# Quarterly Results for FY2021

## (Three-month period ended June 30, 2021)

**August 4, 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.

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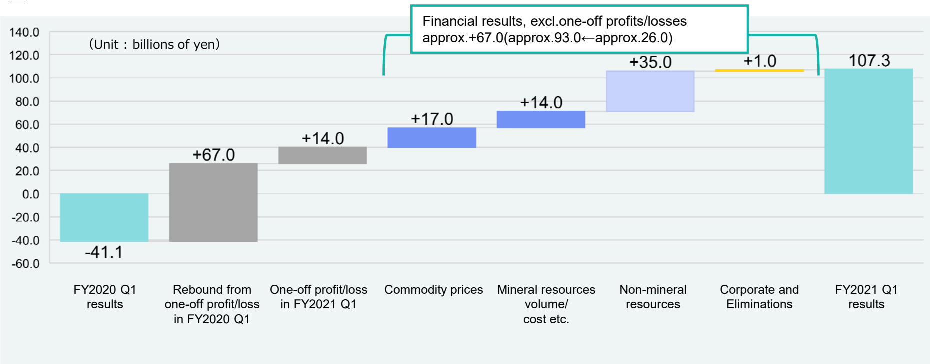
# 1. Operating Results (Profit/Loss for the Period)

| (Unit: billions of yen) | FY2020 Q1 (Apr.-Jun.) (A) | FY2021 Q1 (Apr.-Jun.) (B) | Increase/ Decrease (B)-(A) | FY2021 Initial Forecasts (announced in May. 2021) (C) | Increase/ Decrease (D)-(C) | FY2021 Revised Forecasts (announced in Aug. 2021) (D) |
|---|---|---|---|---|---|---|
| **Profit / loss (-) for the period** | **-41.1** | **107.3** | **+148.4** | **230.0** | **+60.0** | **290.0** |
| One-off profits/losses | approx. -67.0 | approx. +14.0 | approx. +81.0 | - | - | - |
| **excl. one-off profits/losses** | approx. **26.0** | approx. **93.0** | approx. **+67.0** | approx. **230.0** | approx. **+60.0** | approx. **290.0** |
| Mineral resources *1 | -9.0 | 22.0 | +31.0 | 62.0 | +35.0 | 97.0 |
| Non-mineral resources *2 | 33.0 | 68.0 | +35.0 | 191.0 | +15.0 | 206.0 |
| Corporate and Eliminations | 2.0 | 3.0 | +1.0 | -23.0 | +10.0 | -13.0 |




*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" and "Corporate and Eliminations" from the total.
*3 Due to reorganization carried out as of 1st Apr. 2021, the breakdown of FY2020 Q1 results, excl. one-off profits/losses are reclassified and described.

**〈Profit / Loss for FY2021 Q1〉**
**(compared to FY2020 Q1)**

【One-off profits/losses】
- ✓FY2020 Q1 impairment loss in nickel mining and refining business in Madagascar (approx. -¥55.0 bil.)
- ✓FY2021 Q1 one-off profit from restructuring of project finance in nickel mining and refining business in Madagascar (approx. +¥14.0 bil.)

【excl. one-off profits/losses (results) 】

■ Mineral resources
- ✓Increase in earnings by higher mineral resources prices
- ✓Resume of operation in the nickel mining and refining business in Madagascar

■ Non-mineral resources
- ✓Tubular products business in North America and automotive related business: recovery trend
- ✓Leasing business : profit improvement
- ✓Real estate business : large scale properties delivered

**〈Annual dividend forecast〉**

With a consolidated payout ratio of about 30% as a guideline, no change from initial forecast of ¥70 per share. (interim dividend of ¥35 and year-end dividend of ¥35(plan)).

| (Reference)Key indicators | | FY2020 (Apr.-Jun.) Results | FY2021 (Apr.-Jun.) Results | FY2021 Initial Forecasts |
|---|---|---|---|---|
| Exchange rate | (YEN/US$) | 107.63 | 109.52 | 105.00 |
| Interest rate | LIBOR 6M (YEN) | 0.01% | -0.05% | 0.00% |
| | LIBOR 6M (US$) | 0.71% | 0.19% | 0.30% |

Each appreciation of ¥1/US$ will cause on decrease of approx. ¥0.8 billion(initial forecasts).




