Sumitomo Corporation
Enriching lives and the world

– Investors Meeting –

Quarterly Results for FY2019
(Six-month period ended September 30, 2019)

November 6th, 2019

Sumitomo Corporation

100th ANNIVERSARY SINCE 1919

1. Six-month results for FY2019 and Forecasts for FY2019

2. Progress in Medium-Term Management Plan 2020

1. Six-month results for FY2019 and Forecasts for FY2019

1-1. Operating Results(Profit for the period)

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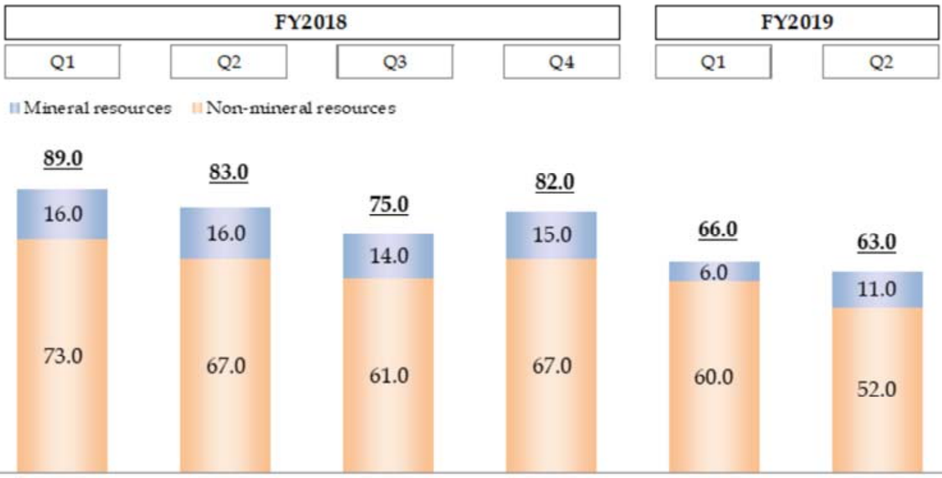
(Unit: Billions of yen)	FY2018 Q2 (Apr.-Sep.) (A)	FY2019 Q1 (Apr.-Jun.)	FY2019 Q2 (Jul.-Sep.)	FY2019 Q2 (Apr.-Sep.) (B)	Increase/ Decrease (B)-(A)
Profit for the period	**179.3**	**79.7**	**72.7**	**152.4**	**- 26.9**
One-off profits/losses	approx. +7.0	approx. +14.0	approx. +9.0	approx. +23.0	approx. +16.0
excl. one-off profits/losses	approx. **172.0**	approx. **66.0**	approx. **63.0**	approx. **129.0**	approx. **- 43.0**
Mineral resources *1	32.0	6.0	11.0	17.0	- 15.0
Non-mineral resources *2	140.0	60.0	52.0	112.0	- 28.0

< Quarterly Trend for excl. one-off profits/losses > (Unit: Billions of yen)



*1 Mineral resources is a sum of Mineral resources division No.1, Mineral resources division No.2 and Energy division.
*2 Non-mineral resources business is calculated by subtracting Mineral resources business from the total (excl.one-off profits/losses)

〈 Summary (excl. one-off profits/losses) 〉 (Results)

■ Mineral resources
- ✓ Decrease in earnings of Silver-zinc-lead mining project in Bolivia
- ✓ Decrease in earnings of Nickel project in Madagascar
- ✓ Decrease in earnings of coal mining projects in Australia

■ Non-mineral resources
- ✓ Decrease in earnings of tubular products business in North America
- ✓ Decrease in earnings of automotive related business
- ✓ Progress in construction of large-scale projects in power infrastructure business
- ✓ Stable performance of real estate business

(Reference) Key indicators			FY2018 Q2 (Apr.-Sep.)	FY2019 Q2 (Apr.-Sep.)
Exchange rate		(YEN/US$)	110.26	108.60
Interest rate	LIBOR 6M	(YEN)	0.02%	-0.02%
	LIBOR 6M	(US$)	2.52%	2.30%
Copper *1		(US$/MT)	6,916	6,167
Zinc		(US$/MT)	2,824	2,554
Nickel		(US$/lb)	6.29	6.32
Iron ore *1		(US$/MT)	70	92
Hard coking coal *2		(US$/MT)	193	184
Thermal coal		(US$/MT)	111	74
Crude Oil	Brent *1	(US$/bbl)	72	66
	WTI	(US$/bbl)	69	58

*1 These commodities show the prices in Jan.-Jun.
*2 Hard coking coal…Market price

The profit for the year decreased 26.9 billion yen from the same period of the previous fiscal year to 152.4 billion yen for the Second Quarter of the current fiscal year.

One-off profits and losses for the Fiscal Year 2019 amounted to 23 billion yen, mainly due to the recording of gains related to the restructuring of the shareholders of the LPG wholesale business, Gyxis Corporation.

Looking at the results excluding one-off profits and losses, as you can see, the current fiscal year was 129.0 billion yen, a decrease of 43.0 billion yen from the same period of the previous fiscal year.

Looking at the breakdown of the content into mineral resources and non-mineral resources, the current profit of the mineral resources business was 17.0 billion yen, decreased 15.0 billion yen from the same period of the previous fiscal year.

In addition to the decrease in mineral resource prices such as coal prices, this was attributable to decreased profits in San Cristobal silver-zinc-lead mining project in Bolivia and nickel mining and refining business in Madagascar which our company are engaged.

