Sumitomo Corporation

Enriching lives and the world

Annual Results for FY2019

May 11th, 2020

Sumitomo Corporation

1. Operating Results(Profit for the year)

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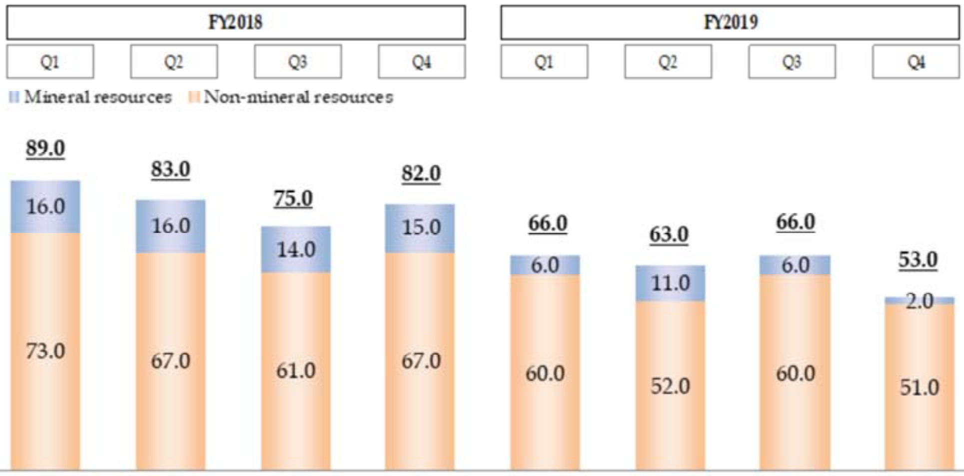
(Unit: Billions of yen)	FY2018 Results (A)	Q1 (Apr.-Jun.)	Q2 (Jul.-Sep.)	Q3 (Oct.-Dec.)	Q4 (Jan.-Mar.)	FY2019 Results (B)	Increase/ Decrease (B)-(A)
Profit for the year	**320.5**	**79.7**	**72.7**	**58.9**	**-40.0**	**171.4**	**-149.2**
One-off profits/losses	approx. -8.0	approx. +14.0	approx. +9.0	approx. -7.0	approx. -93.0	approx. -77.0	approx. -69.0
excl. one-off profits/losses	approx. **329.0**	approx. **66.0**	approx. **63.0**	approx. **66.0**	approx. **53.0**	approx. **248.0**	approx. **-81.0**
Mineral resources *1	61.0	6.0	11.0	6.0	2.0	25.0	-36.0
Non-mineral resources *2	268.0	60.0	52.0	60.0	51.0	223.0	-45.0

< 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(Results)》

■ One-off losses
- ✓ Losses from impairment and write-down of inventory in tubular products business
- ✓ One-off loss in Silver-zinc-lead mining project in Bolivia

(excl. one-off profits/losses)

■ Mineral resources
- ✓ Decrease in earnings of Silver-zinc-lead mining project in Bolivia
- ✓ 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 (Apr.-Mar.) Results	FY2019 (Apr.-Mar.) Results
Exchange rate		(YEN/US$)	110.92	108.71
Interest rate	LIBOR 6M	(YEN)	0.01%	-0.02%
	LIBOR 6M	(US$)	2.65%	2.01%
Copper *1		(US$/MT)	6,526	6,005
Zinc		(US$/MT)	2,746	2,406
Nickel		(US$/lb)	5.85	6.35
Iron ore *1		(US$/MT)	69	93
Hard coking coal *2		(US$/MT)	204	166
Thermal coal		(US$/MT)	106	71
Crude Oil	Brent *1	(US$/bbl)	72	64
	WTI	(US$/bbl)	63	55

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

On April 8 of this year, we announced that there was a possibility that the full-year forecast released when our Q3 consolidated results were announced would drop from JPY300 billion by JPY100 billion. However, in the end of FY2019, profit for the year's achievement was JPY171.4 billion, a drop of JPY149.2 billion from the previous fiscal year.

The Company posted a one-off loss of JPY93 billion in Q4, mainly due to impairment losses in the Tubular Products business in the US and a one-off loss in San Cristobal silver-zing-lead mining project in Bolivia, resulting in a cumulative loss of JPY77 billion, a deterioration of JPY69 billion from the previous fiscal year.

Excluding one-off profits or losses, profit for the fiscal year under review was JPY248 billion, a decrease of JPY81 billion from the previous fiscal year.

Dividing the content into mineral resources businesses and non-mineral resources businesses, mineral resources businesses for the fiscal year under review was JPY25 billion, a decrease of JPY36 billion from the previous fiscal year.

Total non-mineral resources businesses amounted to JPY223 billion, a decrease of JPY45 billion YoY.

Quarterly trends show a downtrend, as can be seen, due to the delayed value-up of existing business and the deterioration of business environment caused by the US-China trade disputes.