Profit for the year for the first quarter of the current fiscal year was JPY107.3 billion.

In addition to steadily capturing profits opportunities associated with the resumption of economic activity, the favorable external environment, including robust mineral resource prices, also provided a tailwind, resulting in the highest non-consolidated profits on record.

One-off profit and loss for FY2021 was JPY14 billion, mainly due to the recording of one-off profits in nickel mining and refining business in Madagascar because of debt restructuring. Excluding one-off profits and losses, operating results for the period were JPY93.0 billion. Dividing the results into mineral resources business and non-mineral resources businesses, the mineral resources business recorded JPY22.0 billion, an increase of JPY31.0 billion compared to the same period last year.

The reason for the increase in profit is the price factor as shown in the 2 blue bars in the middle of the waterfall at the bottom. The left is the price factor of JPY17.0 billion. Factors other than price, such as volume, resulted in an increase of JPY14.0 billion.

Both price and volume factors contributed to a significant increase in profit YoY, due to high prices for iron ore and other resources, as well as the resumption of operations at the nickel mining and refining business in Madagascar from March this year. In addition, non-mineral resources businesses recorded a profit of JPY68.0 billion, an increase of JPY35.0 billion YoY.

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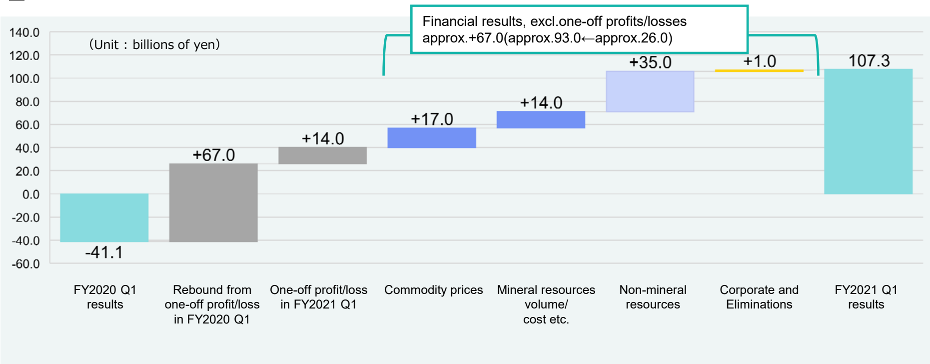


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**〈Profit / Loss for FY2021 Q1〉 (compared to FY2020 Q1)**

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**〈 Annual dividend forecast 〉**

With a consolidated payout ratio of about 30% as a guideline, no change from initial forecast of ¥70 per share. (interim dividend of ¥35 and year-end dividend of ¥35(plan)).

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Each appreciation of ¥1/US$ will cause on decrease of approx. ¥0.8 billion(initial forecasts).

