

Quarterly Results for FY2023

(Three-month period ended June 30, 2023)

August 3, 2023
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. Summary of FY2023 Q1 Results

- Profit for the period attributable to owners of the parent totaled ¥129.4 bil. Progress rate against FY2023 forecasts is 27%.
- Left the annual forecasts of ¥480.0 bil., and annual dividend (per share) of ¥120 (plan) unchanged from the initial forecast announced in May 2023.

Summary of FY2023 Q1 Results

	FY2022 Q1 Results*	FY2023 Q1 Results	Increase/ Decrease	FY2023 Forecasts (announced in May 2023)	Progress
Profit for the Year (Attributable to Owners of the Parent)	¥155.3 bil.	¥129.4 bil.	¥-25.8 bil.	¥480.0 bil.	27%

Annual dividend
(per share)

¥120

*The Company has applied IAS 12 "Income Taxes" (amended in May 2021) from the three-month period ended June 30, 2023, and figures for the prior fiscal year are shown after retroactive application.

Now, I will first provide an overview of the consolidated results for Q1 based on the presentation materials.

This is a summary of the Q1 consolidated results.

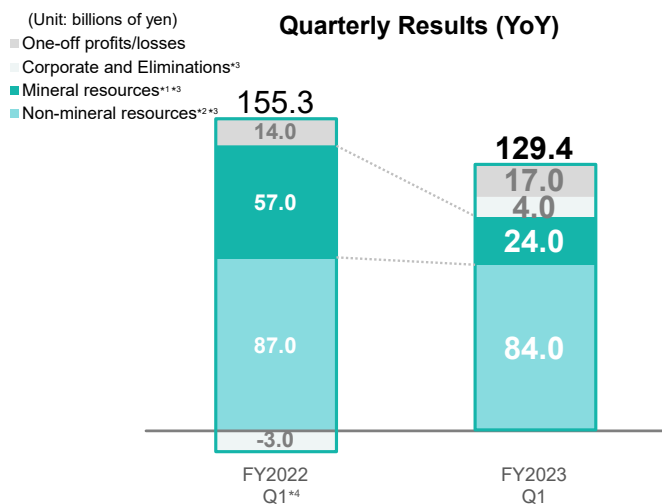
As mentioned above, profit for the year for the Q1 under review amounted to JPY129.4 billion.

Progress toward the full-year forecast for FY2023 announced in May was 27%.

Both the full-year forecast of JPY480 billion and the annual dividend of JPY120 per share remain unchanged from the initial forecast.

2. Operating Results (Profit for the Period (Attributable to Owners of the Parent))

- Profit for the period attributable to owners of the parent totaled ¥129.4 bil.
- ¥25.8 bil. decrease compared to the same period of the previous fiscal year (-17%).



Highlights

- Mineral resources (¥-33.0 bil.)**
Decline in mineral resources & energy prices
- Non-mineral resources (¥-3.0 bil.)**
Construction & mining systems business: strong
Domestic electricity retail business: recovery due to contract renewal
Real estate business: Decline due to delivery of major projects in FY2022 Q1
Chemical & Electronics business: market prices decline
- Major one-off profits/losses**
Profit from the divestment of retail portfolio in tire sales & marketing business in the U.S.

(Reference) Average exchange rate (JPY/US\$): FY2022 Q1 129.73
FY2023 Q1 137.49

^{*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} The results of Mineral resources, Non-mineral resources, and Corporate and Eliminations represents profits/losses excl. one-off profits/losses.

^{*4} Due to reorganization carried out as of Apr. 1, 2023, the breakdown of FY2022 Q1 results, excl. one-off profits/losses are reclassified.

I would like to reiterate the results for the Q1 under review.

Profit attributable to owners of the parent for Q1 was JPY129.4 billion, down JPY25.8 billion YoY.

Quarterly profit is shown separately for one-off profits/losses and profit excluding it, with the latter broken down into the mineral resources business, non-mineral resources business, and corporate and eliminations.

The mineral resources business recorded JPY24 billion in profit, a decrease of JPY33 billion. The decrease in earnings was mainly due to the impact of lower resource and energy prices.

