

Annual Results for FY2016

Be the Best, Be the One 2017

May 9th, 2017
Sumitomo Corporation

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.

1. Operating Results

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(Unit: Billions of yen)	FY2015 (Apr.-Mar.) (A)	FY2016				FY2016 (Apr.-Mar.) (B)	Increase/ Decrease (B)-(A)	FY2016 Annual Forecasts as of Nov. 2016
		Q1 (Apr.-Jun.)	Q2 (Jul.-Sep.)	Q3 (Oct.-Dec.)	Q4 (Jan.-Mar.)			
Profit for the year	74.5	22.7	43.1	45.7	59.4	170.9	+96.3	130.0
Basic profit ^{*1} (excl. impairment losses)	193.2	41.1	50.9	60.6	74.1	226.7	+33.5	180.0
Mineral resources ^{*2}	-9.5	-6.0	2.7	8.8	10.6	16.1	+25.6	-10.0
Tubular products ^{*2}	-6.1	-2.1	-4.4	-2.3	-3.7	-12.5	-6.5	-10.0
Non-mineral resources (excl. Tubular products)	208.7	49.1	52.6	54.1	67.2	223.1	+14.4	200.0
One-off profits/losses	Approx. -120.0	-14.0	-3.0	-15.0	-14.0	Approx. -46.0	Approx. +74.0	Approx. -40.0

〈 Summary (Results) 〉

- **Mineral resources** : ✓ Increase in the earnings due to higher commodity prices, cost reduction and sales volume increase
- **Tubular products** : ✓ Decrease in the earnings due to the drop in crude oil prices
- **Non-mineral resources** : ✓ Stable performance by domestic major group companies in Media, ICT, Lifestyle Related Goods & Services segment^{*3} and real estate business
 ✓ Stable performance by leasing business
 ✓ Decrease in the earnings of ship business (lackluster shipping market)
- **One-off profits/losses** : ✓ (FY2016) Impairment loss in Copper-molybdenum mining business in Chile (-33.6), Tax provisions in Silver-zinc-lead mining project in Bolivia, etc.
 ✓ (FY2015) Impairment losses^{*4}, Profits from the reorganization of automotive financing business in Indonesia etc.

*1 Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables)

+ Interest expense, net of interest income + Dividends) × (1-Tax rate) + Share of profit (loss) of investments accounted for using the equity method

*2 Global basis, including operations in Overseas Subsidiaries and Branches segment (reference)

*3 Segment name has been changed from Media, Network, Lifestyle Related Goods & Services segment on October 1, 2016. (The same applies hereafter in this material.)

*4 Total amount: -195.1, Nickel Project in Madagascar: -77.0, Iron ore mining project in South Africa: -18.3, Edgen Group: -18.1, Iron ore mining project in Brazil: -14.6, Copper and molybdenum mining business in Chile: -14.0 etc.

(Reference)		FY2015	FY2016
Key indicators		(Apr.-Mar.)	(Apr.-Mar.)
Exchange rate	〈YEN/US\$〉	120.14	108.38
Interest rate	LIBOR 6M (YEN)	0.11%	0.01%
	LIBOR 6M (US\$)	0.61%	1.20%
Copper *1	(US\$/MT)	5,502	4,863
Zinc	(US\$/MT)	1,831	2,367
Nickel	(US\$/lb)	5.32	4.55
Iron ore *1	(US\$/MT)	56	59
Hard Coking coal *2	(US\$/MT)	93	165
Crude Oil	Brent *1 (US\$/bbl)	52	44
	WTI (US\$/bbl)	45	48

*1 These commodities show the prices in Jan.-Dec.