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(Continued)

Currently, profit decreased by JPY13 billion from the Q3, to JPY53 billion, due to further deterioration in the business environment caused by the spread of COVID-19.

In addition to the sudden decrease in resource pricing, which resulted in a decrease in mineral resources businesses, and the further deterioration in the tubular products market, which resulted in a decrease in the Tubular Products business in North America, in the Transportation & Construction Systems segment, there are effects including an increase in the costs of credits in leasing business and the cessation of operations in some business companies in the Automotive Manufacturing business.

2. Profit for the year by Segment

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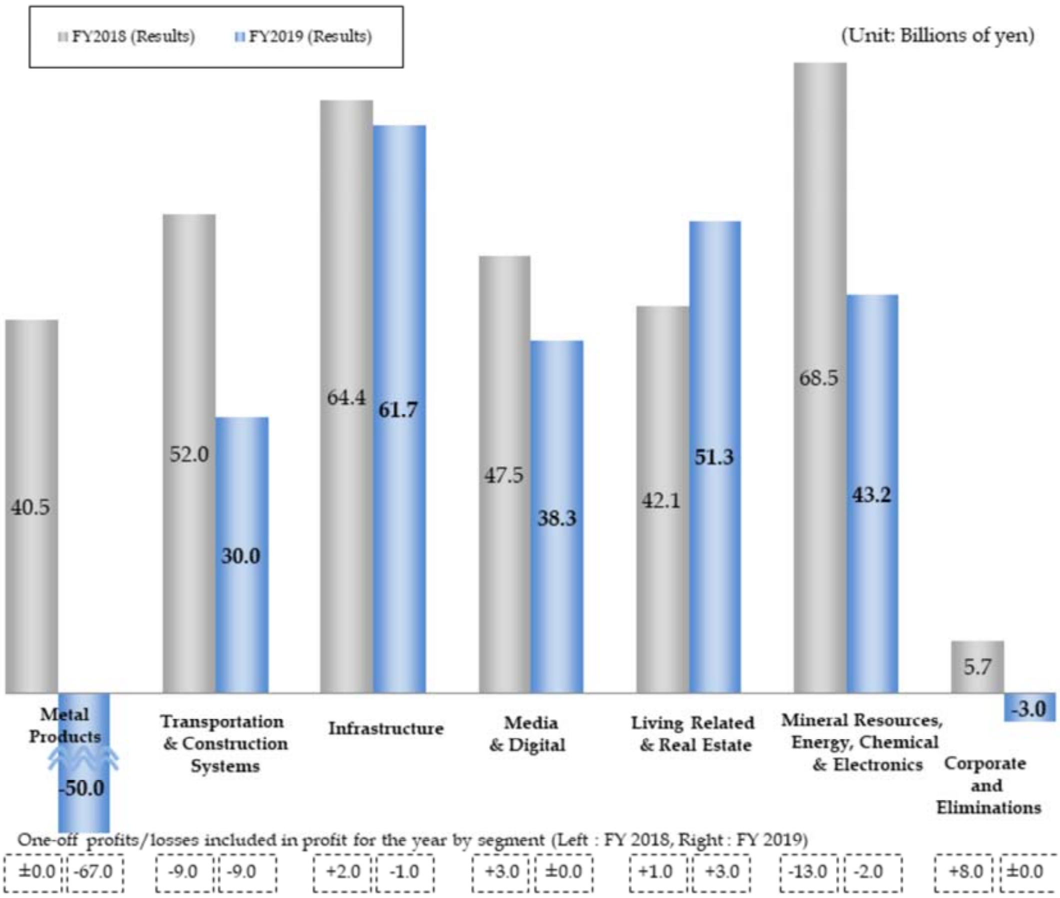


〈Summary by segment〉
(excl. one-off profits/losses (Results))

■ **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**
- ✓ Decrease in earnings of ship business
- ✓ Decrease in earnings of automotive related business
- ✓ Decrease in earnings of construction equipment sales & marketing 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 FY2018

■ **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 coal mining projects in Australia

In terms of performance by business segment, the Real Estate business showed solid performance, compared to the previous fiscal year. Living related & Real Estate saw an increase in profits, but other segments saw a decrease in profits.

In the Metal Products business, the Company posted a large loss, partly due to a one-time loss of JPY67 billion, including the recording of an impairment loss in the Tubular Products business.

A summary of the business results by segment is provided on the right side of the page. Please see later.

