

Annual Results for FY2020

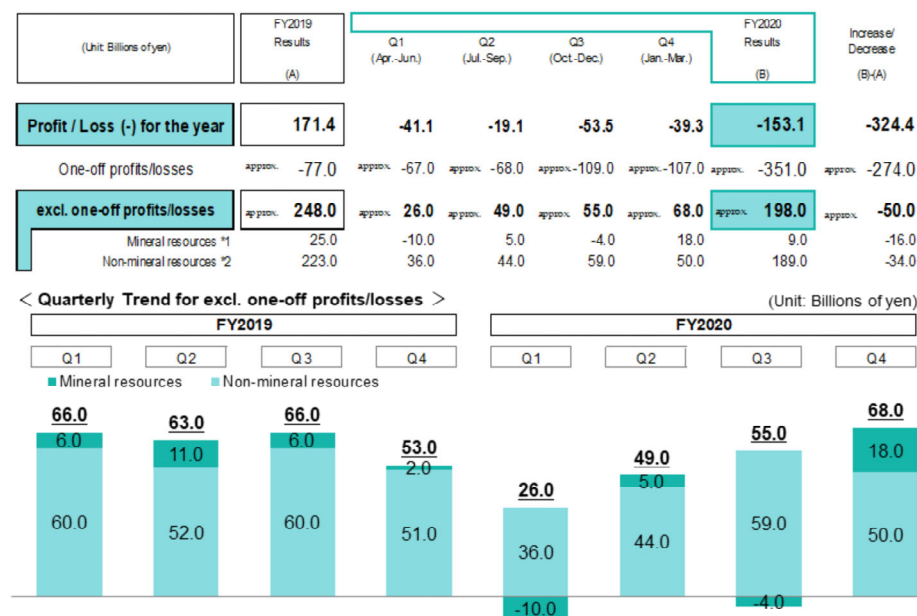
May 7, 2021
Sumitomo Corporation

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 (Profit/Loss for the year)



*1 Mineral resources is a sum of Mineral Resources Division No.1, Mineral Resources Division No.2 and Energy Division.

*2 Non-mineral resources is calculated by subtracting Mineral resources from the total (excl. one-off profits/losses)

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< Summary(Results) >

■ One-off losses

- ✓ Impairment loss in nickel mining and refining business in Madagascar (approx. -55.0 billion) (Q1)
- ✓ Impairment loss, etc. in IPP business in Australia (approx. -25.0 billion) (Q2)
- ✓ Impairment loss in automotive financing business in Indonesia (approx. -15.0 billion) (Q2)
- ✓ Impairment loss in tubular products business (approx. -12.0 billion) (Q3)

- ✓ Impairment loss in fresh produce business in Europe and the Americas (approx. -38.0 billion) (Q3)
- ✓ Impairment loss in nickel mining and refining business in Madagascar (approx. -30.0 billion) (Q4)

- ✓ Additional costs occurred in several EPC projects in power infrastructure business due to delay in construction (approx. -28.0 billion) (Q4)
- ✓ Reversal of deferred tax assets (approx. -22.0 billion)

■ Mineral resources

- ✓ Suspension of operation in nickel mining and refining business 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
- ✓ Peak out of large-scale projects in power infrastructure business
- ✓ Stable performance of major group companies in Japan in Media & Digital segment

< Segments considerably affected by COVID-19 >

Metal Products, Transportation & Construction Systems, and Mineral Resources, Energy, Chemical & Electronics : approx. -33.0 billion

1

Results for the FY2020 showed a loss of JPY153.1 billion due to a cumulative JPY351.0 billion in one-off losses, including impairment losses on several projects. In the fourth quarter alone, we recorded a one-off loss of JPY107.0 billion. The details of the one-off losses will be explained later.

Excluding one-off losses, results for the fiscal year under review were JPY198.0 billion, a decrease of JPY50.0 billion in profit from the previous fiscal year.

Both mineral resources businesses and non-mineral resources businesses recorded YoY decreases in profits. However, looking at the quarterly trend, the recovery trend has continued after bottoming out at JPY26.0 billion in the first quarter of the fiscal year under review, partly due to a modest recovery in the business environment. Please refer to the bar graphs below for FY2019 and FY2020.

Looking at the breakdown of mineral resources and non-mineral resources, the mineral resources business recorded JPY18.0 billion in the fourth quarter, an increase of JPY22.0 billion in profit compared to the third quarter of the fiscal year under review. This was due to the recognition of approximately JPY9.0 billion in equity in earnings of the iron ore mining projects in South Africa in the fourth quarter, as well as the strong performance of the midstream and downstream businesses and the overall increase in resource prices.

The non-mineral resource businesses reported a decline of JPY9.0 billion compared with the third quarter of this fiscal year to JPY50.0 billion in the fourth quarter. Although there was a decrease in profits due to the reaction to the factors such as a concentration of profits in some businesses in the third quarter due to the reaction to the impact of COVID-19 in the first half of the year, and multiple deliveries in the real estate business, on an actual basis, we believe that the business continues to be on the recovering trend.