*2 Hard Coking coal : Market price

2. Cash Flows / Financial Position

● Cash Flows (Unit: Billions of yen)

	FY2015	FY2016
Operating activities	+599.7	+345.8
Investing activities	- 85.4	- 180.7
Free Cash Flow	+514.3	+165.1

<Cash in>			
Basic profit cash flow*	+204.3	+210.6	
Depreciation	+125.1	+114.3	
Asset replacement	Approx. +230.0	Approx. +180.0	
Others	Approx. +220.0	Approx. ±0.0	
<Cash out>			
Investment & Loan	Approx. - 270.0	Approx. - 340.0	

* Basic profit cash flow = Basic profit
 - Share of profit (loss) of investments accounted for using the equity method
 + Dividend from investments accounted for using the equity method

< Summary >

- **Basic profit cash flow**
 - ✓ Core businesses generated cash steadily (Dividend from J:COM, Sumitomo Mitsui Finance and Leasing, etc.)
- **Asset replacement**
 - ✓ Sale of interests in Batu Hijau Copper Gold mine in Indonesia
 - ✓ Sale of all shares in Soukai Drug, etc.
- **Investment & Loan**
 - ✓ Acquisition of Fyffes in Ireland
 - ✓ Acquisition of office buildings in the U.S.

● Financial Position (Unit: Trillions of yen)

As of Mar. 31, 2016		As of Mar. 31, 2017	
Total asset 7.8		Total asset 7.8	
Current assets 3.4	Other liabilities 1.9	Current assets 3.3	Other liabilities 2.0
	Interest-bearing liabilities 3.7 (2.8)*		Interest-bearing liabilities 3.4 (2.6)*
Non-Current assets 4.4	Shareholders' equity* 2.3	Non-Current assets 4.4	Shareholders' equity* 2.4
D/E Ratio(Net) : 1.2		D/E Ratio(Net) : 1.1	

< Summary (Unit: Billions of yen) >

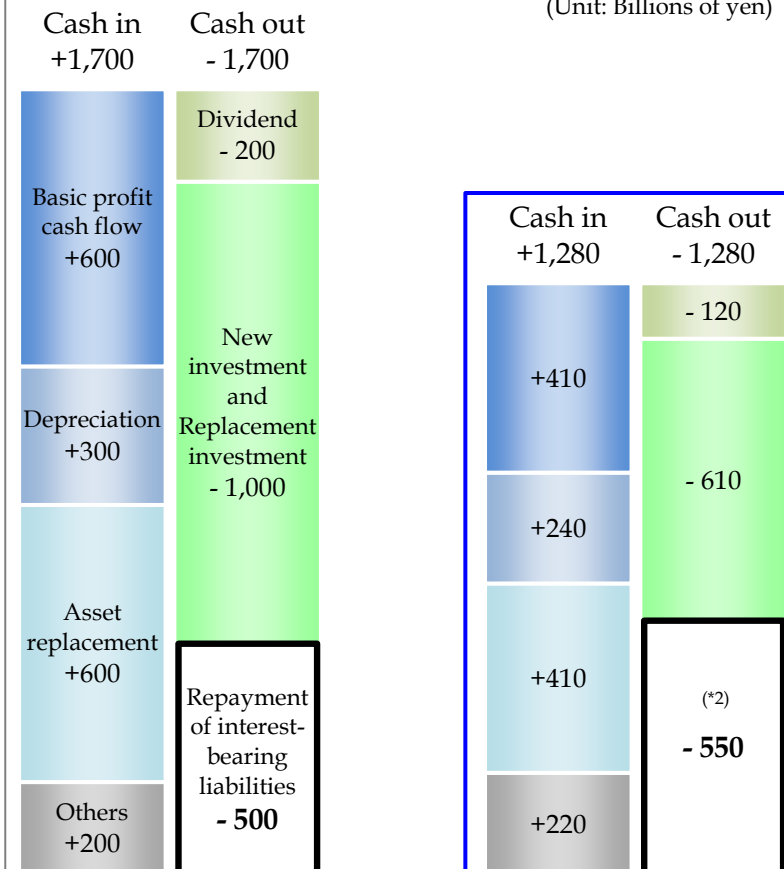
- **Total asset - 56**
(7,818→7,762)
 - ✓ Decrease due to asset replacement
 - ✓ Increase in investment and loan
- **Shareholders' equity +115**
(2,252→2,367)
 - ✓ Increase in retained earnings

< Exchange rate (YEN/US\$) >	
As of Mar. 31, 2016	As of Mar. 31, 2017
112.68	112.19

* Figures in parenthesis in "interest-bearing liabilities" show "interest-bearing liabilities, net".
 "Shareholders' equity" is equivalent to "Equity attributable to owners of the parent" in Consolidated Statements of Financial Position. "Shareholders' equity" includes Exchange differences on translating foreign operations (199 billion yen→158), Financial assets measured at fair value through other comprehensive income (143→173).