Non-mineral resources businesses recorded profits of 112.0 billion yen, a decrease of 28.0 billion yen from the same period of the previous fiscal year.

This was mainly due to a decrease in profits in the tubular products business in North America and sluggish performance in the automotive-related business for the second quarter fiscal year which is as bad as a first quarter result, despite the progress in electric power EPC projects and solid performance in the real estate business.

1-2. Profit for the period by Segment

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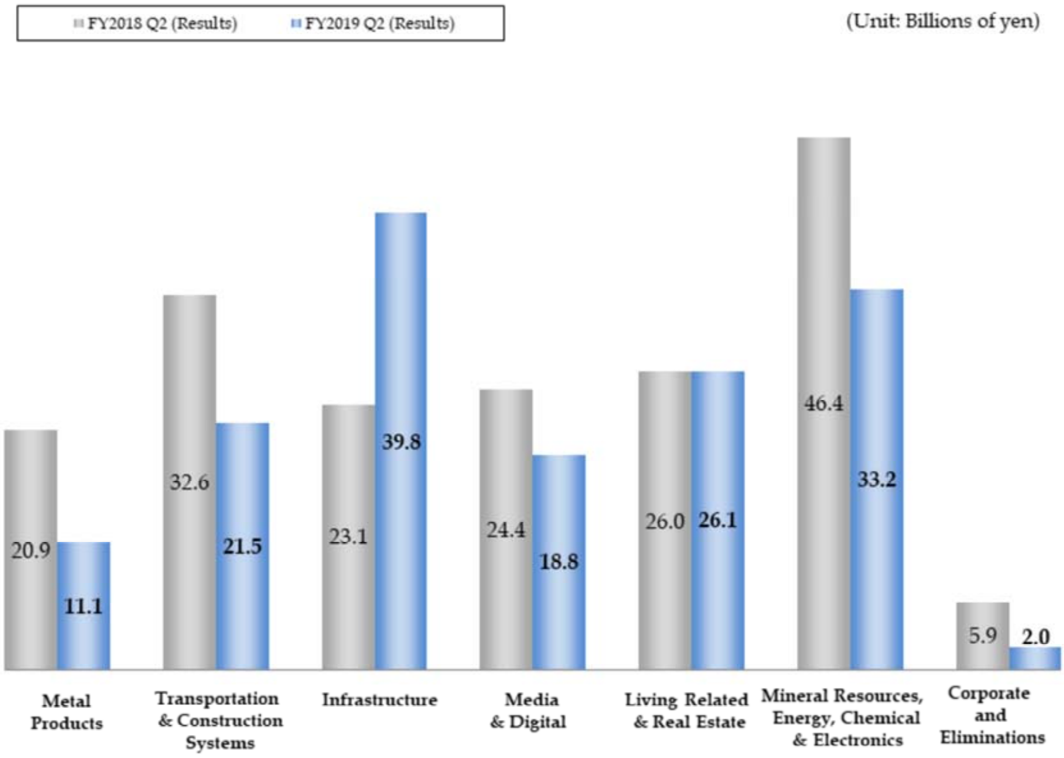
(Unit: Billions of yen)



One-off profits/losses included in profit for the period by segment (Left : FY 2018 Q2 , Right : FY 2019 Q2)

±0.0	±0.0	-2.0	±0.0	±0.0	+8.0	+3.0	±0.0	+1.0	+7.0	+4.0	+8.0	±0.0	±0.0

* The segment information of FY2018 Q2 has been reclassified, according to organizational change on Oct. 1, 2018.

〈 Summary by segment (Results) 〉

■ **Metal Products**
- ✓ Decrease in earnings of tubular products business in North America
- ✓ Decrease in earnings of the operation of overseas steel service centers

■ **Transportation & Construction Systems**
- ✓ Stable performance of leasing business
- ✓ Stable performance of construction equipment sales & marketing and rental business
- ✓ Decrease in earnings of automotive manufacturing business

■ **Infrastructure**
- ✓ Progress in construction of large-scale projects in power infrastructure business
- ✓ Stable performance of IPP/IWPP business

■ **Media & Digital**
- ✓ Stable performance of domestic major group companies
- ✓ Change of fiscal year of telecommunication business in Myanmar in FY2018Q2