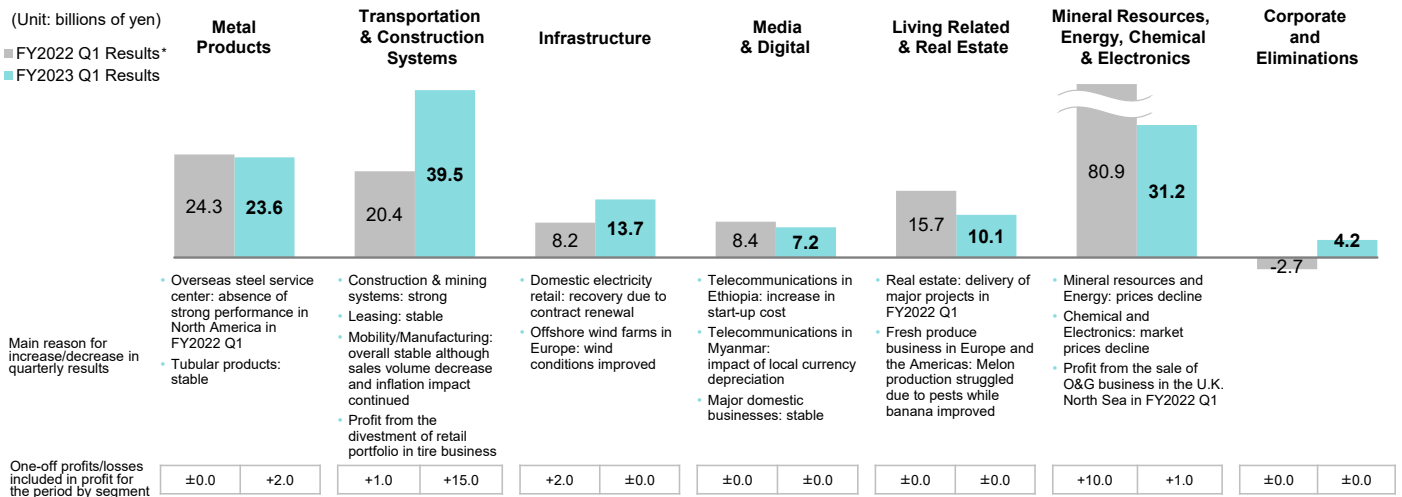
The non-mineral resources business recorded JPY84 billion in profit, a decrease of JPY3 billion.

Although the construction and mining systems business performed well and the domestic electricity retail business showed robust performance due to contract renewals, the real estate business and the chemical and electronics business reported lower earnings compared with the same period of the previous year.

One-off profits for Q1 totaled JPY17 billion, including a profit from the divestment of retail portfolio in tire sales and marketing business in the U.S.

3. Profit for the Period by Segment

- Profit increased in the following segments: Transportation & Construction Systems, Infrastructure.



* Due to reorganization carried out as of Apr. 1, 2023, the figures are described on a reclassified basis.

The document shows YoY changes in quarterly income by segment.

In Metal Products, profit decreased YoY due to the rebound from the strong performance of the North American business in the previous fiscal year in overseas steel service centers, although tubular products business remains strong.

In Transportation & Construction Systems, profit increased substantially, due to the robust performance in the construction and mining systems business, solid performance in leasing business and mobility business, in addition to one-off profits.

Infrastructure reported an increase in profit due to a recovery in the domestic electricity retail business and improved wind conditions in offshore wind farms in Europe.

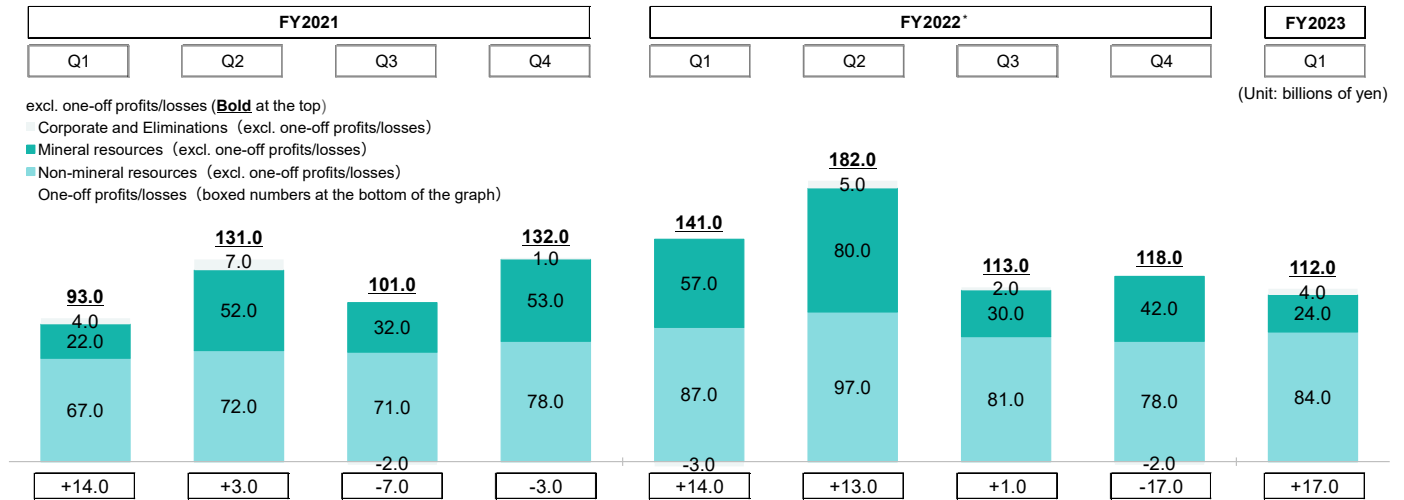
In Media & Digital, profit declined mainly due to higher start-up costs in the Ethiopian telecommunications business.