(Reference) BBBO2017^(*) Cash Flow Plans

(Unit: Billions of yen)



(*) We set our post-dividend free cash flow target of 500 billion yen (three-year total), with the funds recovered to be used to repay interest-bearing liabilities, during the term for our current medium-term management plan "Be the Best, Be the One 2017 (BBBO2017)", which covers three years from April 2015 to March 2018. The plan above was revised from the plan announced in May 2016 in the following points.

- Basic profit cash flow : +100 (+600←+500)
- Others : -100 (+200←+300)

(*) Cumulative total of our post-dividend free cash flow(+/- reversal)

3. Forecasts for FY2017

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(Unit: Billions of yen)	FY2016 Results (A)	FY2017 Forecasts as of May. 2017 (B)	Increase/ Decrease (B)-(A)	FY2017 Revised Plans as of May. 2016
Profit for the year	170.9	230.0	+59.1	220.0 or more
Basic profit^{*1} (excl. impairment losses)	226.7	260.0	+33.3	240.0 or more
Mineral resources ^{*2}	16.1	30.0	+13.9	Approx. -10.0
Tubular products ^{*2}	-12.5	0	+12.5	Approx. 10.0
Non-mineral resources (excl. Tubular products)	223.1	230.0	+6.9	250.0 or more (adjustment for revision of forex assumption) -10.0
One-off profits/losses	Approx. -46.0	Approx. -20.0^{*3}	Approx. +26.0	Approx. -20.0

〈 Summary (Forecasts) 〉

- Mineral resources : ✓ Increase in the earnings due to higher commodity prices
- Tubular products : ✓ Recovery in the second half along with gradual increase in rig counts
- Non-mineral resources : ✓ Stable performance of core businesses, including domestic major group companies in Media, ICT, Lifestyle Related Goods & Services segment and real estate business, etc.
 ✓ Progress in development and construction of new large-scale projects in power infrastructure business
- One-off profits/losses : ✓ (FY2017) Costs for strategic assets replacement (-20.0)
 ✓ (FY2016) Impairment losses etc.

*1 Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables)

+ Interest expense, net of interest income + Dividends) × (1-Tax rate) + Share of profit (loss) of investments accounted for using the equity method

*2 Global basis, including operations in Overseas Subsidiaries and Branches segment (reference)

*3 One-off loss of -20 billion yen in FY2017 is budgeted for costs for strategic assets replacement.

(Reference) Key indicators		FY2016 Results (Apr.-Mar.)	FY2017 Forecasts as of May.2017 (Apr.-Mar.)
Exchange rate	(YEN/US\$)	108.38	110.00
Interest rate	LIBOR 6M (YEN)	0.01%	0.05%
	LIBOR 6M (US\$)	1.20%	1.73%
Copper *1	(US\$/MT)	4,863	5,864
Zinc	(US\$/MT)	2,367	2,650
Nickel	(US\$/lb)	4.55	4.60
Iron ore *1	(US\$/MT)	59	70
Hard Coking coal *2	(US\$/MT)	165	150
Crude Oil	Brent *1 (US\$/bbl)	44	53
	WTI (US\$/bbl)	48	52