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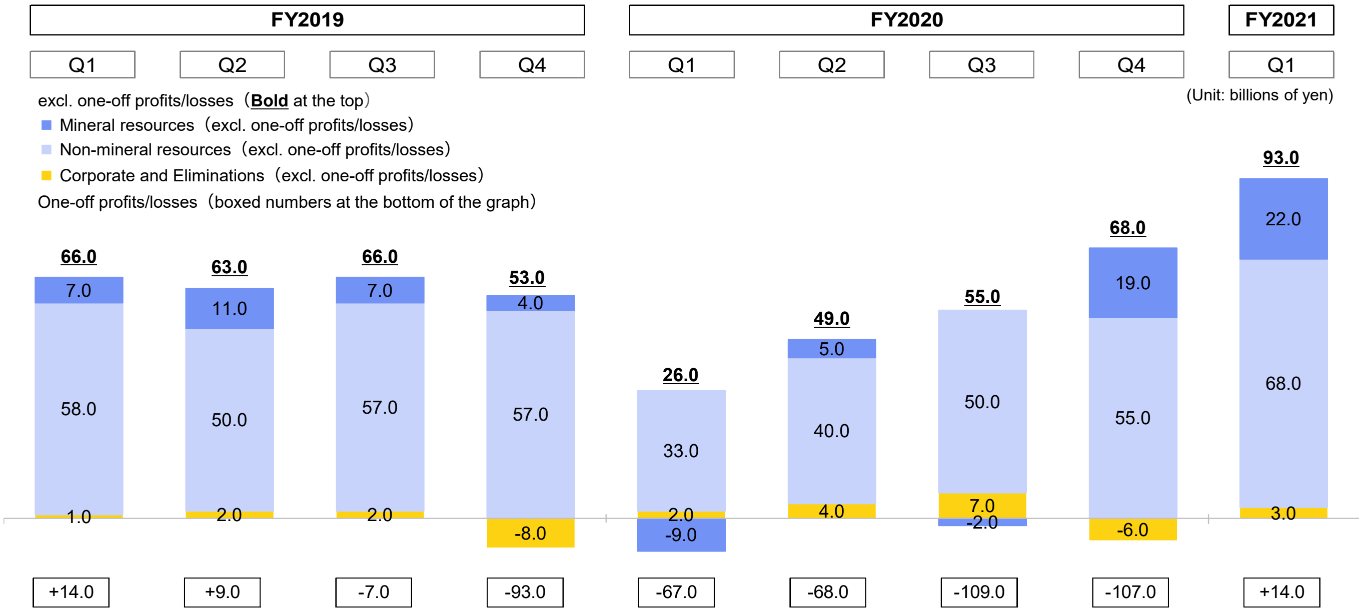
(Continued)

The increase in profit was due to the steady improvement in the business environment, especially in the Metal Products and Transportation & Construction Systems segments, which were significantly affected by the spread of COVID-19 in the same period of the previous fiscal year. As a result, the full-year forecast has been revised upward to JPY290.0 billion, an increase of JPY60.0 billion from the initial forecast of JPY230.0 billion for FY2021 as the progress has been high.

This breakdown is a little to the right of the document. The amount of change is written in thin character, but it is as shown in this column: JPY35.0 billion in the mineral resources businesses and JPY15.0 billion in the non-mineral resources businesses. Upwardly revised by JPY10.0 billion in Corporate and Eliminations, respectively.

In view of the consolidated dividend payout ratio of 30%, the annual dividend forecast remains unchanged from the initial forecast of JPY70.