3. Cash Flows / Financial Position

● **Cash Flows** (Unit: Billions of yen)

		FY2018		FY2019
Operating activities		+268.9		+326.6
Investing activities		-51.3		-203.4
Free Cash Flow		**+217.6**		**+123.2**
<Cash in>				
Basic profit cash flow*1		+290.0		+239.0
(Dividend from investments accounted for using the equity method, included in the above)		(+96.4)		(+101.8)
Depreciation and amortization		+111.8		+165.3
Asset replacement	approx.	+240.0	approx.	+120.0
Others	approx.	-120.0	approx.	-50.0
<Cash out>				
Investment & Loan	approx.	-300.0	approx.	-350.0

● **Financial Position** (Unit: Trillions of yen)

As of Mar. 31, 2019	As of Mar. 31, 2020
Total assets 7.9	Total assets 8.1

D/E Ratio(Net) : 0.9	D/E Ratio(Net) : 1.0

《Summary》

■ Basic profit cash flow
✓ Core businesses generated cash

■ Asset replacement
✓ Sale of offshore wind farm project in the U.K.
✓ Restructuring of aircraft engine leasing company, etc.

■ Others
✓ Increase in working capital, etc.

■ Investment & Loan
✓ Acquisition of parking provider in northern Europe
✓ Acquisition of office buildings in the U.S., etc.

《Summary (Unit: Billions of yen)》

■ Total assets +212.1 (7,916.5→8,128.6)
✓ Increase by adopting IFRS 16 (change in accounting treatment for "lease") (approx. +390 bil. yen)
✓ Decrease due to the yen's appreciation (approx. -200 bil. yen), etc.

■ Shareholders' equity - 227.4 (2,771.5→2,544.1)
✓ Increase in retained earnings
✓ Dividend paid
✓ Decrease due to the yen's appreciation, etc.

	As of Mar. 31, 2019	As of Mar. 31, 2020
Exchange rate (YEN/US$)	110.99	108.83

*1 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
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 "Interest-bearing liabilities" is sum of bonds and borrowings (current and non-current), excluding lease liabilities.
Figures in parenthesis in "interest-bearing liabilities" show "interest-bearing liabilities, net".
*3 "Shareholders' equity" is equivalent to "Equity attributable to owners of the parent" in Consolidated Statements of Financial Position.

Free cash flow for the fiscal year under review amounted to a cash inflow of JPY123.2 billion.

This was mainly due to the worsening of the business climate.
As a result, Basic profit cash flow was limited to JPY239 billion in cash inflow.

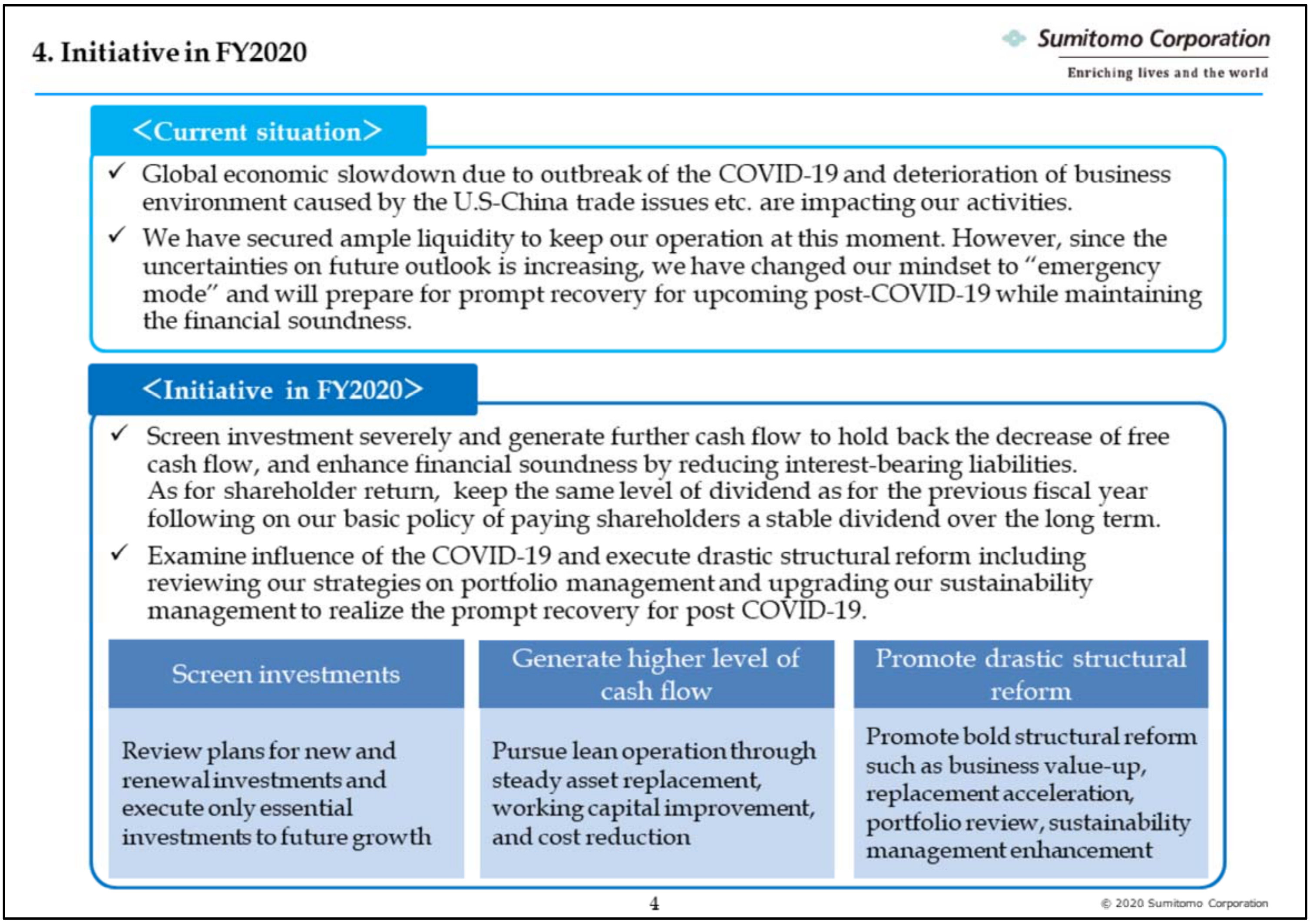
Subsequently, asset replacements recovered JPY120 billion through the sale of UK offshore wind farms and the joint commercialization of an aircraft-engine Leasing business.

