

## Q&A at IR Meeting on “Revisions of Consolidated Earnings Forecasts and Dividends Forecasts for the fiscal year ending March 31, 2015”

Presentation Date: September 29, 2014

Presenters:

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| Kuniharu Nakamura | President and CEO  |
| Hiroyuki Inohara  | Senior Managing Executive Officer, CFO                                       |
| Koichi Takahata   | Managing Executive Officer,<br>General Manager, Accounting Controlling Dept. |

[Questions and Answers]

**Q1. Concerning the tight oil development project in the U.S., what is a background of the investment and sale and impairment loss?**

A1. After we participated in the Barnett shale gas drilling program in 2009 and the Marcellus shale gas drilling program in 2010, we have developed technical expertise. Then we decided to participate in this project jointly with Devon Energy Corporation, which is a leading company in the shale development and is our customer in tubular products business.

Considering good production in the neighbor area and the result of our own technical study as well as third party's opinions, we decided to invest in this project.

In the northern area we found the geological conditions are more complex than our assumptions. We think it 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 profitably. Under this situation we have determined to divest these assets as the validity of renewal of drilling rights in the leasing areas is approaching. Although details such as the transferee, the schedule etc. are not determined at present, we are aiming to divest these assets within this fiscal year.

In the southern area although the oil and gas production is about 70% of our initial assumption, the drilling cost is lower by about 10% than expected and we plan to continue developing this area.

As we decided to divest the northern area, the impairment losses will be recognized as a result of reevaluating the whole assets taking into consideration of the historical production results, the reserve audit etc.

**Q2. When will you finish reviewing investment strategy of mineral resources?**

A2. We will finalize the new investment strategy of mineral resources and portfolio strategy by March 2015 together with the next medium-term management plan.

**Q3. What will you do in association with your statement, “As the CEO of Sumitomo Corporation, I take seriously the fact that we will post these impairment losses”?**

A3. As the CEO I think it the most important to get the company’s business performance back on growth track as soon as possible. As the ordinary businesses excluding the major initiatives which we announced to expect large losses are expanding, I would like to expand these businesses further. In addition I would like to investigate the problems in the process of investment in mineral resources and in the risk management and to execute appropriate solutions.

**Q4. Is there a possibility of any additional impairment loss in four projects announced today; the tight oil development project, coal mining projects, iron ore project and TBC Corporation? How do you evaluate the risk of impairment loss in other projects?**

A4. Unless commodity prices drop dramatically from the current level, there is less possibility of additional large impairment loss. And there is no potential impairment loss in other projects at present.

In the tight oil development project, we will recognize the impairment loss after tax of 140 billion yen in the 2Q which is the net amount of gross impairment loss of 170 billion yen and tax merit of about 30 billion yen. Out of 30 billion yen of the impairment loss on the coal mining projects in Australia, we will recognize 10 billion yen in 2Q which is equivalent to the remaining book value of Isaac Plains as we decided to halt its operations. As for MUSA and TBC, the amount of impairment loss has not fixed yet.

**Q5. What will be the condition of payment year-end dividend?**

A5. We are planning to pay stable dividend in the long-term to shareholders and, if we are able to achieve the profit excluding impairment losses of 250 billion yen, we would like to pay year-end dividend. However we have not decided the year-end dividend yet as the final result is unclear until the fiscal year end. We would like to make a decision by the end of this fiscal year as this could affect the dividend policy from next fiscal year onward.

**Q6. How much is the book value of each project before impairment?**

A6. In the tight oil development project the book value after impairment will be 200 million dollars. We would refrain from disclosing each book value of the northern area and the southern area as it could affect our divestment process. In Isaac Plains we will write off the remaining book value. The book value before impairment of MUSA is about 1.4 billion dollars and TBC is about 1.1 billion dollars.

**Q7. Please tell us a composition of the Special Committee on Managerial Reform?**

A7. The Committee is composed of the members mainly from Corporate Group and the head is Mr. Iwasawa, Senior Managing Executive Officer, who has experience in risk management and treasury.

**Q8. Is there any change in your thoughts on increasing assets of mineral resources to 20% of total asset in FY2019?**

A8. I was aiming to increase the ration of mineral resources until 20%. However, I think it is necessary to review in our next medium to long term management plan.

**Q9. Could you give us an update the progress and schedule of nickel project in Madagascar?**

A9. Current production rate is 60-70%. We aim to achieve the financial completion by the end of June, 2015 at the latest.

**Q10. Please show us the breakdown of impairment loss in coal mining project.**

A10. Impairment loss of 30 billion yen composed of 10 billion yen of impairment loss, the costs of care & maintenance etc. in Isaac Plains and impairment loss in part of our other coal assets. We cannot disclose which mine has a possibility of impairment loss.

**Q11. Can you achieve 250 billion yen of profit for the year FY2015?**

A11. I refrain from making comments at present as our next medium-term management plan is under discussion.

**Q12. Do you have concern about a decline of potential growing power towards 400 billion yen of profit in the mid-long term, taking into account these losses?**

A12. I feel that there is a steady progress of intensive enhancement of our earning power in our current management plan. We will review the schedule for achieving the target, "What we aim to be in FY2019."