

**Be the Best, Be the One 2014**  
Results for the Six-month period ended September 2014

November 4th, 2014  
Sumitomo Corporation

## Topics

1. Six Months Results for FY2014
2. Forecasts for FY2014
3. Dividend and  
Remuneration/Bonus to Executive Officers
4. Progress in BBBO2014
5. For the Next Medium-term Management Plan

### 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.

Thank you very much for attending this Quarterly financial results briefing.  
I am Nakamura, President and CEO of Sumitomo Corporation.

I would like to explain the consolidated results for the six-month period ended September 2014.

## 1. Six months Results for FY2014

(Unit: billion yen)	FY2013/1H Results	FY2014/1H Results	Increase/Decrease
Profit / Loss (-) for the Period	116.6	-38.4	-155.0
Basic Profit	113.9	115.7	+1.8
(Mineral Resources)	(15.1)	(3.1)	(-12.0)
(Non-Mineral Resources)	(98.8)	(112.6)	(+13.8)

- ✓ Impairment losses of 167.3 billion yen in the Tight Oil development Project in the U.S. and Certain Coal-mining projects in Australia
- ✓ Mineral Resources : Weak due to sluggish market prices and costs in large project
- ✓ Non-Mineral Resources : Core businesses showed stable performance

The result for the six-month period ended September 30, 2014, resulted in a loss of 38.4 billion yen.

This is due to the impairment losses of 167.3 billion yen in the Tight Oil Development Project in the U.S. and the coal mining projects in Australia posted in the first-half of this fiscal year, out of approximately 240 billion yen of the Recognition of Losses from large-scale projects, which we announced in the Revisions of Consolidated Earnings Forecasts on September 29<sup>th</sup>.

Basic profit, excluding extraordinary gains and losses, totaled 115.7 billion yen, up 1.8 billion yen, year-on-year.

The mineral resources businesses were sluggish, due to the decline in market price in addition to the costs associated with the large-scale projects. However, the so-called earning pillars of the non-mineral resources businesses, on the other hand, continued to be strong, making up for the drop in the mineral resources businesses.

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## 2. Forecasts for FY2014

(Unit: billion yen)		FY2014 (initial forecasts)	FY2014 (revised forecasts)	FY2014/1H Results
Profit / Loss (-) for the Year	①+②	250.0	10.0	-38.4
(Possible) Impairment Losses in Large Projects	①	(—)	-240.0	-167.3
Profit / Loss(-) for the Year (excluding ①)	②	250.0	250.0	128.9

- ✓ We will recognize possible impairment losses in large projects : -240.0 billion yen
  - ⌈ FY14/2H : Possibility of impairment losses  
in Iron ore project in Brazil and tire business in the U.S.  
in addition to projects which posted impairment losses in 2Q ⌋
- ✓ Mineral Resources : Severe business environment will continue  
due to sluggish market prices
- ✓ Non-Mineral Resources : Core businesses show stable performance  
Contribution of recent investments

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As was announced in the Revisions of Consolidated Earnings Forecasts the other day, the profit forecast for FY 2014 stays at 10 billion yen due to the recognition of impairment losses of 240 billion yen from large projects.

The first-half result, which excludes impairment losses, was 128.9 billion yen – which is more than 50 % of the initial forecast of 250 billion yen.

We expect severe business environment for the resource businesses to continue into the second-half of the year, but as the core non-resource businesses will be strong and contribution to profit from investments in the past few years, is expected, we feel strongly that the initial forecast of 250 billion yen, excluding impairment losses, is readily achievable.

### 3. Dividend and Remuneration/Bonus to Executive Officers

#### ■ FY2014 Dividend

( Announced on  
September 29<sup>th</sup> 2014 )

( FY2013  
Result )

Year-end : 25 yen/share (to be fixed) (24 yen/share )

Interim : 25 yen/share (25 yen/share) (23 yen /share)

Annual : 50 yen/share (47 yen/share)

#### ■ Remuneration/Bonus to Executive Officers

Next, I would like to talk about the dividend.

As was announced in the Revisions of Dividend Forecasts and Interim Dividend on September 29<sup>th</sup>, the year-end dividend was not decided. However, taking into consideration the fact that the results from businesses, excluding impairment losses, were showing a robust performance, the projected year-end dividend will be set at 25 yen per share as was initially announced on May 1<sup>st</sup>.

In addition to the interim dividend of 25 yen announced the other day, the annual dividend will come to 50 yen.

As for the remuneration and bonus to executive officers, in order to make clear the management responsibilities for the losses incurred, the decision was made to cut my average monthly remuneration and bonus by approximately 40%, while other executive officers will see a reduction of 20 to 25%.