Other fund transfers amounted to JPY50 billion due to increased operating funding and other factors.

In addition, investments and loans recorded a cash outflow of JPY350 billion due to the acquisition of the Parking Lot business in Northern Europe and office buildings in the US.

Regarding the financial position on the right-hand side of the report, total assets increased by JPY210 billion from the end of the previous fiscal year to JPY8.1 trillion.

This was mainly due to an increase of approximately JPY400 billion in operating leases, resulting from the adoption of IFRS 16 leases, despite a decrease of JPY200 billion, due to the impact of the yen's appreciation.



At first, our recognition about the current situation and the initiative in FY2020.

As explained earlier, in addition to the deterioration of the business environment caused by the US-China trade disputes and other factors, the stagnation of the world economy due to the spread of COVID-19 has a major impact on our individual businesses.

According to the IMF, the global economy is expected to shrink to -3% in 2020.

According to the baseline scenario in which the situation can be resolved in the latter half of 2020, and the restrictions on outings can be gradually lifted, economic activity is expected to normalize, and the world economy is expected to grow by 5.8% in 2021, with the support of the government's policy.

On the other hand, if we refer to the information reported from the business sites around the world on a daily basis, we believe that the impact on economic activities is likely to be greater in both depth and length.

Consequently, we believe it is extremely difficult to make a reasonable outlook for the business environment at the present time.

Despite these circumstances, we have sufficient liquidity and do not hinder the continuation of our business activities.

4. Initiative in FY2020

<Current situation>

- ✓ Global economic slowdown due to outbreak of the COVID-19 and deterioration of business environment caused by the U.S-China trade issues etc. are impacting our activities.
- ✓ We have secured ample liquidity to keep our operation at this moment. However, since the uncertainties on future outlook is increasing, we have changed our mindset to "emergency mode" and will prepare for prompt recovery for upcoming post-COVID-19 while maintaining the financial soundness.

<Initiative in FY2020>

- ✓ Screen investment severely and generate further cash flow to hold back the decrease of free cash flow, and enhance financial soundness by reducing interest-bearing liabilities.
  As for shareholder return, keep the same level of dividend as for the previous fiscal year following on our basic policy of paying shareholders a stable dividend over the long term.
- ✓ Examine influence of the COVID-19 and execute drastic structural reform including reviewing our strategies on portfolio management and upgrading our sustainability management to realize the prompt recovery for post COVID-19.

Screen investments	Generate higher level of cash flow	Promote drastic structural reform
Review plans for new and renewal investments and execute only essential investments to future growth	Pursue lean operation through steady asset replacement, working capital improvement, and cost reduction	Promote bold structural reform such as business value-up, replacement acceleration, portfolio review, sustainability management enhancement

(Continued)

Specifically, of the JPY3.5 trillion in current assets, we hold more than 700 billion in cash and cash equivalents and have a commitment line to secure liquidity.
For the next two years or so, we have sufficient liquid funds to continue our business activities.

However, given the increasing uncertainty about future prospects, as mentioned earlier, we believe that we need to be prepared to restore revenues as soon as possible after the situation has been resolved, while maintaining financial soundness by switching to the crisis-response mode.

Based on this recognition about the current situation, our policy for FY2020 is to take immediate steps to manage cash flows more precisely, maximize cash generation in each business, and implement specific measures on a case-by-case basis.

On top of that, as stated in the slide, based on the basic policy of long-term stable dividends in shareholder returns, the Company will maintain dividends at the same level as in FY2019, unless unexpected circumstances occur.