2. One-off profits/losses

(Unit: Billions of yen)

Business units	Projects	FY2020				Total
		Q1 (Apr.-Jun.)	Q2 (Jul.-Sep.)	Q3 (Oct.-Dec.)	Q4 (Jan.-Mar.)	
Metal Products	Tubular products business	-	-12.0	-1.0	-21.0	-34.0
	Specialty steel business in India	-	-	-	-8.0	-8.0
Transportation & Construction Systems	Automotive financing business in Indonesia	-6.0	-15.0	+1.0	-	-20.0
	Automotive sales and marketing business in Libya	-	-	-	-6.0	-6.0
Infrastructure	Additional costs occurred in several EPC projects due to delay in construction	-2.0	-7.0	-17.0	-28.0	-54.0
	IPP business in Australia (Bluewaters)	-	-25.0	-	-1.0	-26.0
	IWPP business in UAE (Shuweihat-1)	-	-	-10.0	-	-10.0
Living Related & Real Estate	Fresh produce business in Europe and the Americas (Fyffes)	-	-	-38.0	-	-38.0
Mineral Resources, Energy, Chemical & Electronics	Nickel mining and refining business in Madagascar	-55.0	-	-30.0	-	-85.0
Corporate and Eliminations	Reversal of deferred tax assets	-	-	-6.0	-22.0	-28.0
	Others	-4.0	-9.0	-8.0	-21.0	-42.0
Total		-67.0	-68.0	-109.0	-107.0	-351.0

I would like to explain the one-off losses in the fiscal year under review.

We recorded a one-off loss of JPY107.0 billion in the fourth quarter of the fiscal year under review. The main projects are shown in the slide.

In the tubular products business in Metal Products, we recorded a one-off loss of JPY21.0 billion in the fourth quarter alone as a loss on reserves and inventory valuation associated with the integration and reorganization of operating companies, the reorganization of bases, and withdrawal from the business.

In addition, as a result of a review of the business plan for the specialty steel business in India in light of the intensifying competitive environment, a one-off loss of JPY8.0 billion was recorded as an impairment loss.

In the Segment, Transportation & Construction Systems, in the automotive sales and marketing business in Libya, due to the devaluation of the Libyan dinar, we recorded a foreign exchange valuation loss of JPY6.0 billion.

In the Segment, Infrastructure, following the third quarter, a one-off loss of JPY28.0 billion for the fourth quarter alone and JPY54.0 billion for the full year was recorded as additional costs due to further delays in the progress of construction in several large EPC projects.

Outside of the Segments, in Corporate and Eliminations, we recorded a one-off loss of JPY22.0 billion in the fourth quarter alone as a reversal of deferred tax assets due to the deterioration of the corporate tax position caused by these large losses.

2. One-off profits/losses

(Unit: Billions of yen)

Business units	Projects	FY2020				Total
		Q1 (Apr.-Jun.)	Q2 (Jul.-Sep.)	Q3 (Oct.-Dec.)	Q4 (Jan.-Mar.)	
Metal Products	Tubular products business	-	-12.0	-1.0	-21.0	-34.0
	Specialty steel business in India	-	-	-	-8.0	-8.0
Transportation & Construction Systems	Automotive financing business in Indonesia	-6.0	-15.0	+1.0	-	-20.0
	Automotive sales and marketing business in Libya	-	-	-	-6.0	-6.0
Infrastructure	Additional costs occurred in several EPC projects due to delay in construction	-2.0	-7.0	-17.0	-28.0	-54.0
	IPP business in Australia (Bluewaters)	-	-25.0	-	-1.0	-26.0
	IWPP business in UAE (Shuweihat-1)	-	-	-10.0	-	-10.0
Living Related & Real Estate	Fresh produce business in Europe and the Americas (Fyffes)	-	-	-38.0	-	-38.0
Mineral Resources, Energy, Chemical & Electronics	Nickel mining and refining business in Madagascar	-55.0	-	-30.0	-	-85.0
Corporate and Eliminations	Reversal of deferred tax assets	-	-	-6.0	-22.0	-28.0
	Others	-4.0	-9.0	-8.0	-21.0	-42.0
Total		-67.0	-68.0	-109.0	-107.0	-351.0