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#### 4. Progress in BBBO2014

##### (1) Results of Investment & Loan/Divestiture & Reduction

(Unit: billion yen)	FY2013 Results	FY2014/1H Results	BBBO2014 Forecasts (2-year total, as of Oct. 2014)	Plan for BBBO2014 (2-year total, as of May 2013)
Investment & Loan	290.0 (*)	220.0 (*)	750.0	750.0
Divestiture & Reduction (Cash Collection)	-250.0 (190.0)	-60.0 (50.0)	-470.0	-770.0

FY2014/1H Results

<Investment & Loan >

- Acquisition of Thermal coal mine interest in Australia
- Expansion of aluminum smelting project in Malaysia
- Offshore wind power generation business in Belgium

etc.

<Divestiture & Reduction>

- Sold part of interest of oil fields in the British North Sea

etc.

(\*) Please see Appendix (page 27) for details of the investment & loan results

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Page 5 shows the results of investment & loan and divestiture & reduction. Investments were made, for example, in the acquisition of thermal coal mine interest in Australia, expansion of aluminum smelting project in Malaysia and offshore wind power generation business in Belgium and the amount totaled 220 billion yen in the first-half.

As for divestiture & reduction, we sold a part of interest in the oil fields in the British North Sea and reduced other assets and the amount came to 60 billion yen, with cash collection of 50 billion yen.

In light of the 2-year period of the Medium- Term Management Plan, we expect investment & loan to be in line with the original plan. However, as for divestiture & reduction of assets, a large project included in the initial plan of this fiscal year will be moved back to the next fiscal year, and the forecast has been revised to 470 billion yen.

#### 4. Progress in BBBO2014 (2) Key Financial Indicators

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(billion yen)	End of BBBO2014		
	March 31, 2014	September 30, 2014	March 31, 2015 (Forecasts as of Oct 2014)
Total Assets	8,668.7	8,813.0	8,800.0
Shareholders' equity	2,404.7	2,428.1	2,480.0
Shareholders' equity ratio	27.7%	27.6%	approx. 30%
Interest-bearing Liabilities (Net)	3,123.5	3,410.9	3,470.0
DER(Net)(times)	1.3	1.4	approx. 1.4
ROA	2.7%	—	0.1%
Risk-adjusted Return Ratio	10.9%	—	0.4%
Free Cash Flow	28.4	total approx. -170 billion yen -197.1	BBBO2014 two-year total approx. -200.0
Risk-adjusted Assets (Core Risk Buffer*)	2,192.3 (2,265.4)	2,247.8 (2,267.6)	2,400.0 (2,320.0)

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\* Core risk buffer = Common stock + Retained earnings + Foreign currency translation adjustments - Treasury stock, at cost

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Page 6 shows the key financial indicators.

The total assets at the end of September, 2014, showed an increase of approximately 140 billion yen, from the end of the March, to 8 trillion 800 billion yen, because of new investment & loans and yen depreciation in spite of an impact from the impairment losses. The forecast at end of the fiscal year will remain the same level with the end of September.

Shareholders' equity increased by 20 billion yen to 2 trillion 430 billion yen due to mainly yen depreciation even though a loss for this period was posted due to impairment losses.

Interest-bearing liabilities were up 290 billion yen to 3 trillion 410 billion yen, from the end of March, as the planned investments were made.

The forecast at the end of March 2015 is set at 3 trillion 470 billion yen.

Free Cash Flow came to an outflow of 197.1 billion yen. Together with the cash-inflow for the last fiscal year, it came to about 170 billion yen outflow after the introduction of the current Medium-Term Management Plan.

As the core businesses are expected to continue to generate cash in the second half, and asset replacements will progress, the majority of the necessary cash required for new investments will be funded and we believe that it will be manageable within the initially forecasted 200 billion yen.

The risk-adjusted asset is expected to be at 2 trillion 400 billion yen and core risk buffer at 2 trillion 320 billion yen at the end of FY2014.

Due to the impact from the impairment losses on big projects, risk-adjusted asset will exceed core risk buffer by 80 billion yen.

## 5. For the Next Medium-term Management Plan (1)

### ■ Current Initiatives

#### ▪ Special Committee on Managerial Reform

Review corporate governance system and decision-making processes to reinforce risk management structure

#### ▪ Review the Strategy of our Mineral Resources Upstream Business

New investment : Strategy is under review

At the moment, we focus on increasing value of existing projects

Next, I would like to explain the measures to be taken in light of the current situation.

