

Q&A at IR Meeting on

“Results for six-month period ended September 30th, 2014”

Presentation Date: November 4, 2014

Presenters:

Kuniharu Nakamura	President and CEO
Hiroyuki Inohara	Senior Managing Executive Officer, CFO
Koichi Takahata	Managing Executive Officer, General Manager, Accounting Controlling Dept.
Nobuo Oyama	General Manager, Investor Relations Dept.

[Supplemental explanation by segment]

(Presentation material) http://www.sumitomocorp.co.jp/files/topics/28078_ext_01_0.pdf

(Please click the link above and see slides no.12-13)

<Metal Products>

(1H results) Tubular products in North America and steel service center were stable.

(Forecasts) Edgen group which we acquired last year will be stable.

<Transportation & Construction Systems>

(1H results) Profit decreased compared to the same period of previous year

due to sluggish shipping market and auto finance business in Indonesia which has been affected by revision of Insurance Law.

(Forecasts) Automobile assembly business in Mexico will contribute in 2H.

<Environment & Infrastructure>

(1H results) Overseas power infrastructure business was stable.

(Forecasts) New IPP business will start to contribute and value realization in renewable energy power generation business is expected in 2H.

<Media, Network, Lifestyle Related Goods & Services>

(1H results) Major group companies such as J:COM, SCSK etc. were stable.

(Forecasts) Major group companies continue to be stable, condominium sales are expected and value realization of real estate is anticipated in 2H, other than 8 billion yen of possible impairment loss in TBC.

<Mineral Resources, Energy, Chemical & Electronics>

(1H results) Excluding impairment losses, we posted 22.8 billion yen of profit which was decreased compared to the same period of previous year. The profit consists of about 10 billion yen of profit from selling oil fields interest in the North Sea, decline in commodity prices such as iron ore and amortization and depreciation in Ambatovy nickel project.

(Forecasts) Excluding impairment losses, the profit will be 26 billion yen, which is decreased compared to the previous year due to decline in commodity prices such as iron ore, and copper business in Indonesia which had stopped the production from June to September due to export ban in Indonesia.

This fiscal year we expected approximately 10 billion yen of profit contribution from investments in recent years such as Edgen group, automobile assembly business in Mexico etc. One third of the expected profit was posted in 1H and the rest will be posted in 2H as planned.

(Slide no.14)

<Breakdown of (possible) impairment losses in large projects>

- Tax effect posted in 1H is related to valuation loss on investment securities in tight oil development project from Sumitomo Corporation on a non-consolidate basis.
- Tax effect of 9.9 billion yen in Corporate and Eliminations will be posted related to the possible impairment losses in 2H.

[Questions and Answers]

<Return to shareholders>

Q1. What is the reason for revising year-end dividend forecast from “to be fixed” to 25 yen this time?

A1. Considering our stable 1H results and reviewed annual forecasts, we think it likely that our net profit excluding impairment losses would be 250 billion yen as initially forecasted. Therefore, we revised our year-end dividend forecast to 25 yen as initially planned.

Q2. Will you keep year-end dividend 25 yen even if the net profit target of 10 billion yen isn't achieved?

A2. We would like to keep it unless we post a large net loss for the year.

Q3. What do you think about the dividend policy from next year?

A3. We have aimed to pay stable dividend to shareholders. We are discussing a dividend policy which will not be largely affected by large impairment loss.

<Next medium-term management plan>

Q4. What do you think about cash allocation to investment, dividend and share buy back in the next medium-term management plan?

A4. Our basic management policy is to keep risk-adjusted assets within core risk buffer. However, the risk-adjusted assets will exceed our core risk buffer at the end of this fiscal year due to the large impairment losses. We think it's imperative to recover the balance in 2 to 3 years. It is necessary to achieve steady profit growth through investments in 1 to 2 years. We will aim to return to shareholders by increasing dividend through our profit growth.

Q5. What do you think about investments in the next medium-term management plan?

A5. We aim for sustainable growth without increasing liabilities. First of all, we will review our risk management structure, corporate governance system and managerial decision making processes. In mineral resource up-stream area, we will work to increase the value of existing projects until revised strategy will be drawn up. In non-mineral resource area, we will strengthen our core businesses further as we have been initiating during BBBO2014. We will reallocate management resources to our core businesses even more selectively.

Q6. Does "the growth not depending on liabilities" mean a positive free cash flow?

Please show the scale of gross investment amount in the next medium-term management plan?

A6. One of our targets will be a positive free cash flow for the period of the next medium-term management plan. We aim to strengthen our financial structure which is not excessively dependent on liabilities in such an unclear financial situation. The gross amount of investments is determined in the discussion on next mid-term management plan. Taking into account our net profit level of 250 billion yen, excluding impairment loss, we could invest almost the same amount within our free cash flow after dividend payment.

Q7. What do you think about the level of sustainable profit?

A7. We regard our basic profit as our sustainable profit. Basic profit of non-mineral resources businesses was 180 billion yen in FY2012 and will be 230 billion yen in FY2014 as a result of our continuous effort. The growth of basic profit for FY2015-16 will depend on the size of

return from existing businesses such as Edgen Group and automobile assembly business in Mexico etc.

<Individual businesses>

Q8. Why the 2H profit of Transportation & construction equipment will decrease by 3 billion yen compared to 1H?

A8. We are taking account of slowdown in automotive export business due to current regional circumstances in the Middle-East etc.

Q9. Could you tell us the current situation of TBC, which will post 3 billion yen of loss for the year excluding impairment loss? Is there any change in the EBITDA target of USD200 million in FY2015?

A9. TBC has three segments; wholesale, retail and franchise. Retail segment is the point at issue. We have tried to improve its operations along the restructuring plan since last year. Some stores performances are picking up and others stay in red. The recovery of EBITDA is one to one-half year behind the restructuring plan. Currently we are reviewing the plan and revised plan will be approved by the end of November. We will conduct an impairment test with the revised plan and the amount of impairment loss will be determined in 3Q.

Q10. Could you tell us the current exposure, progress and outlook for Ambatovy nickel project?

A10. Our risk exposure is USD2.7 billion at the end of September. The amount was the same at the end of June because there was no additional cash expenditure due to stable nickel price from July to September.

Operating rate :	October	75%
	November	will be declined due to scheduled maintenance
	December	will be increased toward financial completion
	Average for 2014 will be 60-70%	

We aim to achieve financial completion (operating rate 90%) by June, 2015 and full operation as early as possible.

As a whole, we have seen stable production ramp up toward the financial completion as we have accumulated operational experiences and it takes shorter time to solve problems.

End