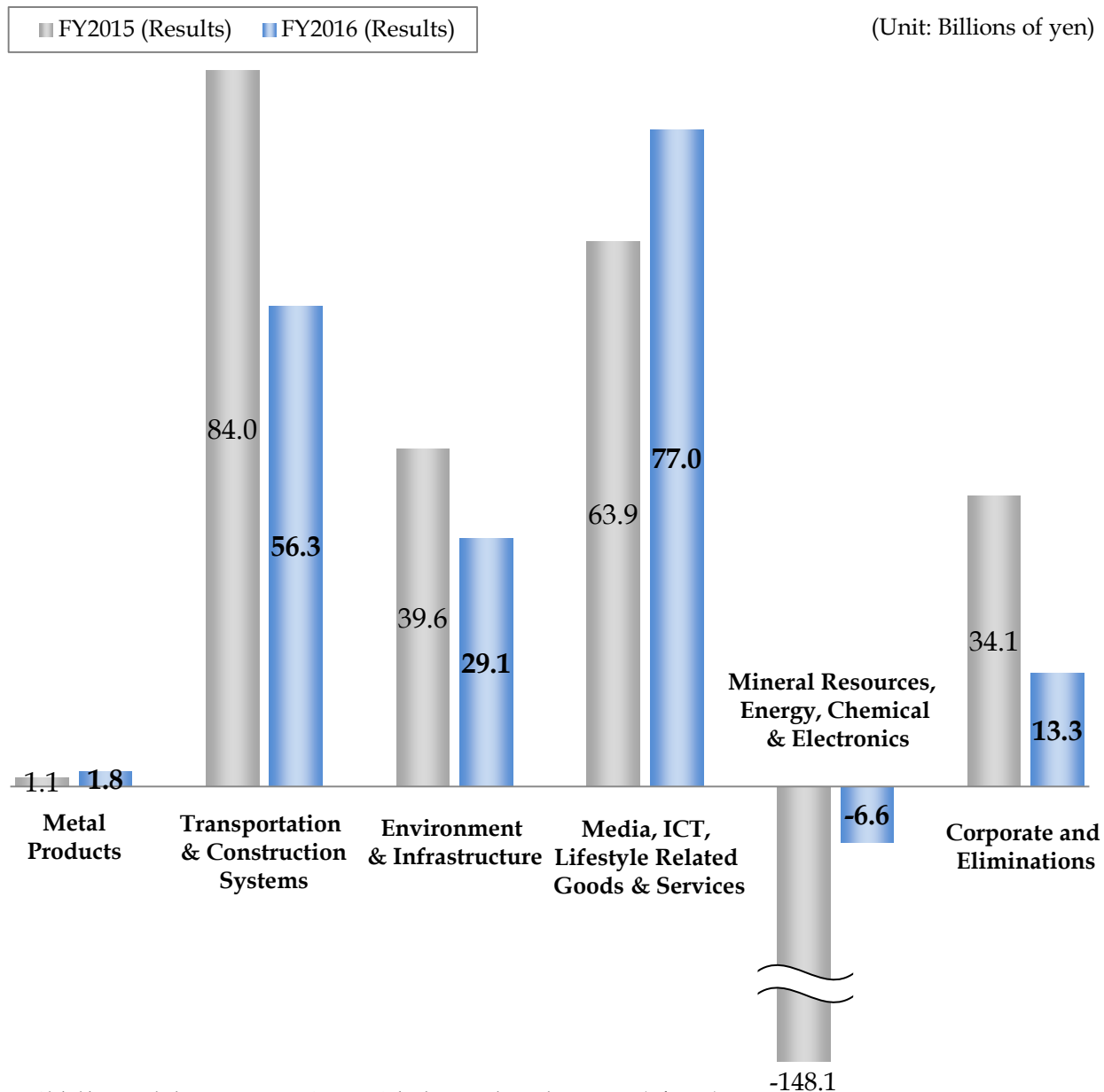
*1 These commodities show the prices in Jan.-Dec.

