For Immediate Release

Sumitomo Corporation Announces Financial Results for the Fiscal Year ended March 31, 2018

On May 8, 2018, Sumitomo Corporation announced its consolidated results for the fiscal year ended March 31, 2018, prepared on the basis of International Financial Reporting Standards (IFRS).

1. Financial Highlights

○ For the fiscal year ended March 31, 2018, “Profit for the year attributable to owners of the parent” totaled 308.5 billion yen, representing an increase of 137.6 billion yen from the previous fiscal year, which surpassed 250.7 billion yen we marked in fiscal year 2011 and was record-high profit.

“Basic profit (*1)”, which excludes extraordinary gains and losses including impairment losses, totaled 323.7 billion yen, representing an increase of 97.1 billion yen from the previous fiscal year.

The profit from mineral resources businesses, such as San Cristobal silver-zinc-lead mining project in Bolivia and iron ore mining business in South Africa increased due to higher mineral resources prices. Tubular products business in North America recovered because of gradual increase in rig count.

As regards to non-mineral resources businesses, core businesses such as leasing business, construction equipment business, major group companies in Media, ICT, Lifestyle Related Goods & Services segment, real estate business as well as large-scale projects in power infrastructure business contributed to our profit.

*1: Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) x (1 – Tax rate (*2)) + Share of profit (loss) of investments accounted for using the equity method
*2: Tax rate: FY2016 31%, FY2017 31%

As for one-off losses, approximately 46.0 billion yen including impairment loss in copper and molybdenum mining business in Chile were booked in previous fiscal year. In this fiscal year, we posted one-off profits of approximately 23.0 billion yen in total. The gain from U.S. tax reform and asset replacements offset the impairment loss of 15.1 billion yen relating to Indonesian commercial bank PT. Bank Tabungan Pensiunan Nasional Tbk which was booked in the fourth quarter of this fiscal year.

In terms of profit for this fiscal year by segment, all segments increased the profit comparing to the previous fiscal year.

○ "Free cash flow" totaled 139.5 billion yen inflow for the year. Our core businesses performed well in generating cash therefore "Basic profit cash flow" (*3) totaled 273.9 billion yen. In addition, we recovered funds of approximately 180.0 billion yen through asset replacements. On the other hand, the increase in working capital due to brisk businesses resulted in around 150.0 billion yen outflow. And, we executed investments and loans of approximately 280.0 billion yen including participation in generic pharmaceutical business in the U.S. and water concession business in Brazil.

*3: 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

○ "Total assets" amounted to 7,770.6 billion yen, almost the same as that of the last fiscal year-end because of increase in account receivables and inventories offsets decrease in asset by appreciation of Japanese yen.
"Shareholders' Equity" totaled 2.558.2 billion yen, increased by 191.7 billion yen since retained earnings have been increased.

○ The annual dividend for the fiscal year ended March 2018 is projected to be 62 yen per share applying the consolidated dividend payout ratio of 25% to the "profit for the year attributable to owners of the parent" totaled 308.5 billion yen based on our dividend policy during the medium-term management plan, "Be the Best, Be the One 2017 (BBBO2017)". Therefore, the year-end dividend is projected to be 34 yen per share since interim dividend was 28 yen per share.

2. Review for Medium-Term Management Plan, "BBBO2017"

○ We initially set the quantitative targets for both "profit for the year attributable to owners of the parent of the parent" and "Basic profit" of 300.0 billion yen or more for the fiscal year ended March 31, 2018.
Although we have struggled in FY2015 in the first year of BBBO2017 due to stagnant business environment, recent "Basic profit" result has exceeded the level of 80.0 billion yen or more per quarter. Our earning power has grown steadily and strongly.

○ As of Cash flows, we limited investments and dividends to the amount of the cash generated by the Company to secure financial soundness in BBBO2017. We successfully

generated post-dividend free cash flow of approximately 630.0 billion yen for the three years exceeding our plan and used it for repaying interest-bearing liabilities.
And our “Basic profit cash flow” totaled approximately 690.0 billion yen for the three years and also showed steady growth of cash generating power.

○ “Shareholders’ Equity” totaled 2,558.2 billion yen, increased by approximately 80.0 billion yen since retained earnings have been increased through the three years.
“Net interest-bearing debt” decreased by approximately 1 trillion yen to 2,521.5 billion yen, due to repaying approximately 630.0 billion yen using post-dividend free cash flow. As a result, the “Debt-equity ratio (net)” resulted in 1.0 times improved by 0.4 points.

○ As for the balance between Core Risk Buffer and Risk-adjusted Assets, we could regain the balance as of March 31, 2018, due to the decrease in Risk-adjusted Assets through asset replacements and increase in Core Risk Buffer by accumulation of retained earnings while Risk-adjusted Assets exceeded by 140 billion yen to Core Risk Buffer at the end of March 2015.

○ ROA and ROE were 4% and 12.5% respectively in the fiscal year 2017, both of which exceeded the original plan.

○ As well as quantitative Targets, we have implemented “Improving corporate governance and decision-making process” and “Strengthening risk management system” as measures for “Promotion of Managerial Reforms”, and will continue to work on establishing a better management structure.

3. Annual Forecasts for the Fiscal Year Ending March 31, 2019

○ We forecast “profit for the year attributable to owners of the parent” as 320.0 billion yen, representing an increase of 11.5 billion yen from the previous fiscal year. As we do not expect one-off profits and losses in the fiscal year 2018 while we posted one-off profits of approximately 23.0 billion yen in fiscal year 2017, we forecast increase in the profit excluding one-off profits and losses by approximately 35.0 billion yen than the previous fiscal year.
Although **Media & ICT** and **Mineral Resources, Energy, Chemical & Electronics** business unit are expected to decrease in profit, other **Metal Products**, **Transportation & Construction Systems**, **Infrastructure** and **Living Related and Real Estate** business unit are expected to increase in profit.

○ And we forecast “Basic Profit” as 340.0 billion yen, representing an increase of 16.3 billion yen from the previous fiscal year.

In mineral resources businesses, although we do not anticipate large changes in the mineral resources prices, we expect a decrease in profit of approximately 10.0 billion yen due to the absence of one-off profits posted in the previous fiscal year.

In tubular products business, we expect to increase approximately 5.0 billion yen due to a gradual recovery in North America business since we expect the rig count in the U.S. to remain steadily grow.

In non-mineral resources businesses, we expect to increase approximately 20.0 billion yen, as the core business and group companies in each business unit, such as construction of large-scale projects in power infrastructure business and real estate businesses, are expected to maintain its robust performance.

For details of our new medium-term management plan, please refer to the immediate release, “Notice Concerning the New Medium-Term Management Plan (April 2018 through March 2021)” dated May 8, 2018.

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