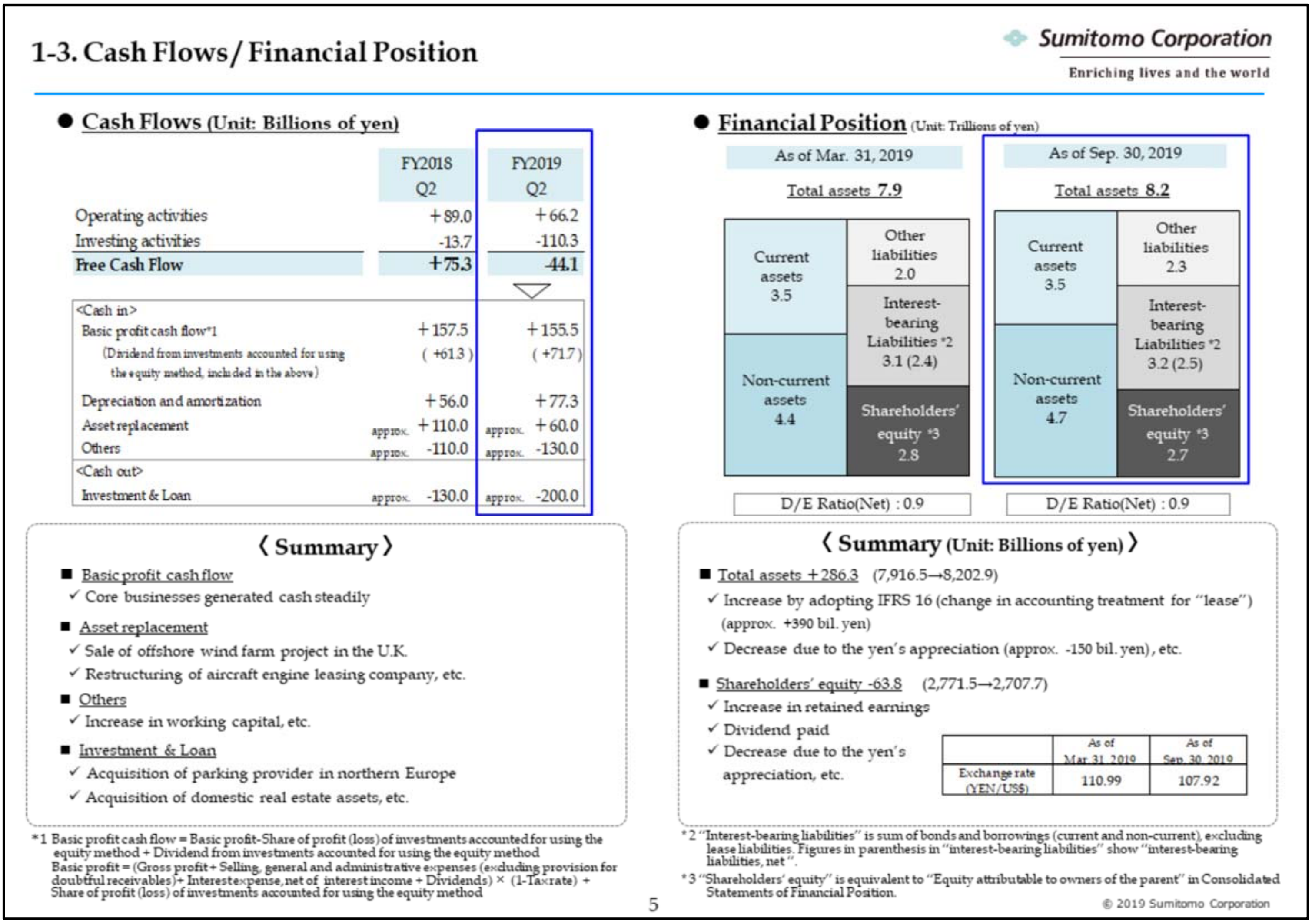
■ **Living Related & Real Estate**
- ✓ Stable performance of domestic major group companies
- ✓ Stable performance of real estate business

■ **Mineral Resources, Energy, Chemical & Electronics**
- ✓ Decrease in earnings of Silver-zinc-lead mining project in Bolivia
- ✓ Decrease in earnings of Nickel project in Madagascar
- ✓ Decrease in earnings of coal mining projects in Australia

The next page shows the results of each segment.

Infrastructure and Living Related & Real Estate businesses increased or remained flat compared to the same period of the previous fiscal year. However other segments saw a decrease in income.

Financial results by segment are described on the right-hand side of this document.



Free cash flow for the second quarter in FY2019 resulted in 44.1 billion yen cash out.

Basic profit cash flow resulted in 155.5 billion yen cash in due to core businesses have generated cash steadily.

In terms of replacement of assets, we recovered 60.0 billion yen from the sale of an offshore wind firm business in the UK and a joint aircraft engine leasing business etc.

Other cash outflows amounted to 130.0 billion yen due to an increase in working capital and other factors.

Investments and loans totaled to 200.0 billion yen cash out, mainly due to the acquisition of the Nordic parking business and domestic real estate projects.

As described above, free cash flow for the second quarter in FY2019 was negative; however, we will manage it to achieve profitability for the Fiscal Year 2019 Annual.

Regarding the right hand side of the material, the total assets increased 300 billion yen from the end of the previous fiscal year to 8.2 trillion yen.

This was mainly due to an increase of 390 billion yen resulting from the on-balance-sheet effect of operating leases following the adoption of IFRS 16 (change in accounting treatment for "lease"), while there was a decrease of 150 billion yen due to the appreciation of the yen.

1-4. Annual Forecasts

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(Unit: Billions of yen)	FY2019 Initial Forecasts (as of May 2019) (A)	FY2019 Revised Forecasts (as of Nov. 2019) (B)	H1 Results (Apr.-Sep.) (C)	H2 Forecasts (Oct.-Mar.) (D)	Increase/ Decrease (B)-(A)	Increase/ Decrease (D)-(C)
Profit for the period	340.0	**300.0**	152.4	147.6	-40.0	-4.8
One-off profits / losses	-	approx. +23.0	approx. +23.0	-	approx.+23.0	approx. -23.0
excl. one-off profits / losses	approx. 340.0	approx. **277.0**	approx. 129.0	approx. 148.0	approx. -63.0	approx.+19.0
Mineral resources	44.0	34.0	17.0	17.0	-10.0	±0.0
Non-mineral resources	296.0	243.0	112.0	131.0	-53.0	+19.0