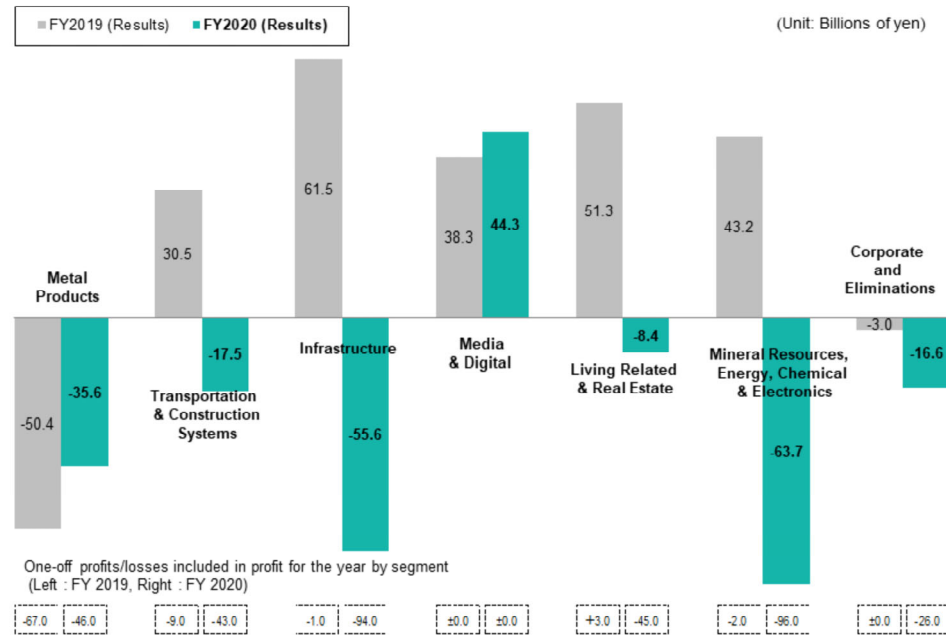
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As a result of the above, the Company posted a loss of JPY351.0 billion for the full year, which is over JPY50.0 billion more than the JPY300.0 billion loss forecasted in the announcement of the third quarter results.

The main reasons for the deterioration were additional costs for infrastructure EPC projects, a larger-than-expected reversal of deferred tax assets in Corporate and Eliminations, and the postponement of one-off profit that was expected in the fiscal year under review to the next fiscal year.

We regret that we have recorded such a large loss, but we are determined to firmly link our structural reform efforts in the fiscal year under review to future profit growth.

3. Profit/Loss for the year by Segment



- 〈 Summary by segment 〉
(excl. one-off profits/losses (Results))
- **Metal Products**
 - ✓ Recovery trend of overseas steel service centers
 - ✓ Decrease in earnings of tubular products business in North America
 - **Transportation & Construction Systems**
 - ✓ Decrease in earnings of leasing business
 - ✓ Decrease in earnings of automotive related business
 - ✓ Decrease in earnings of construction equipment sales & marketing and rental business
 - **Infrastructure**
 - ✓ Peak out of large-scale EPC projects
 - **Media & Digital**
 - ✓ Stable performance of major group companies in Japan
 - **Living Related & Real Estate**
 - ✓ Fresh produce business : stagnant market conditions in the U.S.
 - ✓ Strong performance of supermarket chains in Japan
 - ✓ Real estate business: large scale properties delivered in FY2019
 - **Mineral Resources, Energy, Chemical & Electronics**
 - ✓ Suspension of operation in nickel mining and refining business in Madagascar
 - ✓ Decrease in earnings of coal mining projects in Australia
 - ✓ Increase in earnings of iron ore mining business

You will find an overview of the business results for each Segment, which I hope you will take a look.

4. Cash Flows / Financial Position

● Cash Flows (Unit: Billions of yen)

	FY2019	FY2020
Operating activities	+326.6	+467.1
Investing activities	-203.4	-120.1
Free Cash Flow	+123.2	+347.0
<Cash in>		
Basic profit cash flow*1	+239.0	+130.8
(Dividend from investments accounted for using the equity method, included in the above)	(+101.8)	(+85.6)
Depreciation and amortization	+165.3	+170.9
Asset replacement	approx. +120.0	approx. +110.0
Others	approx. -50.0	approx. +200.0
<Cash out>		
Investment & Loan	approx. -350.0	approx. -260.0

< Summary >

- **Basic profit cash flow**
 - ✓ Core businesses generated cash
- **Asset replacement**
 - ✓ Sale of automobile assembly business in Mexico
 - ✓ Sale of shale gas project and tight oil project in the U.S., etc.
- **Others**
 - ✓ Decrease in working capital, etc.
- **Investment & Loan**
 - ✓ Additional investment in Sumitomo Mitsui Finance and Leasing Company, Limited
 - ✓ Capital investment in SCSK Corporation, etc.

● Financial Position (Unit: Trillions of yen)

As of Mar. 31, 2020

Total assets 8.1	
Current assets 3.5	Other liabilities 2.4
Non-current assets 4.6	Interest-bearing Liabilities *2 3.2 (2.5)
	Shareholders' equity *3 2.5

D/E Ratio(Net) : 1.0

As of Mar. 31, 2021

Total assets 8.1	
Current assets 3.5	Other liabilities 2.6
Non-current assets 4.6	Interest-bearing Liabilities *2 2.9 (2.3)
	Shareholders' equity *3 2.5

D/E Ratio(Net) : 0.9

< Summary (Unit: Billions of yen) >

- **Total assets -48.6** (8,128.6→8,080.0)
 - ✓ Decrease in operating assets
 - ✓ Decrease in investments accounted for using the equity method due to impairment loss
 - ✓ Increase due to the yen's depreciation (approx. +170 bil. yen), etc.
- **Shareholders' equity -16.2** (2,544.1→2,528.0)
 - ✓ Loss for the year
 - ✓ Dividend paid
 - ✓ Increase due to the yen's depreciation, etc.

	As of Mar. 31, 2020	As of Mar. 31, 2021
Exchange rate (YEN/US\$)	108.83	110.71

*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."

I would like to explain our cash flows and financial position.