## 2. Quarterly Trend for Profit/Loss for the Period

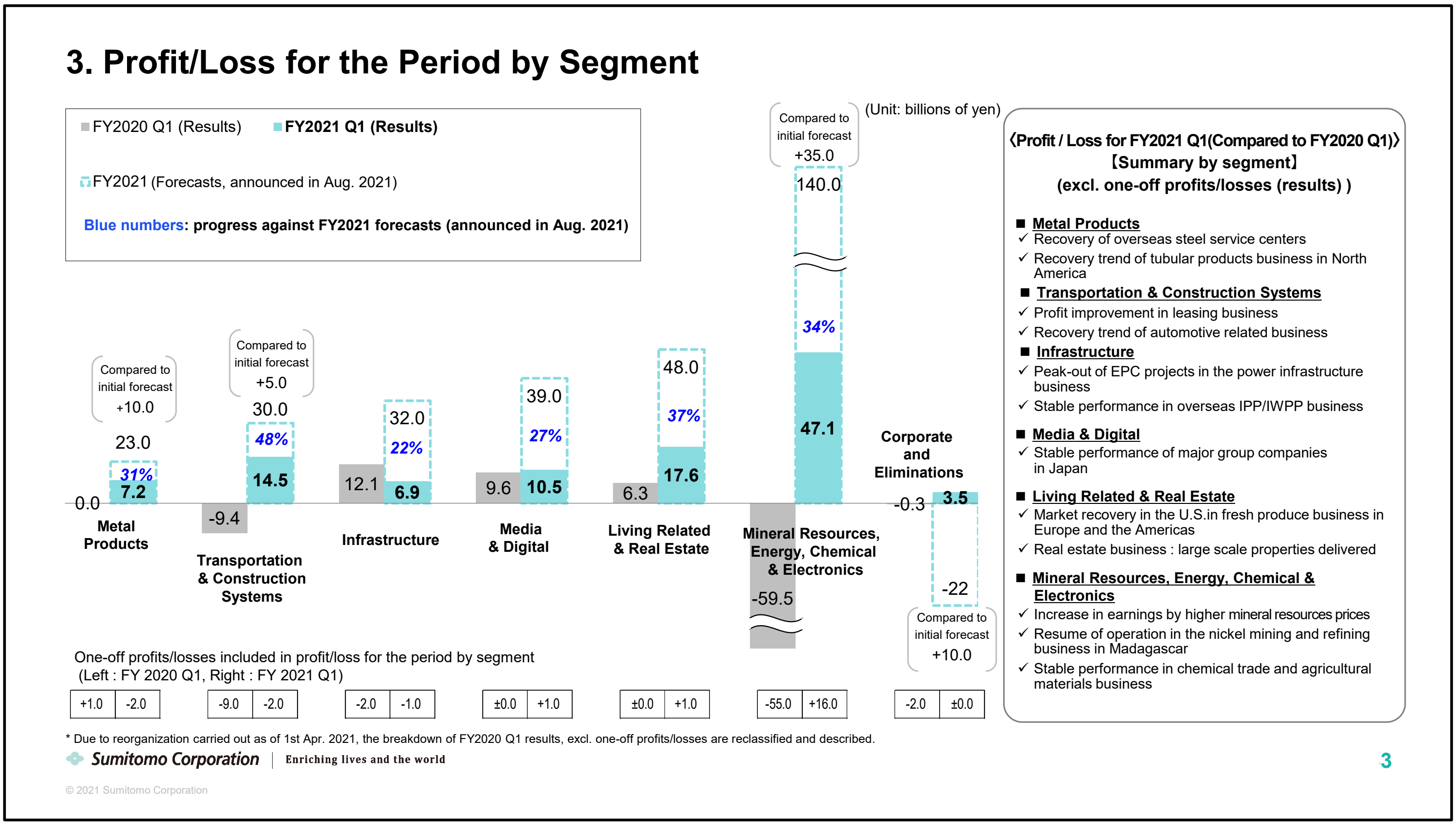



* Due to reorganization carried out as of 1st Apr. 2021, the breakdown of FY2019 and FY2020 results, excl. one-off profits/losses are reclassified and described.




The bar graph shows the quarterly trend in business performance excluding one-off profits and losses.

Since bottoming out in the first quarter of last year, both mineral-resources and non-mineral resources have continued to show recovery, and the first quarter of FY2021 has seen a higher level of profits for both mineral-resources and non-mineral resources due to an improved business environment.




The document shows the business results by segment.

Except for infrastructure, which shows a decrease in profit due to the peak out of EPC projects, profit increased in each segment.

In addition, the business environment has improved, and we have made upward revisions in the 3 segments of Metal Products, Transportation & Construction Systems, and Mineral Resources & Energy, Chemical & Electronics, which have made high progress against our initial forecast, and in the Corporate and Eliminations segment, respectively, as described in the materials.