〈Summary (excl. one-off profits/losses)〉

■ Increase/Decrease (B)-(A)

Mineral resources :
- Impact of lower mineral resources prices
- Low operation of Nickel project in Madagascar

Non-mineral resources :
- Impacts from delay in demand recovery of tubular products market in North America
- Low performance of automotive related business

■ Increase/Decrease (D)-(C)

Mineral resources :
- Impact of lower mineral resources prices
- Recovery in operation of Nickel project in Madagascar

Non-mineral resources :
- Stable performance of real estate business
- Recovery of automotive related business

(Reference) Key indicators			FY2019 Forecasts (as of May 2019)	FY2019 Forecasts (as of Nov. 2019)	FY2019 Q2 Results (Apr.-Sep.)
Exchange rate		(YEN/US$)	110.00	110.00	108.60
Interest rate	LIBOR 6M	(YEN)	0.01%	-0.05%	-0.02%
	LIBOR 6M	(US$)	2.70%	2.00%	2.30%
Copper *1		(US$/MT)	6,878	6,107	6,167
Zinc		(US$/MT)	2,700	2,692	2,554
Nickel		(US$/lb)	6.48	7.05	6.32
Iron ore *1		(US$/MT)	86	92	92
Hard coking coal *2		(US$/MT)	214	169	184
Thermal coal		(US$/MT)	89	69	74
Crude Oil	Brent *1	(US$/bbl)	61	65	66
	WTI	(US$/bbl)	53	57	58

*1 These commodities show the prices in Jan.-Dec. (Results: Jan.-Jun.)
*2 Hard coking coal...Market price
*3 Sensitivity of profit for the year to exchange rate: Each appreciation of ¥1/US$ will cause on decrease of approximately 1.0billion yen.

Based on the assumption that the current business environment will continue, the company has revised down its full-year forecast for the profit for the year to 300.0 billion yen from the initial forecast of 340.0 billion yen, based on the progress made through the second quarter.

Except for one-off profits and losses factors, the full-year forecasts for both the mineral resources and non-mineral resources businesses have been revised, decreasing from the initial forecasts.

The mineral resources business was affected by a decrease in mineral resource prices such as coal prices and by sluggish operations in the nickel mining and refining business in Madagascar.

The main factors behind the non-mineral resources business were the expected delay in the recovery of the North American tubular products business and the sluggish performance of the automotive-related business.

Regarding the second half forecasts shown in slide (D) on the right side of the upper row, we expect the profit for the year to remain mostly unchanged from the first half.

On the other hand, except for one-off profits and losses items, we expect profit to increase by 19.0 billion yen from the first half of the fiscal year.

In addition to multiple deliveries expected in the real estate business in the second half of the fiscal year, we expect the effect of realignment of the United States Tire Business (TBC Corporation) and the effects of efforts toward recovery in each business, including the automobile manufacturing business to emerge, despite delays from the initial plan.

1-5. Annual Forecasts by Segment

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(Unit: Billions of yen)	FY2019 Initial Forecasts (as of May 2019) (A)	FY2019 Revised Forecasts (as of Nov. 2019) (B)	H1 Results (Apr.-Sep.) (C)	H2 Forecasts (Oct.-Mar.) (D)	Increase/ Decrease (B)-(A)	< Summary of Revised Forecasts >	Increase/ Decrease (D)-(C)
Metal Products	38.0	20.0	11.1	8.9	-18.0	· Impacts from delay in demand recovery of tubular products market in North America · Low perfomance of the operation of overseas steel service centers	-2.3
Transportation & Construction Systems	75.0	57.0	21.5	35.5	-18.0	·Low perfomance of automotive manufacturing business · Delay in synergistic effect from reorganization of tire business in the U.S.	+14.0
Infrastructure	63.0	63.0	39.8	23.2	±0.0	·Stable performance of IPP/IWPP business ·Progress in construction of large-scale projects in power infrastructure business	-16.6
Media & Digital	46.0	46.0	18.8	27.2	±0.0	·Stable performance of domestic major group companies	+8.4
Living Related & Real Estate	52.0	52.0	26.1	25.9	±0.0	·Stable performance of domestic major group companies and real estate business	-0.1
Mineral Resources, Energy, Chemical & Electronics	66.0	62.0	33.2	28.8	-4.0	·Impact of lower mineral resources prices	-4.4
Segment Total	**340.0**	**300.0**	**150.5**	**149.5**	**-40.0**		**-0.9**
Corporate and Eliminations	-	-	2.0	-2.0	-		-3.9
Consolidated	**340.0**	**300.0**	**152.4**	**147.6**	**-40.0**		**-4.8**

1-6. Dividend for FY2019

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Basic policy	To increase dividends by achieving mid-long term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long term
"Medium-Term Management Plan 2020" Dividend Policy	We will decide the dividend amount in view of the situations regarding basic profit and cash flow, with a consolidated payout ratio of 30% as a guideline.