Free cash flow for FY2020 was JPY347.0 billion in a cash inflow.

Mainly, basic profit cash flow was a net cash inflow of JPY130.8 billion.

As for asset replacement, we recovered JPY110.0 billion through the sale of automobile assembly business in Mexico and shale gas project and tight oil project in the U.S. and so on.

Other cash inflows were JPY200.0 billion, mainly due to a decrease in working capital.

Investment and loan resulted in a cash outflow of JPY260.0 billion due to the additional investment in Sumitomo Mitsui Finance and Leasing Company, Limited and so on.

Next, on the right side of the document, I would like to talk about the financial position. Total assets were JPY8.1 trillion, almost unchanged from the end of the previous fiscal year. In addition to the decrease in operating assets, investments accounted for using the equity method decreased due to the recording of impairment losses, but there was an increase of JPY170.0 billion due to the impact of yen' depreciation.

Shareholders' equity was also unchanged at JPY2.5 trillion. This is due to that the Company posted a loss for the fiscal year under review and also paid dividends. On the other hand, there is an increase due to the yen' depreciation.

5. Dividend for FY2020

Basic policy

To increase dividends by achieving medium- to long-term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long term.

Mid-term Plan2020 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.

FY2020 Dividend

The annual dividend for FY2020 is planned to be 70 yen* per share, the same as amount of ordinary dividend for FY2019. (The plan remains unchanged from the beginning of FY2020.)
The decision is based on the fact that our financial soundness is maintained as planned by tightening cost management, reducing interest-bearing liabilities through cash flow management and maintaining risk weighted assets within core risk buffer under emergency mode. It is also based on the projection that the profitability is expected to recover and the financial soundness is expected to maintain and improve.

*Annual dividend 70 yen/share. (interim dividend of ¥35 and year-end dividend of ¥35(plan))

I would like to explain the dividends.

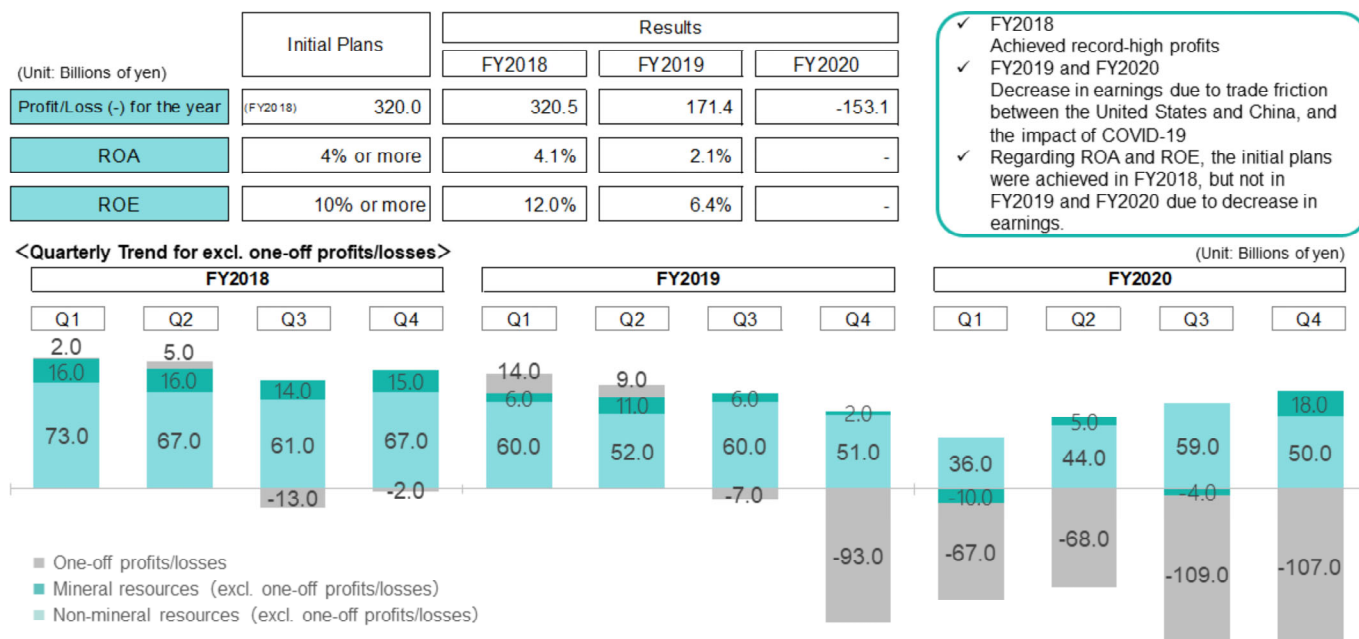
Although we posted a loss of JPY153.1 billion in the fiscal year under review, we maintained our financial soundness as planned by tightening cost management, reducing interest-bearing liabilities through cash flow management and maintaining risk weighted assets within core risk buffer under emergency mode.

In addition, with the projection that the profitability is expected to recover and the financial soundness is expected to maintain and improve, we plan to pay an annual dividend of JPY70 per share for FY2020, as forecasted at the beginning of the fiscal year. The interim dividend was JPY35, so the year-end dividend will be JPY35.