## 4. Cash Flows / Financial Position

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

| | | FY2020 Q1 | | FY2021 Q1 |
|---|---|---|---|---|
| Operating activities | | +46.8 | | +53.2 |
| Investing activities | | -53.2 | | -2.9 |
| Repayments of lease liabilities | | -13.0 | | -16.6 |
| **Free Cash Flow** (After netting repayments of lease liabilities) | | **-19.4** | | **+33.7** |
| <Cash in> | | | | |
| Basic profit cash flow*1 | | +57.8 | | +110.4 |
| (Dividend from investments accounted for using the equity method, included in the above) | | +46.3 | | +54.9 |
| Depreciation and amortization (After netting repayments of lease liabilities) | | +26.8 | | +25.8 |
| Asset replacement | approx. | +10.0 | approx. | +60.0 |
| Others | approx. | -70.0 | approx. | -60.0 |
| <Cash out> | | | | |
| Investment & loan | approx. | -50.0 | approx. | -110.0 |

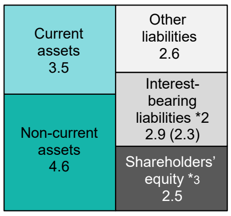
〈 **Summary** 〉

- ■ Basic profit cash flow
  - ✓Steady cash generation by core businesses
- ■ Asset replacement
  - ✓Sales of the domestic real estate
  - ✓Sales of the textiles related business, etc.
- ■ Others
  - ✓Increased in working capital, etc.
- ■ Investment & loan
  - ✓Participation in the telecommunication business in Ethiopia
  - ✓Progress in construction of the domestic biomass power plant, etc.

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

As of Mar. 31, 2021

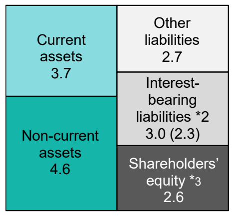
Total assets **8.1**




D/E Ratio(Net) : 0.9

As of Jun. 30, 2021

Total assets **8.3**




D/E Ratio(Net) : 0.9

〈 **Summary** (Unit: billions of yen) 〉

- ■ Total assets ＋213.5 (8,080.0→8,293.4)
  - ✓ Increase in operating assets
  - ✓ Increase in investments accounted for using the equity method, etc.
- ■ Shareholders' equity ＋91.9 (2,528.0→2,619.8)
  - ✓ Profit for the year
  - ✓ Dividend paid, etc.

| | As of Mar. 31, 2021 | As of Jun. 30, 2021 |
|---|---|---|
| Exchange rate (YEN/US$) | 110.71 | 110.58 |

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*1 Basic cash flow = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) × (1-Tax rate) + Dividend from investments accounted for using the equity method
Tax rate is 25% for the three-month period ended June 30, 2021 and 31% for the same period of previous fiscal year

* 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.



Next, I will explain our cash flow and financial position.
First, I would like to talk about cash flow. Please see the left side of the document.

For controlling interest-bearing liabilities, the Company manages cash flows using adjusted cash flow, which is free cash flow—cash flow from operating activities plus cash flow from investing activities—adjusted for repayments of lease liabilities.
After netting out the repayments of lease liabilities, free cash inflow for the first quarter was JPY33.7 billion.