At the same time, the Company will continue to maintain positive free cash flow (post-dividend). Through reducing interest-bearing liabilities, the Company will continue to work to improve its financial soundness.

Let me explain the details of the three measures. See the box at the bottom of the page.

4. Initiative in FY2020

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4

(Continued)

Regarding investments and loans, we will temporarily start over our previous plans for both new and replacement investment projects from scratch and review them with no off-limits.
We will carefully select and implement projects based on the assumption of a post-COVID-19 society.

In addition to steadily reducing assets, we will work to improve working capital and reduce costs in order to generate further cash flow.

Through these efforts, we will do our utmost to minimize the deterioration of cash flow and the impairment of corporate value.

At the same time, we will closely monitor the effects of COVID-19 and changes in the world after COVID-19.
We will continue to enhance the value of our businesses and closely monitor them.
At the same time, we will review our portfolio strategy and undertake bold structural reforms, such as the sophistication of sustainability management, with the aim of enhancing corporate value over the medium- to long-term.

As I will always like to say, in our management, in order to continuously improve our corporate value, we will consider cash flow allocation while balancing investments for growth, shareholder returns, and interest-bearing liabilities repayments according to our circumstances and business conditions at each time. We believe that it is important.

5. Forecast of FY2020 and current situation by segment

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- ✓ It is difficult to make reasonable assumption about forecasts for FY2020 at this moment. (there is a possibility to have financial impact for more than 100.0 billion yen subject to assumption.)
- ✓ We will disclose the annual forecasts promptly after confirming and analyzing the information on resuming economic activities such as plans to lift lockdowns of each countries.
- ✓ Current situation reflecting COVID-19 influence is as follows.

Segment	FY2020 Current situation	
Metal Products	・Tubular products business in NA	: Decrease in demand and price
	・Overseas steel service centers	: Decrease in demand from automotive manufacturers and low operation ratio
	・Aluminium smelting business	: Low market price
Transportation & Construction Systems	・Leasing business	: Request for deferred payment from lessee of aircrafts, Increase in credit cost
	・Automotive related business	: Decrease in customers to TBC, Temporary closure or lower operating ratio of manufacturing business, Request increase for deferred repayment in financing business in Indonesia
	・Construction equipment business	: Decrease in demand and lower operation ratio of equipments
Infrastructure	・EPC projects	: Peak out of large-scale project progress and delay in construction of some projects
	・IPP/IWPP business	: Stable
Media & Digital	・Jupiter Telecommunications	: Restriction on salesforce activities
	・SCSK	: Impacts on new order for selling products, Putting attention to the situation on the delay in developing new projects
	・T-GAIA	: Short business hour and store closure
Living Related & Real Estate	・Supermarket chains in Japan	: Stable due to increasing demand from home-meal replacement
	・Real estate business	: Decrease in revenue from retail facilities business
	・Fresh produce business	: Decrease in sales due to lower price in the U.S. etc.
Mineral Resources, Energy, Chemical & Electronics	・Mineral resources & Energy	: Suspension of mining operations (nickel project in Madagascar, iron ore mining project in South Africa, silver, zinc and lead mining project in Bolivia) and decline in prices
	・Chemicals & Electronics	: Decline in prices and turmoil in supply chains

As the full-year forecasts for FY2020 and the current status by segment, we operate in a variety of regions and fields, and we envisage a number of scenarios based on a combination of factors, including the length of time required to restrict outings in each region, consumer trends, supply chain recovery, and various other factors.

While the outlook is extremely uncertain, fluctuations of more than JPY100 billion can occur, depending on the assumptions made.
However, it is difficult to reasonably estimate the timing of the settlement of this COVID-19 situation and the degree of its impact.

Accordingly, we will disclose our earnings forecasts as soon as possible after confirming and examining information related to the resumption of economic activities, such as the lifting of lockdowns in each country.

Please refer to the table below for the current status by segment, including the impact of COVID-19.

First of all, the overall picture has been affected in a wide range of fields, and in particular, Metal Products, Transportation & Construction Systems, and Mineral Resources, Energy, Chemical & Electronics are starting to have a major impact.

On the other hand, in the business of Infrastructure, Media & Digital, and Living Related & Real Estate, some businesses have been strongly poised, and they have not had a major impact at present and have been on solid performance.

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(Continued)

In Metal Products, demand for tubular products was sluggish in the Tubular Products business in North America, and prices for tubular products declined.
In addition, overseas steel service centers have been impacted by a decline in demand, particularly among automotive manufacturers, and by a decline in the operating rate caused by restrictions on outings.

In Transportation & Construction Systems, in the Leasing business, the impact of worsening results and financial position on the part of its leasing partners has been reflected in the demand for deferral, as well as an increase in credit costs in light of economic circumstances.
In the Automotive-related business, the impact has also been seen in a variety of businesses.