*2 Hard Coking coal : Market price

<p>Base Policy</p>	<p>Aim to increase dividends by achieving medium- and long-term earnings growth while adhering to fundamental policy of paying shareholders a stable dividend over the long term</p>
<p>BBBO2017 Dividend Policy</p>	<p>We will decide dividend amount in view of the situations regarding basic profit and cash flow, with ¥50 per share as the minimum amount of annual dividend and a consolidated payout ratio of 25% or more as reference</p>
<p>Dividend</p>	<p>FY 2016 ¥50 per share (Interim ¥25 per share, Year-end ¥25 per share [plan]) FY 2017 ¥50 per share (plan)</p>

Appendix

5. Results for FY2016, Profit for the year by Segment (Global basis*)



< Summary by segment (Results) >

■ Metal Products

- ✓ Decrease in earnings of tubular products business in North America
- ✓ Stable performance of the operation of overseas steel service centers

■ Transportation & Construction Systems

- ✓ Decrease in earnings of ship business
- ✓ Stable performance by leasing business and construction equipment rental business
- ✓ Profits from the reorganization of automotive financing business in Indonesia in FY15

■ Environment & Infrastructure

- ✓ Stable performance of overseas IPP/IWPP businesses and one-off profits from sales of a part of interests
- ✓ Profit from value realization in renewable energy power generation business in FY15

■ Media, ICT, Lifestyle Related Goods & Services

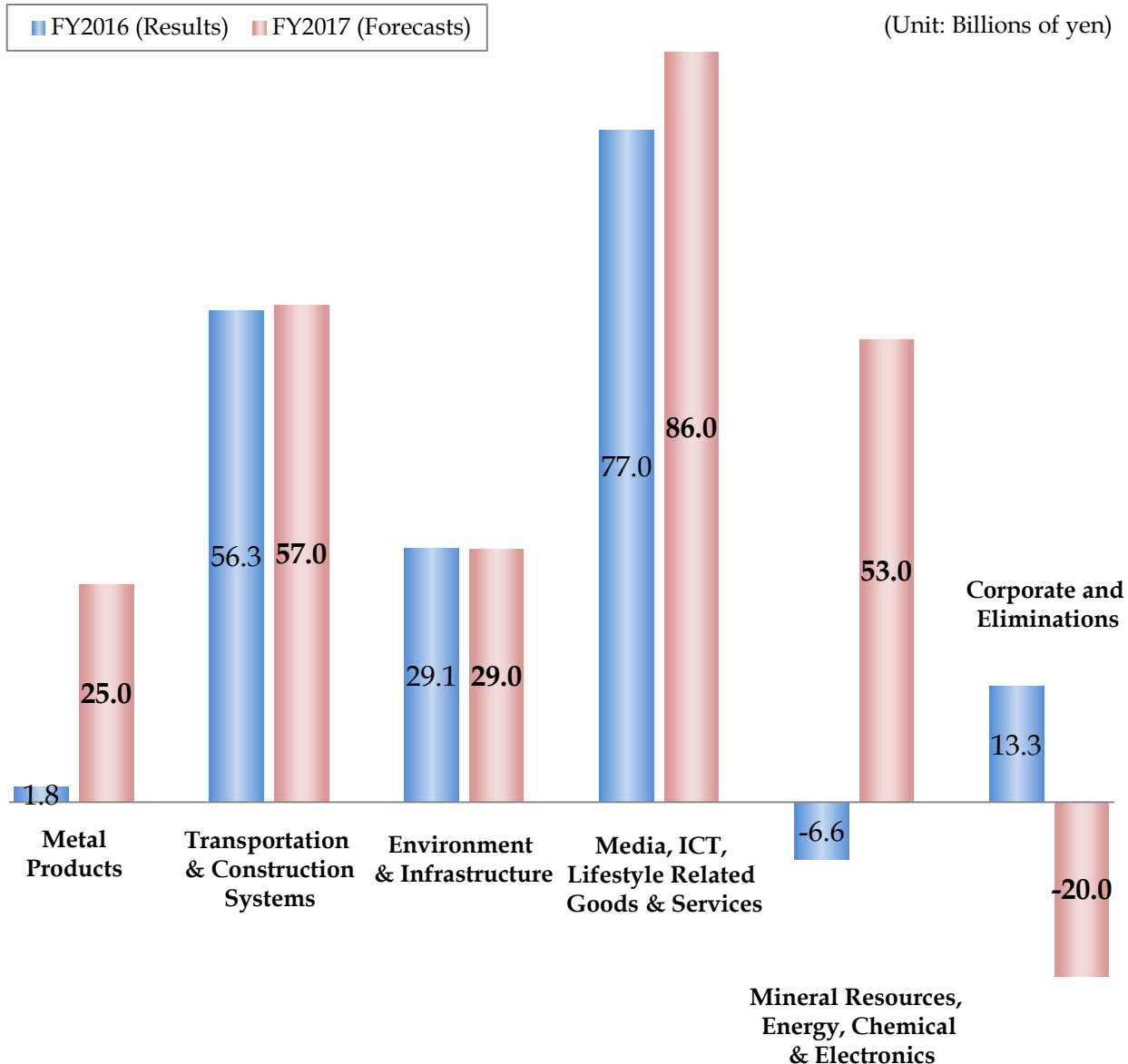
- ✓ Stable performance by domestic major group companies and real estate business
- ✓ Impairment loss in grain business in Australia in FY15