Dividend

FY 2019

[Revised Forecasts (announced in Nov. 2019)]

Ordinary dividend: 70 yen/share <*payout ratio 29.1%*>
based on planned profit for the year of 300.0 billion yen
(Interim dividend: 35 yen/share, Year-end dividend: 35 yen/share)

In addition,
Commemorative dividend for the 100th anniversary: 10 yen/share

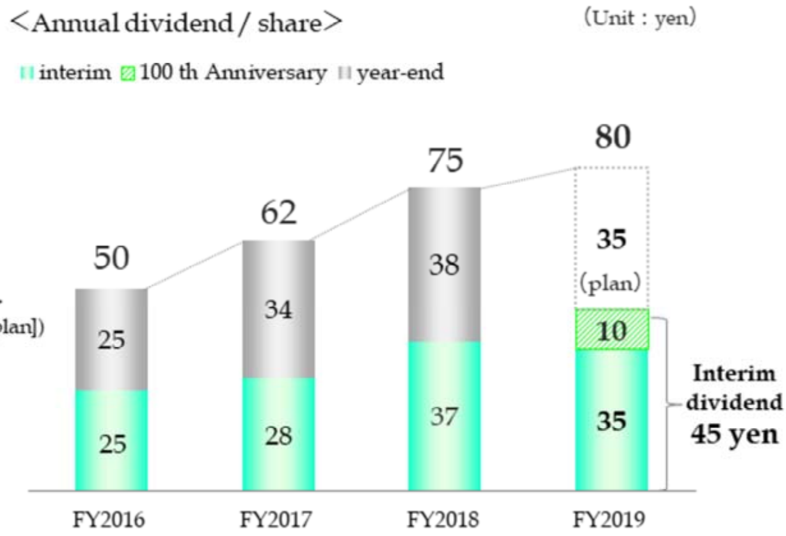
→ Total dividend for the year: 80 yen/share [plan] <*payout ratio 33.3%*>
(Interim dividend: 45 yen/share, Year-end dividend: 35 yen/share [plan])

[Initial Forecasts (announced in May,2019)]

Ordinary dividend: 80 yen/share <*payout ratio 29.4%*>

In addition,
Commemorative dividend for the 100th anniversary: 10 yen/share

→ Total dividend for the year: 90 yen/share <*payout ratio 33.1%*>
(Interim dividend: 50 yen/share, Year-end dividend: 40 yen/share)

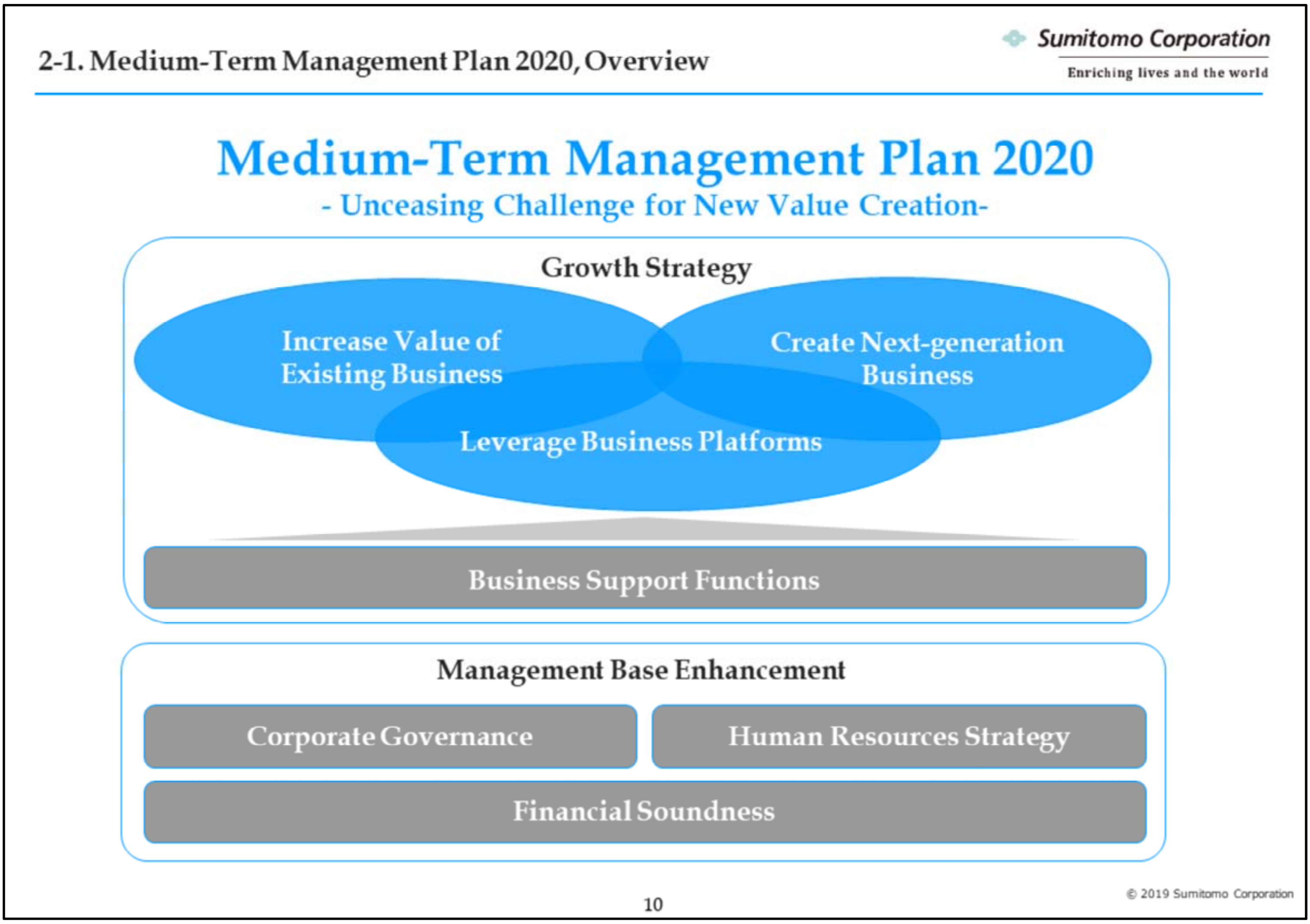


The dividend policy of the current medium-term management plan is to determine the amounts of dividends, considering the status of basic profit and cash flows, with the consolidated dividend payout ratio of approximately 30%.