In Infrastructure, although the impact of COVID-19 has not yet been significant at this time, we expect a decline in profits due to the peak out of large-scale EPC projects, not to be avoided.

In Media & Digital, although domestic major Group companies have remained generally solid in performance, J:COM has been restraining its sales activities, resulting in a decline in the number of new subscribers.
In SCSK, in addition to the impact of product sales to the manufacturing and communications industries, we need to pay close attention to delays in acquiring new orders.
At T-Gaia, we believe that the impact of shortened store operating hours and temporary shutdowns will be felt.

5. Forecast of FY2020 and current situation by segment

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(Continued)

In Living Related & Real Estate, while the Domestic Supermarket segment has been on solid performance due to increased demand from home-meal replacement, in the Real Estate business, the retail facilities segment has been on the decline in revenues.
In Europe and North America, Fresh Produce business segment has been partially affected by a decline in sales due to a deterioration in market conditions in the US and elsewhere.

In Mineral Resources, Energy, Chemical & Electronics, in addition to the fact that the operation of Mineral resources & Energy has been halted in the Madagascar Nickel business, the South African Iron Ore business, and the Silver, Zinc and Lead business in Bolivia, the decline in resource prices has also been affected in other businesses.

The above is the current situation for each segment.
Today, I will explain in more detail the current situation and initiatives for the turnaround in the segments that are greatly affected.

5. Forecast of FY2020 and current situation by segment

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(Metal Products Business Unit)

Tubular Products Business

【FY2019 Results】

- Profit for Tubular Products is normally about 40-50% of Metal Products Division
- FY2019 result decreased significantly mainly due to losses from impairment and write-down of inventory in the tubular products business in the U.S. : approx. JPY 60 bil.
  (Profit excluded one-off losses decreased to 20%+ of the Division)
- Above impairment losses are from U.S. OCTG distributors, Edgen Group, Eryngium, etc.

【FY2020 Current Situation】

- U.S. rig counts are decreasing rapidly (408 as of May 1)
- Prices for tubular products are decreasing 20mo. in a row (decreased by 24%)
- Severe business environment continues for the recovery for fundamentals, such as oil price and rig count

【Measures for Turnaround】

- Further accelerating the business model re-inventing for achieving sustainable growth for mid- and long-term
  - Pursing new value creation complying promptly with the structural change of the oil and gas industry to the integrated energy company to correspond with the current climate change issues
  - Adopting state-of-art technologies and digital transformation (DX) for upgrading existing businesses
  - Further improving the qualities of global supply management base by merging the functions of each group company

In FY2019, the Metal Products business unit's Tubular Products business posted an impairment loss and inventory write-downs of approximately JPY60 billion, mainly in the Tubular Products business in the US, resulting in a substantial decline in profit from the previous fiscal year.

This was due to a review of the future outlook of operating companies, in response to a sharp decline in the oil and gas industries as a whole, as a result of sluggish OPEC collaborative production cutbacks and a decline in demand, due to COVID-19.

At the same time, ordinary profits and losses also declined, falling to just over 20% of the unit's actual results.

The current situation in FY2020 is that US rig counts have continued to decline.
In addition, further declines in commodity price, and other, factors continue to make the market challenging.

At present, the oil and gas industry recognize that climate change is causing structural changes. In our Tubular Products business, we intend to re-invent the business model for achieving sustainable growth, from a mid- to long-term perspective, by taking steps toward turnaround in the lower panel of the slide.

5. Forecast of FY2020 and current situation by segment

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(Metal Products Business Unit)

Tubular Products Business

【FY2019 Results】

- Profit for Tubular Products is normally about 40-50% of Metal Products Division
- FY2019 result decreased significantly mainly due to losses from impairment and write-down of inventory in the tubular products business in the U.S. : approx. JPY 60 bil.
  (Profit excluded one-off losses decreased to 20%+ of the Division)
- Above impairment losses are from U.S. OCTG distributors, Edgen Group, Eryngium, etc.

【FY2020 Current Situation】

- U.S. rig counts are decreasing rapidly (408 as of May 1)
- Prices for tubular products are decreasing 20mo. in a row (decreased by 24%)
- Severe business environment continues for the recovery for fundamentals, such as oil price and rig count

【Measures for Turnaround】

- Further accelerating the business model re-inventing for achieving sustainable growth for mid- and long-term
  - Pursing new value creation complying promptly with the structural change of the oil and gas industry to the integrated energy company to correspond with the current climate change issues
  - Adopting state-of-art technologies and digital transformation (DX) for upgrading existing businesses
  - Further improving the qualities of global supply management base by merging the functions of each group company

(Continued)

Specifically, we will work with oil majors, such as our customers, Shell and BP, to accelerate the standardization of products and services, and joint studies on renewable energy projects for carbon-neutral efforts, in order to create new value.