■ Mineral Resources, Energy, Chemical & Electronics

- ✓ Stable operation of Silver-zinc-lead mining project in Bolivia, while provisions of withholding tax
- ✓ Increase in earnings of coal mining projects in Australia
- ✓ Decrease in impairment losses

* Global basis, including operations in Overseas Subsidiaries and Branches segment (reference)

6. Forecasts for FY 2017, Profit for the year by Segment (Global basis*)



〈 Summary by segment (Forecasts) 〉

■ Metal Products

- ✓ Recovery in earnings of tubular products business in North America
- ✓ Stable performance of the operation of overseas steel service centers
- ✓ One-off losses in FY16

■ Transportation & Construction Systems

- ✓ Recovery of automotive distribution and sales business in emerging countries
- ✓ Robust performance by leasing business and construction equipment rental business

■ Environment & Infrastructure

- ✓ Stable performance of overseas IPP/IWPP businesses
- ✓ Progress in development and construction of new large-scale projects in power infrastructure business

■ Media, ICT, Lifestyle Related Goods & Services

- ✓ Robust performance by domestic major group companies and real estate business
- ✓ Recovery of major food business

■ Mineral Resources, Energy, Chemical & Electronics

- ✓ Effects of higher commodity prices
- ✓ One-off losses in FY16

■ Corporate and Eliminations

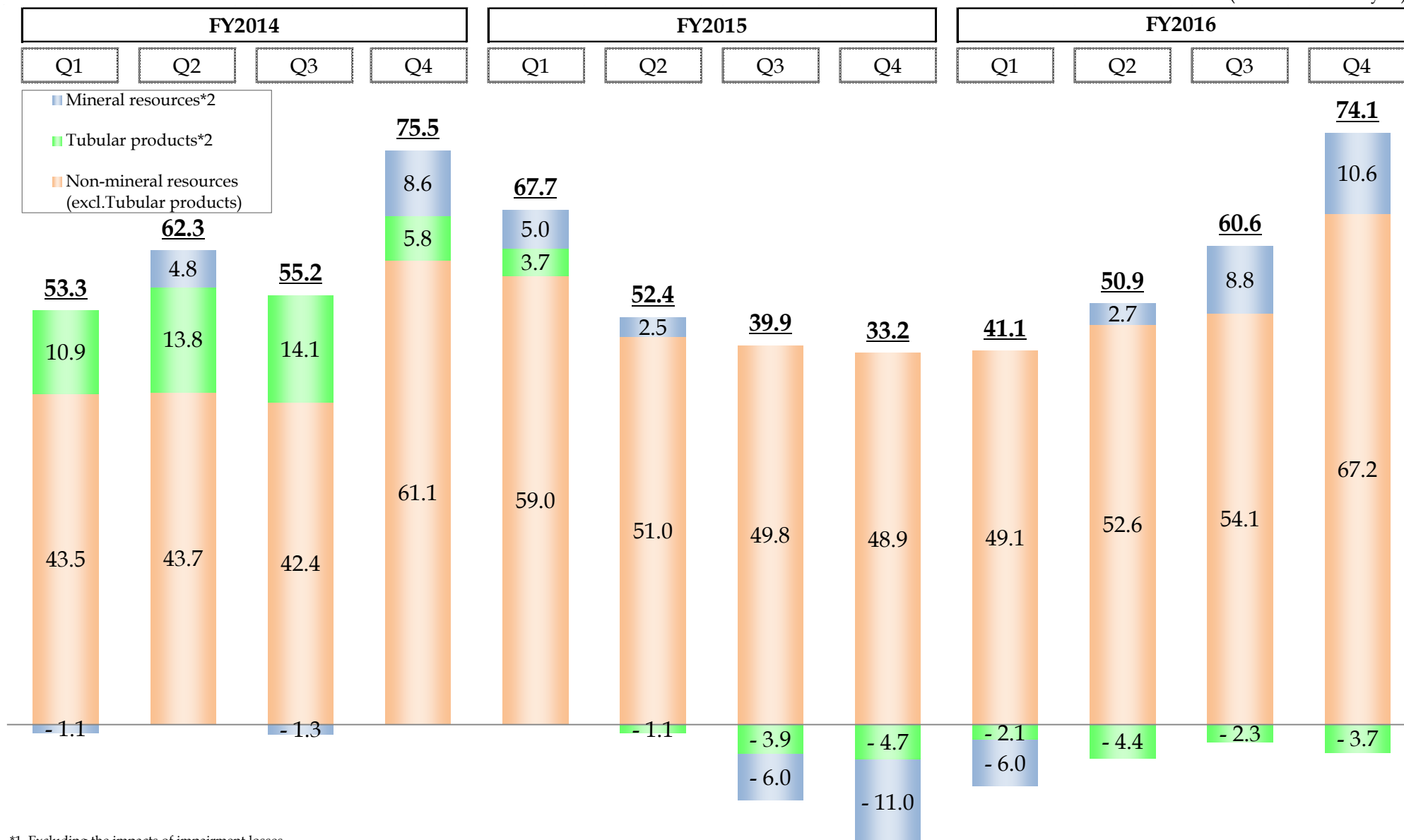
- ✓ Costs for strategic assets replacement (approx.-20.0)

* Global basis, including operations in Overseas Subsidiaries and Branches segment (reference)

7. Quarterly Trend for Basic profit *1

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(Unit: Billions of yen)



*1 Excluding the impacts of impairment losses

*2 Global basis, including operations in Overseas Subsidiaries and Branches segment (reference)

8. Condensed Consolidated Statements of Comprehensive Income

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(Unit: Billions of yen)	FY2015 (15/4-16/3)	FY2016 (16/4-17/3)		Increase/(decrease)		Summary
	(A)	(B)	(17/1-17/3)	Amount (B)-(A)	Percentage	
