25yen / To be fixed

\*Dividend is expressed as a per-share amount

Let me explain our forecasts for the annual dividend.

As business performance, excluding this one-time loss, is stable so far, we have determined an interim dividend of 25 yen per share as we announced in May, 2014.

We have not decided the year-end dividend yet, which will be fixed based on the 2<sup>nd</sup> half business performance.



## 5. Initiatives to reinforce our strength

- Intensive reform review of the strategy of our investments in mineral resources business

~ Established Task force

- Reinforce risk management system

~ Established a Special Committee on Managerial Reform

As the CEO of Sumitomo Corporation, I take seriously the fact that we will post these impairment losses.

In this situation, we have started two initiatives to reinforce our strengths.

The first initiative is to do an intensive reform review of the strategy of our investments in the mineral resources businesses. As the risks of impairment losses came to surface in a number of mineral resources principal projects, this led us to establish a task force, composed of business units and corporate units.

The task force has started discussions about reorganizing our expertise and know-how in mineral resources businesses and construction of an optimal portfolio for us, which is also one of its missions.

The second initiative is to reinforce our risk management system. We have set up a Special Committee on Managerial Reform which is a company-wide organization, as an advisory body of the Management Council. The committee will independently identify issues about the risk management system, corporate governance, decision-making processes etc. and make proposals related to the management strategy of the Company and in all aspects of general management.



(On a final note)

I feel that there is a steady progress of intensive enhancement of our earning power in our non-mineral resources businesses, as the core businesses are showing stable performance and we expect that businesses invested in recent years will start to contribute to our profits in the latter half of this fiscal year.

Among the mineral resources businesses, there are competitive projects such as the silver zinc lead project in Bolivia and the iron ore business in South Africa, etc., which are expected to contribute to our profits even under the sluggish market.

We will continue to make efforts to regain trust of our stakeholders through reinforcing our strengths and the realization of a stable profit growth.

This is end of my presentation.