The above is an explanation of the FY2020 financial results.

Starting on the next page, I will summarize the 3 years of the Medium-Term Management Plan 2020.

6. Medium-Term Management Plan 2020 (Profit/Loss for the year)

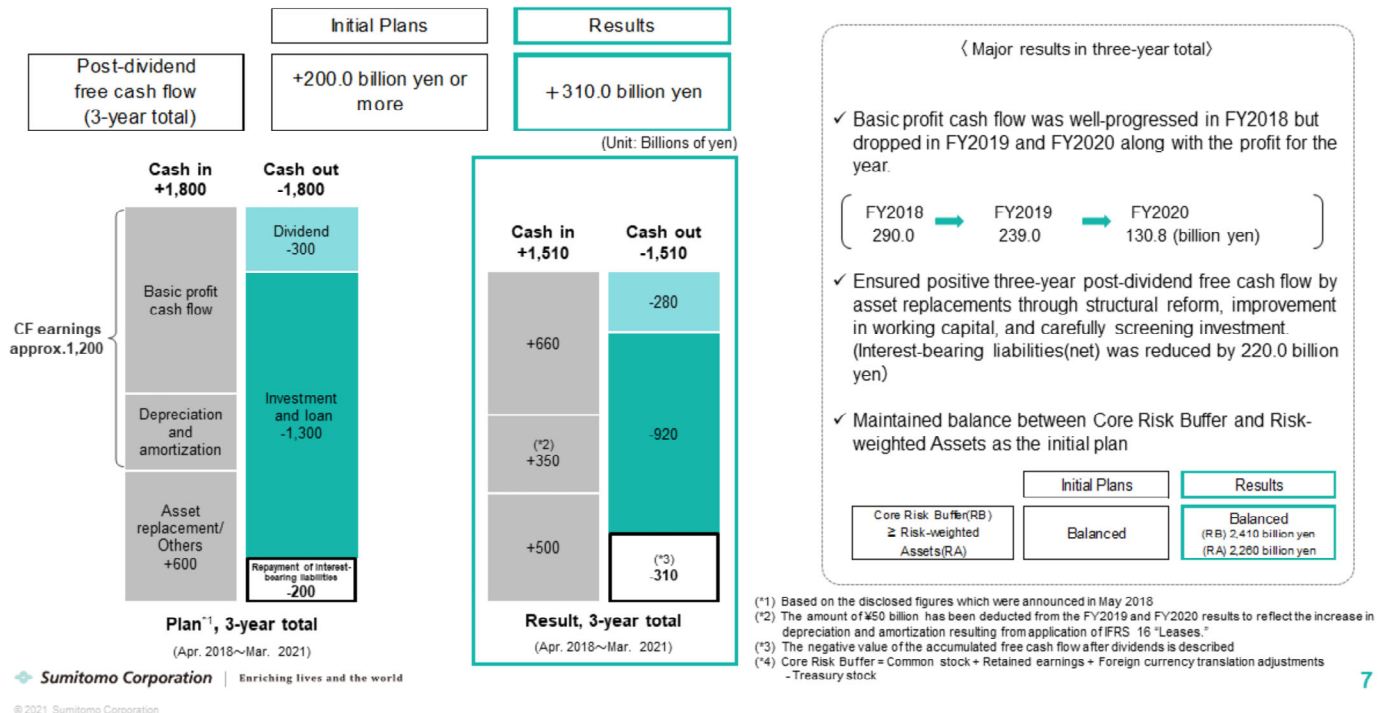


First, let's look at profitability and efficiency indicators.

The upper part of the page shows the initial plan and actual results for profit for the year, ROA and ROE, and the chart in the lower part of the page shows the quarterly profit trends for the past 3 years. In FY2018, the first year of the Plan, we achieved the initial plan and record-high profits, but since then, we have been greatly affected by the deterioration of the business environment caused by trade friction between the United States and China, and the impact of COVID-19.

For us, this 3-year period highlighted the need to improve the profitability and downward tolerance of our business portfolio.

7. Medium-Term Management Plan 2020 (Cash Flows)



Next, I would like to talk about cash flows.

While cash inflow has decreased overall compared to the plan at the time of the beginning of the medium-term management plan due to the sluggish business result, we managed cash flow well by asset replacements through structural reform, improvement in working capital, and carefully screening investment under the emergency mode in FY2020. As a result, free cash flow after dividends for the 3 years totaled to a cash inflow of JPY310.0 billion, compared to the initial plan of JPY200.0 billion.

We have also maintained a balance between core risk buffer and risk-weighted assets.