In addition, we will use block chain technology in the supply chain to upgrade our existing distribution network through DX, automate drilling through Sekal AS, which we have already invested in, and construct an ecosystem.

In addition, in existing businesses, by strengthening functions, including integrating operating companies, we aim to further improve the quality of tubular products' global supply chain management platform and contribute to improving customer convenience and growth sustainability.

5. Forecast of FY2020 and current situation by segment (Transportation & Construction Systems Business Unit)

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Automotive-related Business

【FY2019 Results】

- Profit for the year fell into the red of several billions of yen in FY2019.
  Main factors :
  - Downturn of automotive manufacturing businesses due to decrease in production of automakers
  - Impairment losses of TBC and an automotive manufacturing business in Europe etc.

【FY2020 Current Situation】

- The outbreak of COVID-19 is impacting the following business fields:
  - Manufacturing business : impacts from decrease in production of automakers and decrease in sales due to temporary closure of factories
  - Sales and marketing business : decrease in sales due to suspension of sales activities and lower consumer confidence
  - Automotive financing business in Asia : confusion due to government policy for loan repayment, increase in credit cost and decrease in sales of automobiles and motorcycles

【Measures for Turnaround】

- Firstly Minimize adverse effects from COVID-19 outbreak by effective cash management
- Enhance competitiveness and turnaround low-performing business while anticipating recovery in automotive manufacturing, sales & marketing business
- Looking ahead to the post COVID-19 era, maintain, strengthen and structurally transform existing businesses, as well as create new businesses

In the Transportation & Construction Systems business unit, Automotive-related businesses suffered a substantial decline in profits, resulting in a loss of several JPY billions.

The main reasons for this were sluggish performance in the Automotive Manufacturing business, accompanying production cutbacks by some automakers, and the occurrence of impairment loss in the TBC and European Automotive Parts Manufacturing businesses.

Currently, as indicated on the slide, the Manufacturing, Sales, and Finance sectors are greatly affected by COVID-19.

It is difficult to anticipate the future impact at this point, but in order to minimize the impact, we will first prioritize securing the liquidity of cash-on-hand at each operating company, and thoroughly strengthen cash management.

In the Automotive Manufacturing business, we will work to strengthen the competitiveness of our businesses, starting with streamlining production and cost management, so that we can grasp and ride the wave when the market returns.
At the same time, we will rebuild depressing businesses.

We are also looking ahead to the new state of the post-COVID-19 era by strengthening our existing mainstay businesses and by creating new businesses, such as mobility services that take into account structural changes and consumer needs.

5. Forecast of FY2020 and current situation by segment (Mineral Resources, Energy, Chemical & Electronics Business Unit)

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Ambatovy Nickel Project

【FY2019 Results】

- FY2019 Result : 20.5 billion yen in deficit
  Nickel Price : $6.35/lb
  Nickel Production : 35.9 KMT
  (reference)
  8.5 KMT/Q1, 9.1 KMT/Q2,
  8.5 KMT/Q3, 9.9 KMT/Q4

- Stability has increased in operation and production baseline has improved, owing to the plant maintenance with shutdown in Q3 and current initiatives to enhance operation . Nickel production increased to approx. 10KMT in Q4, despite suspension by COVID-19.

【FY2020 Current Situation】

- The operation has been suspended since the end of March.

【Measures for Turnaround】

- Utilization of external experts and training sessions to employees on maintenance/operational works will accelerate after restart, to realize high-level/stable operation.

Finally, I would like to explain about the status of the Ambatovy, which has a large impact on our performance, among the Mineral Resources, Energy, Chemical & Electronics business unit.

In FY2019, we posted a loss of JPY20.5 billion.

In Q3, the plant was shut down for the purpose of plant repairs, and the effects of the measures currently being implemented resulted in enhanced plant stability.
In Q4, nickel production amounted to approximately 10,000 tons, which I feel is rising in the baseline, despite the impact of COVID-19.

Unfortunately, due in part to the impact of COVID-19, operations have been suspended since the end of March, as I mentioned earlier.
However, in order to keep the mine and plant in the best condition when operations resume—in other words, in addition to necessary maintenance—we are also working on the replacement and repair of facilities that take advantage of this opportunity.

Upon the resumption of operations, the Company will continue to make efforts to provide maintenance, operations, and other services through the utilization of outside experts and employee training, and to achieve high-level stable operations.

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

Annual dividend: 80 yen/share
(Interim dividend: 45 yen/share,
Year-end dividend: 35 yen/share [plan])

171.4 billion yen of profit for the year was lower than expected in February, albeit mainly due to non-cash losses. We plan 80 yen of dividend per share for FY2019 as announced previously based on our basic policy.