Considering the downward revision of the full year forecast for the profit to 300.0 billion yen, the company plans to pay an ordinary dividend of 70 yen per share and a commemorative dividend of 10 yen per share, for the total annual dividend of 80 yen.

The interim dividend will be 45 yen, including an ordinary dividend of 35 yen and a commemorative dividend of 10 yen.

2. Progress in Medium-Term Management Plan 2020



Under the current medium-term management plan, we are focusing on creating new value with a pair of wheels of promoting growth strategies and strengthening the management foundation.

The three pillars of our growth strategy are Increase Value of Existing Business, Creation Next-generation Businesses, and Leverage Business Platforms.

2-2. Medium-Term Management Plan 2020, Major quantitative targets

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(Unit: Billions of yen)

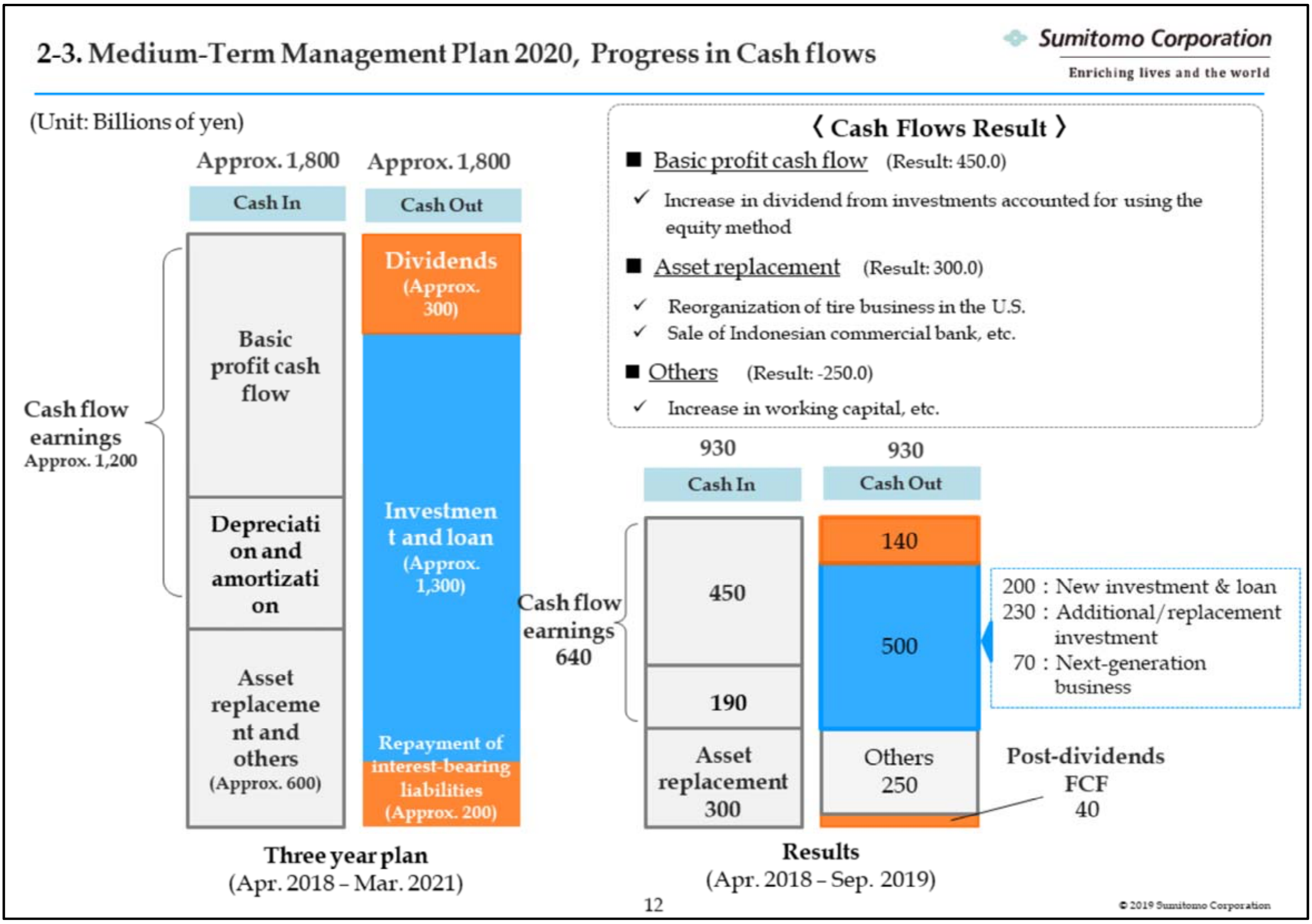
		Plans	Progress (As of Sep. 30, 2019)
Profit for the year	FY2018	320.0	320.5 (Results)
	FY2019	300.0 (announced in Nov. 2019)	152.4
Investment & Loan (3 year plan)		-1,300.0	-500.0
Post-dividends FCF (3 year plan)		+200.0 or more	+40.0

I would like to explain the progress made so far based on several quantitative methods.