8. Structural Reform in FY2020

Specific efforts	Results																				
Identify low-profitable businesses and accelerate measures to create value	<ul style="list-style-type: none">✓ Analyzed profitability of approx. 400 companies, and identified 101 companies to exit✓ Exit from 32 companies was completed by the end of FY2020✓ Identified 71 companies to draw road map and started to implement turnaround measures✓ By accelerating the efforts, the earnings improvement of approx. 70.0 billion yen is expected during the period of the new medium-term management plan																				
	<table><tr><th rowspan="2">Category</th><th colspan="2">Results in FY2020</th><th colspan="2">New Medium-Term Management Plan</th></tr><tr><th>No. of companies</th><th>Earnings improvement</th><th>No. of companies</th><th>Earnings improvement (estimated)</th></tr><tr><td>Establishment of road map for turnaround</td><td colspan="2" rowspan="2">Implementation of turnaround measures along with road map</td><td>71</td><td rowspan="3">Approx. ¥70.0 billion (compared to FY2020)</td></tr><tr><td>Large-scale business turnaround</td><td>5</td></tr><tr><td>Exit</td><td>32</td><td>Reduction in loss of approx. 6.0 billion yen</td><td>69</td></tr></table>	Category	Results in FY2020		New Medium-Term Management Plan		No. of companies	Earnings improvement	No. of companies	Earnings improvement (estimated)	Establishment of road map for turnaround	Implementation of turnaround measures along with road map		71	Approx. ¥70.0 billion (compared to FY2020)	Large-scale business turnaround	5	Exit	32	Reduction in loss of approx. 6.0 billion yen	69
	Category		Results in FY2020		New Medium-Term Management Plan																
		No. of companies	Earnings improvement	No. of companies	Earnings improvement (estimated)																
	Establishment of road map for turnaround	Implementation of turnaround measures along with road map		71	Approx. ¥70.0 billion (compared to FY2020)																
Large-scale business turnaround	5																				
Exit	32	Reduction in loss of approx. 6.0 billion yen	69																		
Improve cash flow management	<ul style="list-style-type: none">✓ By steadily implementing asset disposal, ¥110 billion in cash was recovered in FY2020 (¥50 billion of which was from sales of cross-shareholdings)✓ Working capital was improved by approx. ¥200 billion✓ Investments were limited to strategically important ones and made on a selective basis																				
Tighten cost management	<ul style="list-style-type: none">✓ SG&A expenses were reduced by approx. ¥32 billion compared to FY2019 results																				

Next, I would like to explain the results of our structural reform in FY2020.

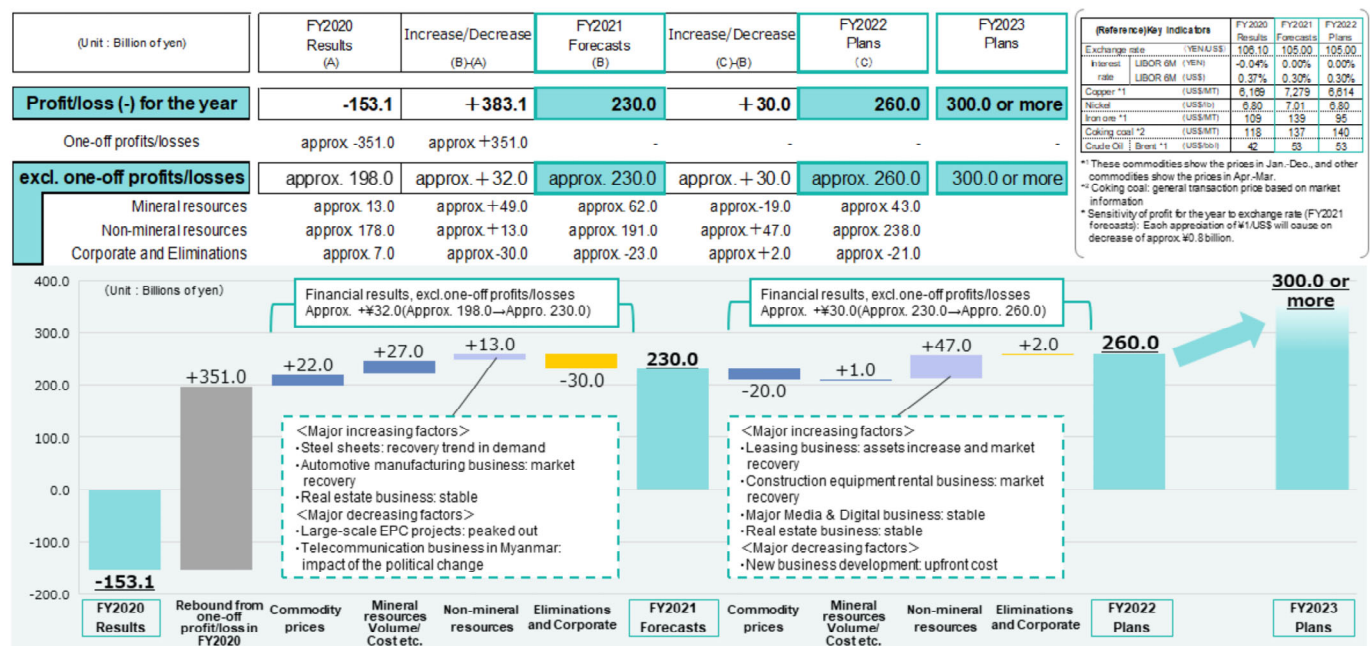
Regarding the measures for low-profitable business in the upper part of this page, we have listed some of the outcome we achieved on the right side.