FY 2020

Annual dividend: 70 yen/share
(Interim dividend: 35 yen/share,
Year-end dividend: 35 yen/share [plan])

We plan 70 yen of dividend per share for FY2020, the same as the amount of ordinary dividend for FY2019 based on our basic policy, though negative impacts on our financial performance is inevitable due to current business environment.

(Unit : Billions of yen)	FY2019 Revised Forecasts (as of Feb 2020)	FY2019 Results (as of May 2020)	FY2020 (plan)
Profit for the year	300.0	171.4	
One-off profits/losses	approx. +23.0	approx. -77.0	-
excl. one-off profits/losses	approx. 277.0	approx. 248.0	

<Dividend>

	FY2019 Revised Forecasts (as of Feb 2020)	FY2019 Results (as of May 2020)	FY2020 (plan)
dividend per share (payout ratio)	80yen (33.3%)	80yen (58.3%)	70yen (-)
Ordinary dividend (payout ratio)	70yen (29.1%)	70yen (51.0%)	70yen (-)
Commemorative dividend	10yen	10yen	-

Concerning the annual dividend for FY2019, JPY171.4 billion of profit for the year was a substantial deterioration from the forecast announced in February.
However, the main reason for this deterioration was a temporary loss that did not result in a cash outflow.
Therefore, based on our basic policy of paying a stable dividend over the long term, we plan JPY80 per share, in line with our forecast. As the interim dividend was JPY45, the year-end dividend is JPY35.

In FY2020, we plan to pay the annual dividend of JPY70 per share, which is the same amount as the ordinary dividend for FY2019, excluding the commemorative dividend, based on our basic policy of paying a stable dividend over the long term.

Although it is difficult to predict concrete results at this point, we have confirmed that our financial foundation for sustainable growth is robust, and have decided to do so after considering the balance of growth-oriented investments, shareholder returns, and reducing interest-bearing liabilities.

7. Cash flow plan in Medium-Term Management Plan 2020

Manage cash flow with the following plans in uncertain business environment where it is difficult to measure the quantitative impact of COVID-19, while cash-in is expected to be lower than in original mid-term plan due to the influence of COVID-19 etc.

(Unit : Billions of yen)	Cash flow plan in Medium-Term Management Plan 2020				(reference) Original plan (Apr. 2018 - Mar. 2021)
	Cumulative total (Apr. 2018 - Mar. 2020)	FY2018	FY2019	Immediate plans for cash flow allocation in FY2020	
Basic profit cash fow	+529.0	+290.0	+239.0	While basic profit cash flow is expected to worsen due to the recent change of business environment, steady asset replacements and reduction in working capital and cost will generate cash.	+1,200.0
Depreciation and amortization	+227.2	+111.8	+115.3 (*)		
Asset replacement	+360.0	+240.0	+120.0		+600.0
Others	-170.0	-120.0	-50.0		
Investment & Loan	-650.0	-300.0	-350.0	Approx. 200.0 billion yen is allocated to projects contracted. Investment will be severely screened and executed only in indispensable case for future growth.	-1,300.0
Free cash flows	+290.8	+217.6	+73.2		+500.0
Dividend	-192.3	-88.7	-103.7	Approx. 87.5 billion yen of cash out is planned, based on the dividend of 70 yen/share for FY2020.	-300.0
Free cash flow (post-dividend)	+98.4	+128.9	-30.5	Interest-bearing debt is planned to be reduced to enhance financial soundness.	+200.0

* Approx. 50.0 billion yen of increase in depreciation by adopting IFRS16 is deducted.

I will explain the cash flow plan.

Although cash inflows are expected to decline significantly compared to the initial plan, due to the impact of COVID-19, it is difficult to quantitatively forecast their impact.
In FY2020, we will manage cash flows based on the policies described in the table below.

In terms of cash inflows, we will strive to secure cash by steady asset replacements and reducing working capital and cost, although we cannot avoid a deterioration in basic profit cash flow.

With regard to the implementation of investments and loans, some contracts worth approximately JPY200 billion have already been concluded in FY2020, and investment will be severely screened and executed only in indispensable case for future growth.

Through the above efforts to generate cash flow, we will endeavor to stably return profits to shareholders by preventing the deterioration in free cash flow. At the same time, we will continue to reduce interest-bearing liabilities in order to improve our financial soundness.

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Finally, we will closely monitor the impact of the spread of COVID-19 on our business results and will review and promptly disclose our earnings forecasts and cash flow plans when the impact is identified.

We will continue to meet the expectations and confidence of our stockholders and creditors by overcoming the current COVID-19 recession and quickly recovering our revenues.

Regardless of the change in urgency of various issues facing society due to COVID-19, the Company will continue to address ESG, SDGs, and other issues as we work toward the realization of a sustainable society, such as addressing the issue of climate change, which society has been taking up for a long time.

Going forward, we will formulate specific policies and measures. Despite the harsh business environment, the entire Company will work together to overcome these challenges and quickly return to a sustainable growth trajectory.