Revenues	4,010.8	3,997.0	1,142.1	(13.8)	(0%)	<p>Gross profit</p> <p><Factors causing decrease></p> <ul style="list-style-type: none"> - Automobile financing business in Indonesia and other companies becoming associated company - Decrease in earnings of tubular products business in North America - Decrease due to the yen's appreciation <p><Factors causing increase></p> <ul style="list-style-type: none"> - Increase in earnings of Silver-zinc-lead mining project in Bolivia - Increase in earnings of Coal mining projects in Australia - Stable performance of SCSK <p>Share of profit (loss) of investments accounted for using the equity method</p> <ul style="list-style-type: none"> - Stable performance of J:COM - Stable performance of leasing business - Decrease in impairment losses <p>Gain (loss) on securities and other investments, net/</p> <p>Gain (loss) on property, plant and equipment, net/</p> <p>Other, net</p> <ul style="list-style-type: none"> - Profits from the reorganization of automotive financing business in Indonesia in FY15 - Tax provisions in Silver-zinc-lead mining project in Bolivia in FY16 - Decrease in impairment losses <p>Income tax expense</p> <ul style="list-style-type: none"> - Tax effects on impairment losses posted in the past
Gross profit	894.1	842.7	231.8	(51.4)	(6%)	
Selling, general and administrative expenses (Provision for doubtful receivables)	(762.7) (10.4)	(693.8) (2.3)	(187.2) (2.5)	69.0 8.1	9% (78%)	
Interest expense, net of interest income	(2.6)	(1.7)	(0.5)	0.9	34%	
Dividends	10.6	9.4	2.5	(1.3)	(12%)	
Share of profit (loss) of investments accounted for using the equity method	(53.8)	83.5	40.2	137.3	-	
Gain (loss) on securities and other investments, net	72.2	12.9	13.1	(59.3)	(82%)	
Gain (loss) on property, plant and equipment, net	(33.4)	(19.7)	(17.4)	13.8	41%	
Other, net	15.8	(20.1)	(9.5)	(36.0)	-	
Profit before tax	140.1	213.1	73.0	73.0	52%	
Income tax expense	(51.5)	(25.9)	(8.7)	25.7	50%	
Profit for the period	88.6	187.2	64.3	98.6	111%	
Profit for the period attributable to:						
Owners of the parent	74.5	170.9	59.4	96.3	129%	
Non-controlling interests	14.0	16.3	4.9	2.3	16%	
Basic profit (Calculation for reference)*	46.5	193.1	74.1	146.6	315%	
Comprehensive income for the year (attributable to owners of the parent)	(164.4)	169.7	27.1	334.1	-	

* Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) × (1-Tax rate) + Share of profit (loss) of investments accounted for using the equity method

9. Key Financial Indicators

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(Unit: Billions of yen)	FY2015 (Results, Mar.31,2016)	FY2016 (Results, Mar.31,2017)	FY2017 (Forecasts, Mar.31,2018)
Profit for the year	74.5	170.9	230.0
Total Assets	7,817.8	7,761.8	8,000.0
Shareholders' Equity	2,251.5	2,366.5	2,500.0
Shareholders' Equity Ratio	28.8%	30.5%	approx. 30%
Interest-bearing Liabilities (Net)	2,770.3	2,627.9	2,700.0
DER (Net, times)	1.2	1.1	approx. 1.1
ROA	0.9%	2.2%	2.5% or more
ROE	3.2%	7.4%	approx. 9.0%
Risk-adjusted Return Ratio ^{*1}	3.2%	—	9.0% or more
Basic Profit Cash Flow	+204.3	+210.6	3-year total +600.0
Free Cash Flow	+514.3	+165.1	3-year total +700.0
Free Cash Flow (post-dividend)	+451.9	+102.7	3-year total +500.0
Risk-adjusted Assets [RA] ^{*1}	2,200.0	—	2,400.0
Core Risk Buffer [RB] ^{*2}	2,140.0	2,220.0	2,400.0
(Core RB-RA)	(-60.0)	—	(Regain balance)

*1 Risk-adjusted Return Ratio and Risk-adjusted Assets for FY16 are displayed as “—”, as those figures are to be calculated.

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

10. Investment by Segment

Business unit	Investment (bil.yen)		Major investments (Apr.2015 - Mar.2017)
	Results (15/4-17/3)	3 year Plans (15/4-18/3)	
Metal Products	37.0	120.0	<ul style="list-style-type: none"> • Railcar axle machining business in the U.S. • Automotive forged parts manufacturing business in Europe
Transportation & Construction Systems	152.0	280.0	<ul style="list-style-type: none"> • Acquisition of 100% ownership of construction equipment rental subsidiary in the U.S. • Manufacturing and sales business of forged parts for wind power generation in Brazil
Environment & Infrastructure	78.0	140.0	<ul style="list-style-type: none"> • Off-shore wind power generation business in Europe • Biomass power generation business in Japan
Media, ICT, Lifestyle Related Goods and services	214.0	280.0	<ul style="list-style-type: none"> • Produce marketer and distributor in Ireland (Fyffes) • Real estate business in Japan and overseas
Mineral Resources, Energy, Chemical & Electronics	136.0	180.0	<ul style="list-style-type: none"> • Manganese alloy manufacturing and sales business in Malaysia • Nickel project in Madagascar
(Upstream interests)	(120.0)	(140.0)	
Total	610.0	1,000.0	