First, from the top, we analyzed the profitability of approx. 400 companies, and identified 101 companies to exit or realize value, and completed the exit of 32 companies in FY2020. The remaining 69 companies will be exit during the period of the new medium-term management plan starting this fiscal year.

In addition, we have identified 71 companies to draw road map, and together with the 5 large-scale business turnaround such as Ambatovy and TBC, we have formulated turnaround measures along with the road map and have begun implementing them.

Through these efforts, we aim to improve earnings by approx. JPY70.0 billion during the period of the new medium-term management plan. Other results for company-wide cash flow management and efforts to tighten cost control are described here.

9. New Medium-Term Management Plan (FY2021-FY2023)



*Due to reorganization carried out as of 1st Apr. 2021, the breakdown of FY2020 results, excl. one-off profits/losses are rearranged and described.

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Next, I would like to explain the profit plan and dividend policy of the new medium-term management plan announced today, which covers the 3-year period from FY2021 to FY2023.

The upper part of the chart shows the profit plan for each fiscal year, and the lower part shows the factors behind the increase and decrease in profit for each fiscal year in a waterfall chart. The new medium-term management plan calls for a shift in our business portfolio to one that combines higher profitability with greater resistance to changes in the business environment.

Although the future remains uncertain due to the lack of prospects for the containment of COVID-19, the profit plan for FY2021 is JPY230.0 billion.

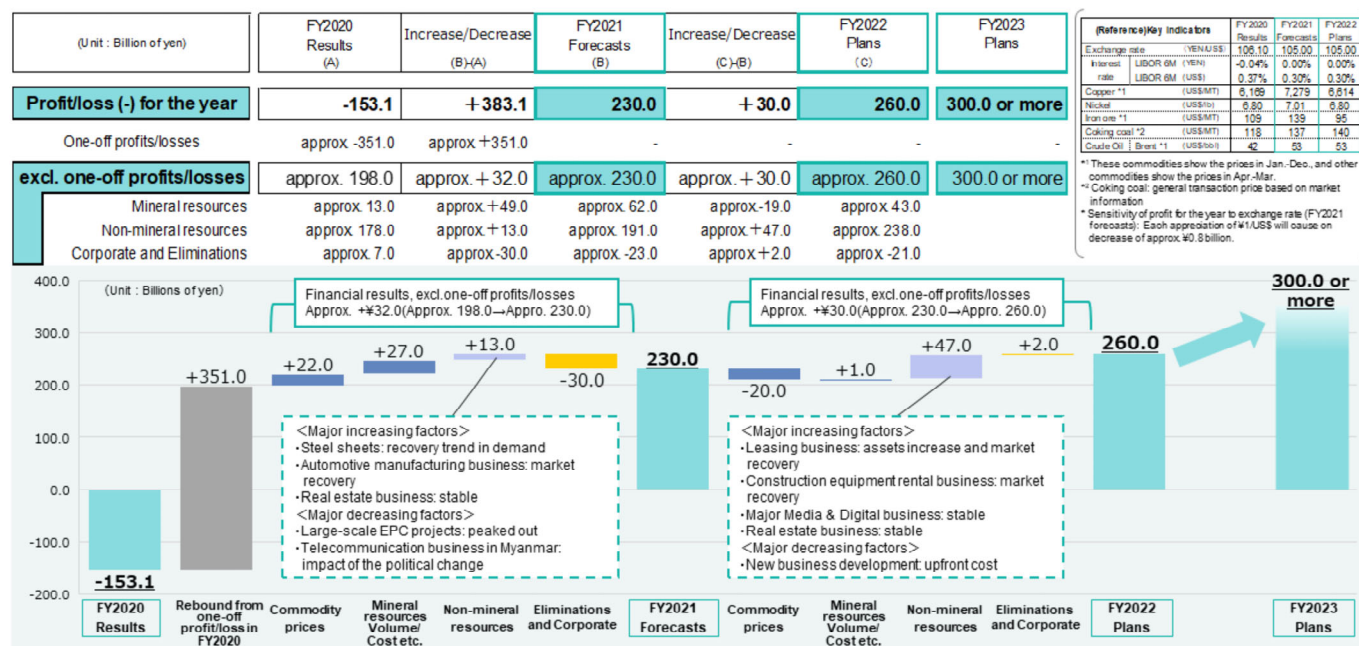
As for the image of profit from the second year onward, we are aiming for JPY260.0 billion in FY2022, and JPY300.0 billion or more in FY2023.

To explain factors behind the increase in profit for each fiscal year, we plan to increase profit by JPY380.0 billion from FY2020 to FY2021, but since we had a large one-off loss in FY2020, we plan to increase profit by about JPY30.0 billion excluding this.

The mineral resource business is expected to increase by JPY49.0 billion in profit due to higher resource prices and the resumption of operations at the nickel mining and refining business in Madagascar.

In the non-mineral resource businesses, while some businesses will see a decrease in profit, such as the peak out of large-scale projects in power infrastructure business, businesses that were significantly affected by the spread of COVID-19 in FY2020, such as the steel sheets business and automobile manufacturing business, will see an increase in profit by steadily capturing the recovery in demand. In addition, the real estate business and other businesses will continue to perform well. As a result, we plan to increase profit by JPY13.0 billion.