In Living Related & Real Estate, earnings declined mainly due to the absence of the delivery of a large project in the real estate business in the same period of the previous fiscal year.

Mineral Resources, Energy, Chemical & Electronics reported a decline in earnings, mainly due to the impact of lower resource and energy prices and market declines in chemicals and electronics.

4. Quarterly Trend for Profit for the Period (excluding one-off profits/losses)

- Although there was an impact of mineral resources & energy prices decline, profit excluding one-off profits/losses of FY2023 Q1 was ¥112.0 bil., the same level as Q3, Q4 of FY2022. Out of ¥112.0 bil., ¥84.0 bil. was from non-mineral resources business, showing stable performance.



* Due to reorganization carried out as of Apr. 1, 2023, the figures are described on a reclassified basis.

The bar graph shows the quarterly trend for profit for the period excluding one-off profits/losses.

Excluding one-off profits/losses, total profit for Q1 was JPY112 billion, roughly the same level as in the second half of the previous fiscal year. As for non-mineral resources, profit remained solid at JPY84 billion.

5. Operating Results (Cash Flows)

- Free cash flow post-shareholder return (adjusted) for FY2023 Q1 was cash out of ¥28.9 bil.
- Ensure the cash flow to be positive for 3-year total in SHIFT 2023, while cumulative results in SHIFT 2023 was ¥75.4 bil. cash out as of Jun. 30, 2023.

(Unit: billions of yen)

	SHIFT 2023 3-year Total Revised Plan (May 2023)	SHIFT 2023	
		Results (Apr.2021-Jun.2023)	FY2023 Q1 Results (Apr.2023-Jun.2023)
Basic profit cash flow*1	+1,270.0	+1,019.2	+150.3 1
Depreciation and amortization (After netting repayments of lease liabilities)	+320.0	+242.2	+28.0
Asset replacement	+600.0	+430.0	+50.0 2
Others	-580.0	-600.0	-20.0 3
Investment & loan (New investment & loan)	-1,140.0	-780.0	-130.0 4
Free cash flow (adjusted*2)	+470.0	+318.6	+74.1
Shareholder return	-470.0	-394.1	-103.0
Free cash flow (post-shareholder return)(adjusted*2)	Ensure Positive	-75.4	-28.9

Highlights

- 1 Basic profit cash flow**
Steady cash generation by core businesses
- 2 Asset replacement**
Cash in from divestment of retail portfolio in tire sales & marketing business in the U.S.
- 3 Others**
Increase in working capital, etc.
- 4 Investment & loan**
Acquisition of sulfuric acid business in the U.S.
Acquisition of domestic and overseas real estate, etc.

*1 Basic profit 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
*2 Repayments of lease liabilities categorized in financing activities is adjusted

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5

Next, I will explain about cash flow.

The free cash flow post shareholder return after netting repayments of lease liabilities for Q1 was a cash outflow of JPY28.9 billion.

As for the main breakdown, basic profit cash flow was JPY150.3 billion in cash-inflow, mainly due to steady cash generation by core businesses.

In asset replacement, cash of JPY50 billion was recovered mainly from the divestment of retail portfolio in tire sales and marketing business in the U.S.

Investments and loans resulted in a cash outflow of JPY130 billion, mainly due to the acquisition of the US sulfuric acid business and the execution of real estate projects in Japan and overseas.