As I explained earlier, we forecast the profit for the year is 300 billion yen in the current fiscal year, down from the initial target of 340 billion yen.

As for investments and loans, we have implemented 500 billion yen up to now, compared with our target of 1.3 trillion yen in this three years.

Post-dividend free cash flow is explained on the next page.



Here is a graph showing the cash flow plan for this medium-term plan on the left side and the current situation on the right side.

Under the current medium-term management plan, we plan to generate cash inflow of 1.8 trillion yen over the next three years. We expect cash flow earnings of 1.2 trillion yen and the remaining 600 billion yen to generate cash through asset replacements and other means.

As for cash outflows, we plan to allocate 1.3 trillion yen to investments and loans. We plan to generate more than 200 billion yen in post-dividend free cash flow, assuming 300 billion yen in cash dividends.

Now that one year and a half has passed, cash flow earnings increased to 640 billion yen due in part to increased dividends from investees accounted for using the equity method. Cash flows from asset replacements such as the realignment of the United States Tire Business (TBC Corporation) and the sale of Indonesian commercial bank PT. Bank Tabungan Pensiunan National Tbk also increased to 300 billion yen.

On the other hand, 140 billion yen was allocated to dividends and 500 billion yen to investments and loans. As for other fund transfers, we used 250 billion yen in cash outflows due to an increase in working capital, including inventories and the acquisition of real estate for sale. As a result, free cash flow after dividends was limited to 40 billion yen. We are aiming for a target of 200 billion yen in the future.

2-4. Investment and loan to increase Value of Existing Business

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New investment & loan — **200.0 bil. yen**

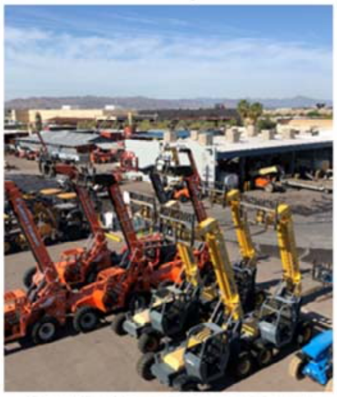
- Participation in offshore wind farm projects in Europe
- Acquisition of domestic and overseas real estates
- Acquisition of steel service center in the U.S.
- Acquisition of Quebrada Blanca copper mine interest in Chile
- Participation in coal-fired power plant in Vietnam
- Participation in specialty steel business in India

Additional replacement investment — **230.0 bil. yen**

- Assets increase in lease and rental business
- Capital investment in SCSK, etc.


Offshore wind farm projects in Europe


Office building in Minneapolis


Construction equipment rental business in the U.S.


Capital investment in SCSK

Next, I would like to explain the details of the 500 billion yen investment we have made in the past one year and a half.

First, in the new investments and loans, we invested in the European offshore wind farms in UK and real estate business in Japan and abroad, where we have strengths. In addition, we participated in fields where we can leverage our expertise to date, such as the US Steel Service Center business and the copper mining business in Chili.

Additional and replacement investment, in addition to accumulating leasing and rental assets related to transportation and construction systems, we made capital investment and made financial systems verification companies wholly owned subsidiaries in SCSK.

Rather than relying on the conventional revenue model, we will leverage the networks and business foundations of each company to further increase our value.

2-5. Investment and loan to create Next-generation Business

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Next-generation Business	70.0 bil. yen	We will invest capital of around 300.0 billion yen to three emerging fields over three years. 1) Technology x Innovation(the fourth industrial revolution fields) 2) Healthcare 3) Social Infrastructure

Technology X Innovation

Oil and Gas Venture Company in Norway (Sekal)

Healthcare

PMCare Health Connect

Managed Care Service in Malaysia

Social Infrastructure

Parking Provider in North Europe (Aimo-Park)

In addition, under the current medium-term management plan, we are working to create new next-generation businesses and plan to invest 300 billion yen in the three areas we have seen over the three years. Since April of last year, we have invested 70 billion yen.