With an aim of analyzing the issues and causes/backgrounds of the large projects that incurred impairment losses, Special Committee on Managerial Reform, together with an outside consultant, is currently conducting interviews of all those concerned.

Once recommendations from the committee, based on the results of the analysis, are received, we will review the corporate governance system and the decision-making processes, to reinforce the risk management structure.

Additionally Mineral Resource Upstream businesses will undergo sweeping reviews of the investment strategy.

As for new investments, directions to be taken will be determined upon review of the strategies, and, for the moment, focus will be put on increasing value of the existing projects.



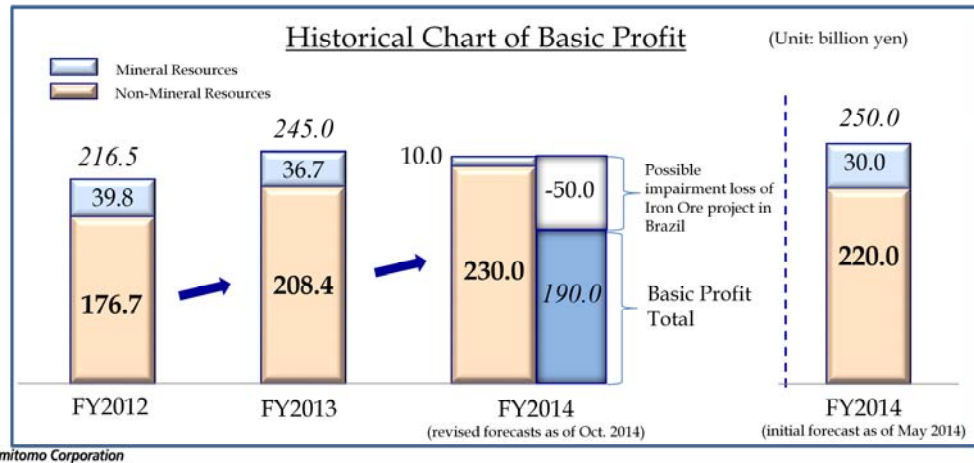
## 5. For the Next Medium-term Management Plan (2)

### ■ Direction of Next Medium-term Management Plan

Promote managerial reforms

Ongoing effort to strengthen our earning power

- Strengthen our core businesses and consistent asset replacement
- Cash from these initiatives → Return to shareholders and reinvestment



The last point I would like to take up is the next Medium-Term Management Plan currently under consideration.

In the next Medium-term Management Plan, efforts will be made to promote managerial reforms and to strengthen our earning power continuously.

In order to promote managerial reforms, we will overhaul governance and decision making process, as I explained earlier.

As for strengthening of the earning power, as the graph on page 8 shows, the basic profit of the non-mineral resources businesses is expected to grow from 180 billion yen in FY 2012 to 230 billion yen in FY 2014, showing a steady increase as a result of growth of the core businesses and profit contribution from the recent investments.

We will continue to increase the profitability by strengthening our core businesses and promoting asset replacements, and we will also continue to enhance our earning power with growth-targeted investments.

Simultaneously, we will put more emphasis on cash flow than before. We will steadily increase the cash we generate and this cash, in turn will be the source of shareholder return and future investments.

4. Progress in BBBO2014  
(2) Key Financial Indicators

(billion yen)	End of BBBO2014		
	March 31, 2014	September 30, 2014	March 31, 2015 (Forecasts as of Oct 2014)
Total Assets	8,668.7	8,813.0	8,800.0
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Shareholders' equity ratio	27.7%	27.6%	approx. 30%
Interest-bearing Liabilities (Net)	3,123.5	3,410.9	3,470.0
DER(Net)			1.4
ROE			%
Risk-adjusted Assets			%
Free Cash Flow	28.4		approx. -200.0
Risk-adjusted Assets (Core Risk Buffer*)	2,192.3 (2,265.4)	— (-)	2,400.0 (2,320.0)

- Review risk weight of the mineral resources businesses
- Recover balance of risk-adjusted assets and core risk buffer in 2 to 3 years

Also, for the losses incurred this fiscal year, we are currently reviewing the risk weight of the resources businesses.

We will aim to recover the balance between risk-adjusted assets and core risk buffer, inclusive of the impact of the risk weight revision, in 2 to 3 years by continuously growing the basic profit.

## Be the Best, Be the One

The outline of the next Medium-Term Management Plan, including the company-wide quantitative targets, will be announced by the end of March, 2015.

We will unite to work together as a group to find a path forward in achieving “What We Aim to Be”, by promoting managerial reform and enhancing earning power.

With that, I will conclude my briefing. Thank you for your attention.