6. Operating Results (Financial Position)

- Total assets increased to ¥10.6 trillions mainly due to yen's depreciation (approx.¥+490.0 bil. compared to the end of Mar. 2023).

(Unit: billions of yen)

	As of Mar. 31, 2023	As of Jun. 30, 2023	Increase/ Decrease
Current assets	4,873.0	5,044.8	+171.8
Non-current assets	5,232.4	5,551.7	+319.3
Total assets	10,105.4	10,596.5	+491.1
Other liabilities	2,976.7	2,981.7	+5.0
Interest-bearing liabilities*1	3,152.1 (2,484.4)	3,331.7 (2,610.3)	+179.6 (+125.8)
Total liabilities	6,128.8	6,313.4	+184.6
Shareholders' equity*2	3,778.7	4,079.7	+301.0
Total liabilities and equity	10,105.4	10,596.5	+491.1
D/E Ratio (Net)	0.7	0.6	-0.1pt
Exchange rate (JPY/US\$)	133.53	144.99	+11.46

*1 "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".

*2 "Shareholders' equity" is equivalent to "equity attributable to owners of the parent" in consolidated statements of financial position.

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Highlights

Total assets +491.1 (10,596.5←10,105.4)

- Increase due to yen's depreciation (approx.¥+400.0 bil.)

Shareholders' equity +301.0 (4,079.7←3,778.7)

- Increase due to yen's depreciation (approx.¥+230.0 bil.)
- Profit for the period
- Dividend paid, share repurchased

Next, I will explain the financial position.

Total assets increased by JPY490 billion from the end of the previous fiscal year to JPY10.6 trillion. This was mainly due to an increase of approximately JPY400 billion resulting from the depreciation of the yen.

Shareholders' equity increased from the end of the previous fiscal year to JPY4.08 trillion due to the recording of profit for the year and the effect of foreign exchange rates.

Net DER was 0.6x.

7. Forecasts for FY2023 (Profit for the Year by Segment)

- Need to carefully observe the financial policy in each country, the extent of recovery in Chinese economy, and changes in mineral resources & energy prices.
- However, as a whole, expect our businesses to perform as planned in the initial forecasts announced in May 2023.

(Unit: billions of yen)

	FY2023 Forecasts (May 2023)	FY2023 Q1 Results	Progress	Forecasts of the remaining fiscal year (Major businesses)
Metal Products	91.0	23.6	26%	Market recovery expected from Q3, although impact of inventory adjustments in Tubular products in North America remains until Q2.
Transportation & Construction Systems	93.0	39.5	42%	High progress due to one-off profits. As a whole, expect stable performance.
Infrastructure	43.0	13.7	32%	High progress due to foreign exchange rate, etc. As a whole, expect stable performance.
Media & Digital	36.0	7.2	20%	Expect stable performance, major domestic businesses plan to make more profits in 2 nd half.
Living Related & Real Estate	52.0	10.1	19%	Real estate: Delivery of properties as planned.
Mineral Resources, Energy, Chemical & Electronics	157.0	31.2	20%	Earnings of Oresteel recognized semi-annually in Q2 and Q4. Agribusiness: sales volume increase in high demand season Basic chemical: market recovery and sales volume increase in 2 nd half
Corporate and Eliminations	8.0	4.2	53%	
Total	480.0	129.4	27%	
One-off profit/losses included	20.0	17.0	-	
Profit excluding one-off profit/losses	460.0	112.0	24%	

Next, I will explain the outlook for the full year.

As explained at the beginning of this report, we have not changed our full-year earnings forecast announced in May. The business environment, which is the premise for our earnings forecast, has not changed significantly from the assumptions made at the beginning of the period, and total profit of the company for Q1 is progressing at a rate of 27%.

Although the progress rate is low in some segments, we believe that Q1 has started extremely well compared to the full-year forecast, taking into account that the profit in Media & Digital is concentrated more in the second half in the plan, that in Living Related & Real Estate, we expect to deliver projects as planned in the real estate business from Q2 and beyond, and that in Mineral Resources, Energy, Chemical & Electronics, we will capture equity in earnings from the South African iron ore business in Q2 and Q4.

Finally, this fiscal year is the final year of our medium-term management plan, SHIFT2023. By shifting to a business portfolio with high profitability and strong downward resilience, which is the main objective of SHIFT2023, we hope to achieve further growth in the next mid-term business plan starting next fiscal year.

That's all for my explanation.

[END]