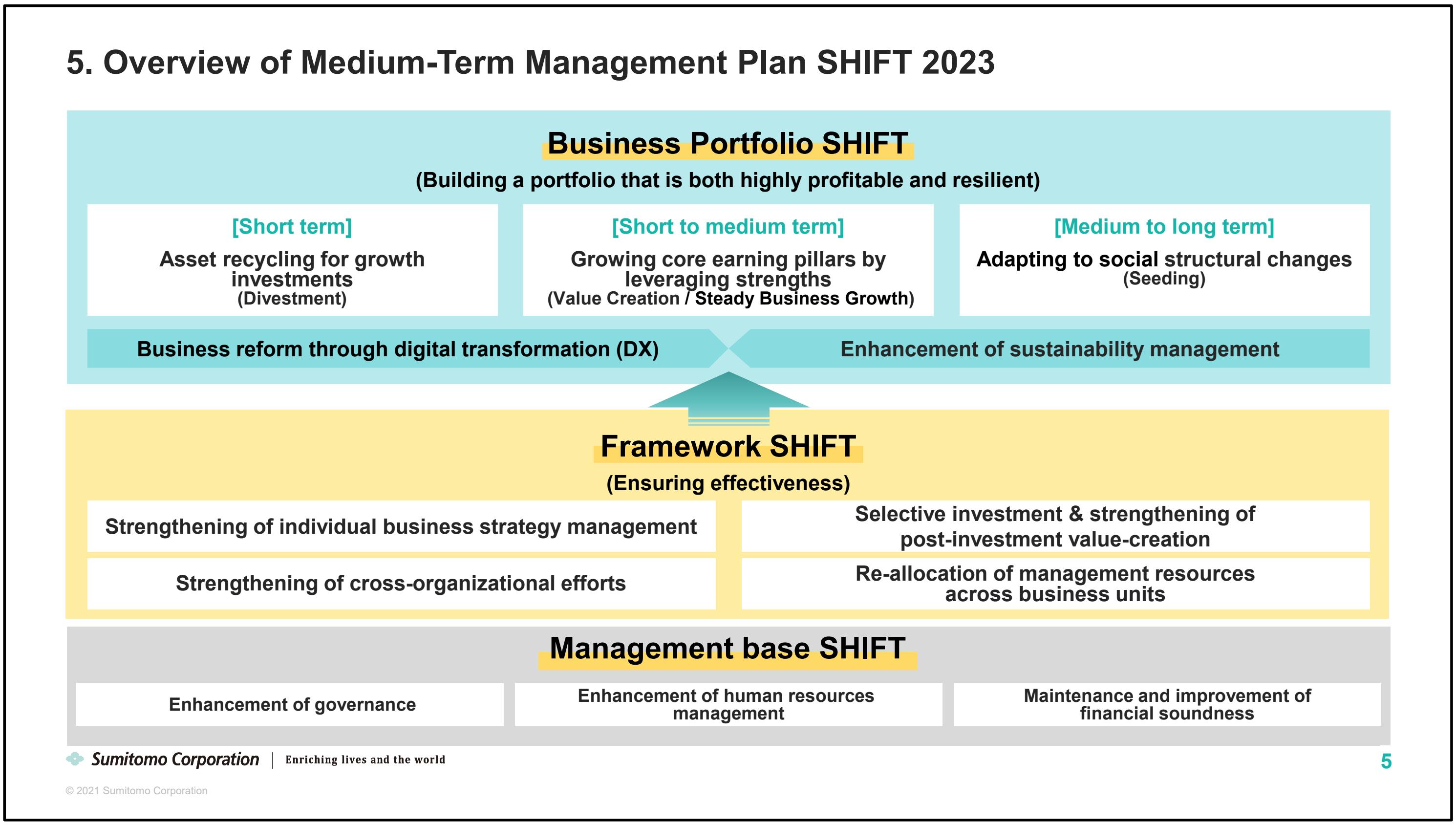
By major breakdown, basic profit cash flow was JPY110.4 billion in cash-inflow, mainly due to steady cash generation by core businesses.

Then, in asset replacement, we collected JPY60.0 billion through the sale of domestic real estate projects and the sale of textile-related businesses.

Other cash outflows were JPY60.0 billion, mainly due to an increase in working capital.

In addition, investments and loans resulted in a cash outflow of JPY110.0 billion due to participation in the Ethiopian telecommunications business and progress in the construction of biomass power plants in Japan.

On the right side of the document is the financial status.
Total assets increased by JPY213.5 billion compared to the end of the previous fiscal year to JPY8,293.4 billion. This was mainly due to an increase in operating assets, such as inventories, as well as an increase in equity method investments due to new investments and loans.