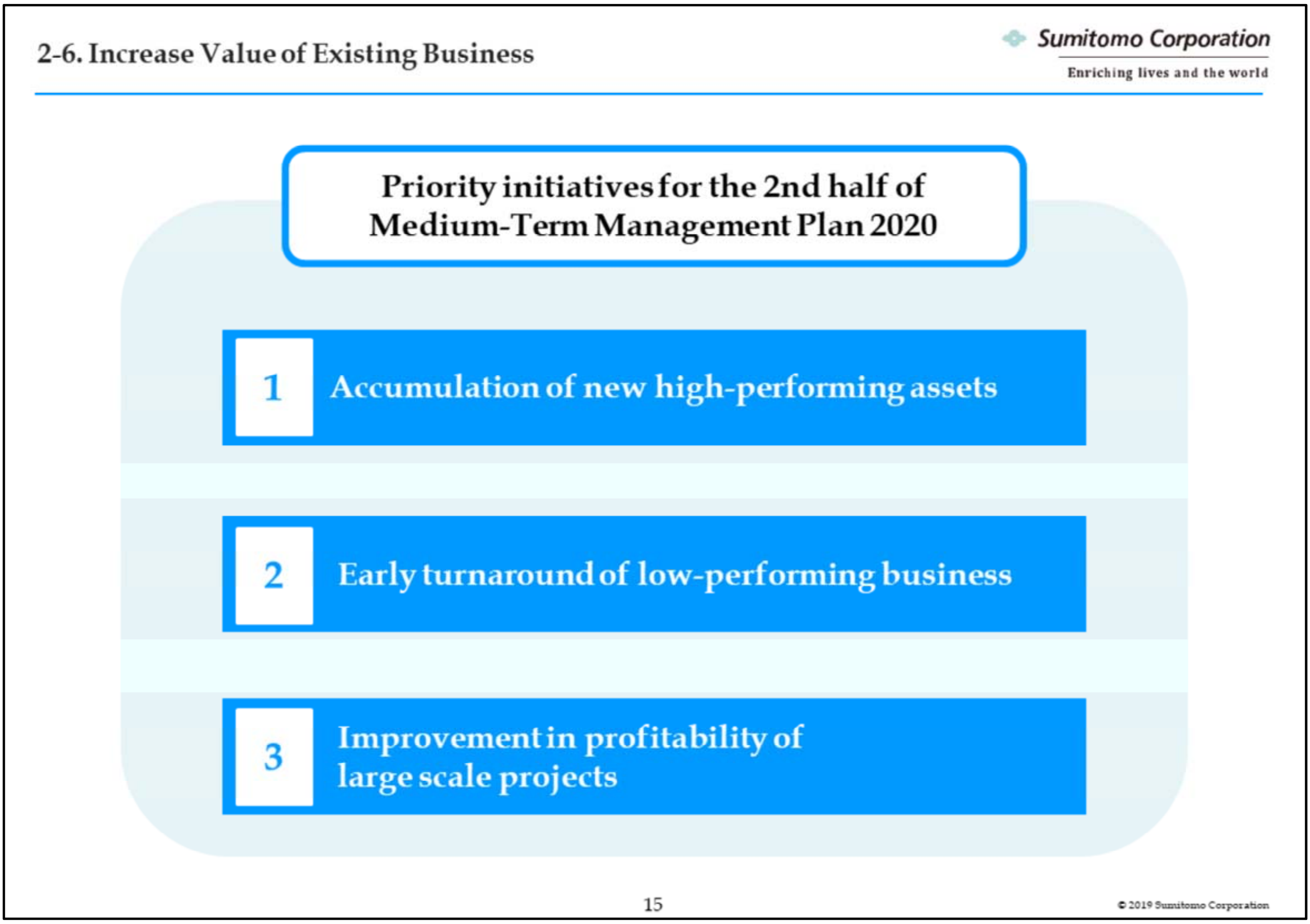
First, in the field of technology and innovation, we invested in Sekal, a Norwegian oil and gas-related venture. The company develops software that enables real-time analysis of drilling operations during oil and natural gas development and streamlining of drilling activities from a remote location. By combining the company's technologies with the tubular products supply chain management, we will be able to construct platforms that involve drilling automation.

In the healthcare field, we invested in a managed care business in Malaysia and are currently working to expand this business.

In the area of social infrastructures, we acquired Q-Park Operations Holding BV, the largest parking lot operator in Northern Europe, in April of this year. The company changed its name to Aimo-Park Norway.

Considering these changes in the business climate, megatrends, and our capabilities, we are working hard to sow the seeds to create the next generation of revenue pillars.

These next-generation businesses are being implemented from a medium-to long-term perspective and we expect them to contribute to revenue from the next medium-term management plan onward.



The most important thing now is to increase the value of existing businesses. We will continue to focus on this point during the remaining one year and a half of the current medium-term management plan.

To increase the value of our existing businesses, we are focusing on three areas.

First, we will steadily increase the number of prime new assets. Recently, there have been many projects that have contributed to revenues in fields where we can utilize our knowledge, such as the European offshore wind farms in UK and real estate. Going forward, we will continue to provide new investment for growth in line with the strategies of each business division.

The next step is to quickly rebuild low-profit businesses. Recently, the business environment has become increasingly challenging and some businesses are currently facing difficulties. Regarding these businesses, we will allocate corporate resources to rebuild a robust revenues base that is not susceptible to environmental changes. At the same time, we will thoroughly assess the viability of the business.

The third is the earnings improvement of large-scale projects in progress. Improvements in revenue capabilities for the nickel business in Ambatovy, Madagascar and the Fyffes, the European fruit and vegetable business, will contribute to the Group's overall performance.

As for Ambatovy, past efforts have paid off. The facilities called PAL (Pressure Acid Leach) is the core of the plant that will be vital to operations have improved and stabilized their operation. In addition to continuing to repair facilities, the Group will continue to implement various measures, including proactive maintenance, with the aim of achieving stable operations at a high level.

Medium-Term Management Plan 2020
- Unceasing Challenge for New Value Creation-

For the current fiscal year, we have downwardly revised the results and dividends that were planned at the beginning of the fiscal year. We sincerely apologize for our shareholders' concern.

We expect the challenging business climate to continue for the time being. However, we will aim to catch up with Medium-Term Management Plan 2020 by steadily implementing the three pillars of the current medium-term management plan that we have positioned for the promotion of our growth strategies during the remainder of the current mid-term management plan.

The entire company will make every effort to achieve the revised target.