9. New Medium-Term Management Plan (FY2021-FY2023)



* Due to reorganization carried out as of 1st Apr. 2021, the breakdown of FY2020 results, excl. one-off profits/losses are rearranged and described.

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(Continued)

We plan to report a JPY30.0 billion decrease in profit in Corporate and Eliminations, mainly due to worsening tax costs at the head office division as a result of the deterioration of the corporate tax position.

We are also projecting an increase of JPY30.0 billion from FY2021 to FY2022.

The mineral resource business is expected to see a decrease in profits compared to FY2021, mainly due to the lowering of resource price assumptions, while in the non-mineral resource business, framed as major increasing factors, we will steadily expand earnings by concentrating our management resources on core businesses in which we have strengths, such as the businesses listed here.

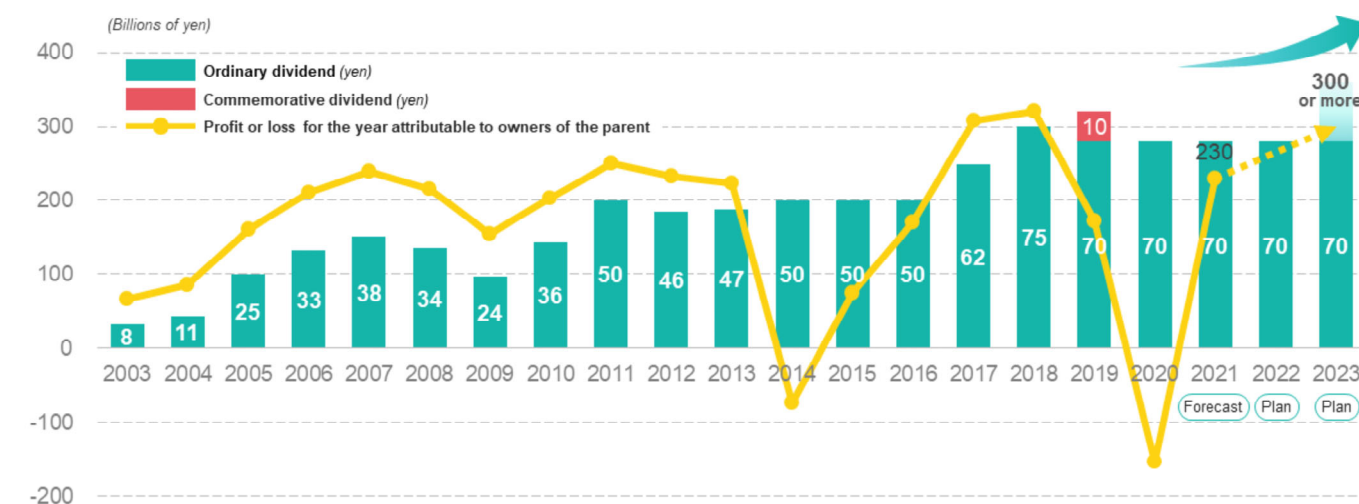
In addition, we have assumed an increase of more than JPY40.0 billion from FY2022 to FY2023.

Based on the assumption that resource prices will remain at the same level as FY2022 as a whole, we do not expect to see a large increase in profits in the mineral resources business in FY2023. In other words, the majority of profit growth will come from non-mineral resource businesses, and we plan for our core businesses to continue to drive profit growth.

At this point, we have set a profit level of JPY300.0 billion or more as the profit image for the third year, which should be achieved regardless of the external environment, and by steadily implementing the initiatives in the new medium-term management plan, we will aim to achieve a record high profit of JPY320.0 billion.

10. Shareholder Return (Dividend Policy)

- Sumitomo Corporation aims to increase dividends by achieving medium and long-term earnings growth while adhering to its fundamental policy of paying shareholders a stable dividend over the long term.
- Under the medium-term management plan (SHIFT2023), we decide the annual dividend based on the status of fundamental earnings capacity, cash flows, and other factors, with a consolidated payout ratio of about 30% as a guideline, maintaining at least 70 yen per share, the same amount as the annual dividend for FY2020.
- In FY2021, we plan to provide a dividend of ¥70 per share (interim dividend of ¥35 and year-end dividend of ¥35).



Lastly, I will explain our dividend policy.

Our basic policy is to increase dividends by achieving medium- to long-term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long term.

This basic policy will remain unchanged in the new medium-term plan that begins this fiscal year. Under its new medium-term management plan, while aiming for an early recovery in earnings through a shift in its business portfolio, we will decide the annual dividend based on the status of fundamental earnings capacity, cash flows, and other factors, with a consolidated payout ratio of about 30% as a guideline, maintaining at least 70 yen per share, the same amount as the annual dividend for FY2020.

Based on this policy, we plan to provide an annual dividend of JPY70 per share for FY2021, as we plan to achieve a consolidated net income of JPY230.0 billion.

The above is all for the explanation of profit plan and dividend policy. The details of the new medium-term management plan will be explained at the briefing session on the new medium-term management plan to be held on Monday, May 10, so please join us there as well.

[END]