Next, I would like to explain the progress of our medium-term management plan, SHIFT 2023, which started this FY2021.

The overall picture of this medium-term management plan is presented here again. The current medium-term management plan calls for a shift in the business portfolio, a shift in the framework, and a shift in the management base to build a highly profitable and downwardly resistant portfolio.

In the following pages, we will explain the progress of these 3 shifts.

## 6. Business Portfolio SHIFT（Short Term and Short to Medium Term Initiatives）

| | Progress |
|---|---|
| Identify low-profitable businesses and accelerate measures to create value | |

| Category | Results in FY2021 Q1 | | At the end of Medium-Term Management Plan SHIFT 2023 | |
|---|---|---|---|---|
| | No. of companies | Earnings improvement | No. of companies | Earnings improvement (estimated) |
| Exit | 6 | approx. 26.0 billion yen (compared to FY2020 Q1) | 69 | approx. 70.0 billion yen (compared to FY2020) |
| Turnaround (76 companies) | | | | |

- ✓ Analyzed profitability of approx. 400 companies, and identified 101 companies to exit
- ✓ In addition to 32 companies completed in FY2020, will exit from 39 companies in FY2021 (6 of them are completed)

The progress of major turnaround
(earnings improvement, excl. one-off profits/losses (compared to FY2020 Q1))

| | |
|---|---|
| Nickel mining business in Madagascar | approx. 8.0 billion yen improvement |
| Fyffes | approx. 2.0 billion yen improvement |
| TBC | approx. 2.0 billion yen improvement |


- ✓ By accelerating the efforts, the earnings improvement of approx. 70.0 billion yen（compared to FY2020）is expected in FY2023.




First, I would like to explain the progress of the structural reforms that we have continued to implement since last fiscal year as a short- and short to medium-term initiative to shift our business portfolio.

We are planning to exit from 69 companies and  realize value during the current medium-term management plan, and by working to increase the value of 76 turnaround companies, we aim to improve earnings by JPY70.0 billion compared to FY2020 in FY2023, the final year of the medium-term management plan.

Regarding the companies from which we will exit or realize value, we plan to exit from 39 companies in FY2021, of which we exited from 6 companies, including textile-related businesses, in the first quarter of FY2021. As of the end of the first quarter of FY2021, the amount of the earnings improvement of these 6 companies, plus the 76 turnaround companies, is approximately JPY26.0 billion YoY.

The earnings improvement at major turnaround companies is shown in the lower part of this document, including an improvement of approximately JPY8.0 billion at the nickel mining and refining business in Madagascar, and approximately JPY2.0 billion each at Fyffes and TBC.

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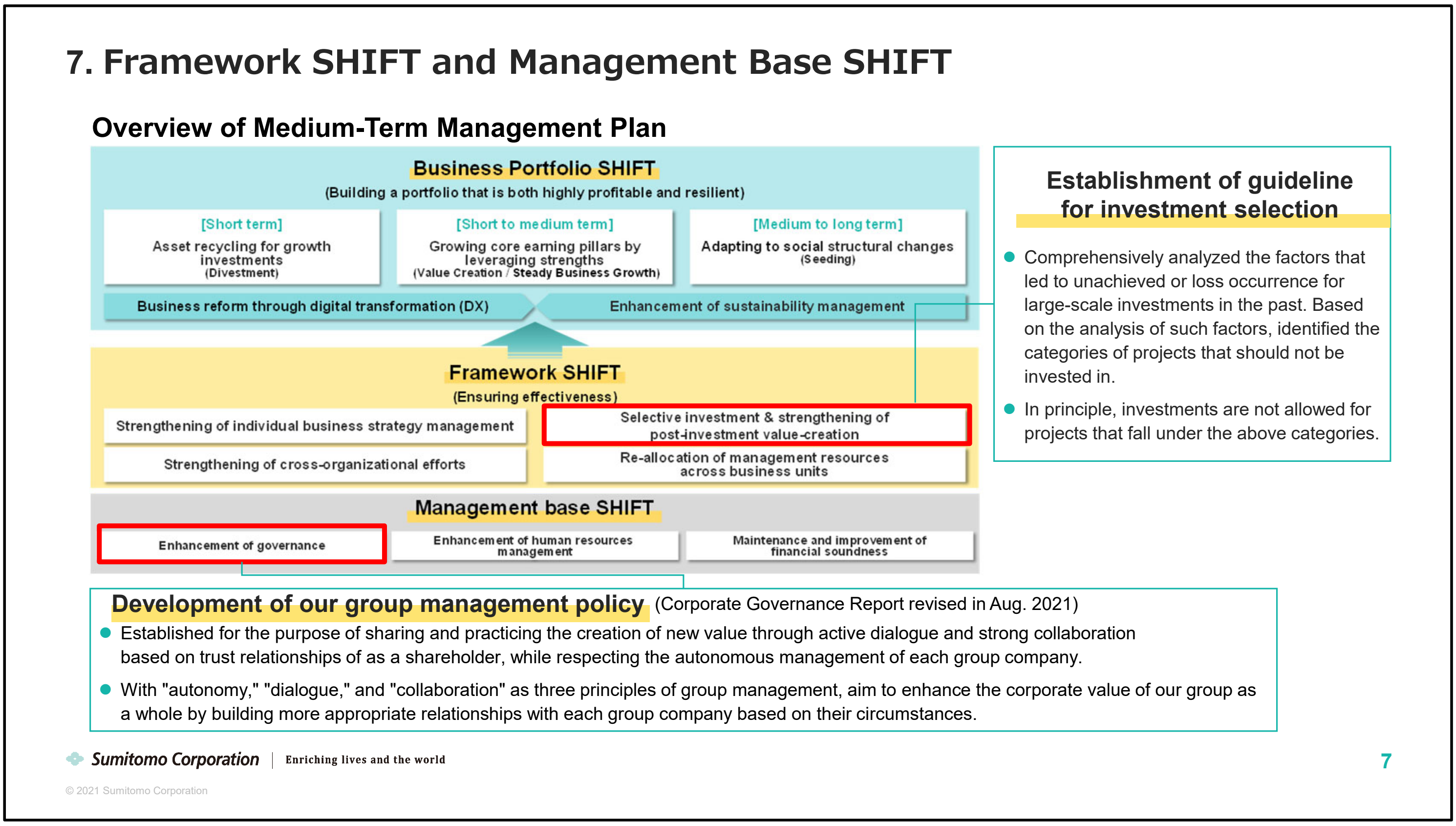
(Continued)

These are all businesses that were affected by the spread of COVID-19 in the same period of the previous year, and we believe that the amount of earnings improvement at this point is largely due to the improvement in the external environment.

Our structural reforms are still in the middle of the road, and we continue to realize value as planned as we shift to a business portfolio that can generate stable earnings even when the business environment deteriorates. We will continue to steadily implement turnaround measures.




We will explain the progress of the shift in the framework and the management base.

First, regarding the shift in the framework, as we explained in the announcement of the Medium-Term Management Plan in May, we have established guidelines for the selection of projects at the entry point of investment.

We will thoroughly analyze the factors that led to the failure of past large-scale projects, identify the types of projects that we should not invest in, and establish clear criteria for deciding not to invest in those that fall into this category.

We will shift to a system that not only carefully selects investments at the entry point, but also steadily implements post-investment value-up measures and strengthens monitoring to ensure the success of business investments.

Lastly, in terms of shifting the management base, in relation to strengthening governance, we have established the Group Management Policy with the aim of sharing and implementing our thinking on Group management.

We are engaged in various business activities in a variety of industries on a global scale. We have set autonomy, dialogue, and collaboration as the 3 principles of Group management, and by strengthening the relationship of trust with our group companies, we aim to create new value and increase the corporate value of the entire Group.

［END］