

January 25, 2021

Sumitomo Corporation
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Notice of Impairment Loss

In addition to the impairment loss released on the 20th of July 2020 of approximately 55 billion yen relating to Ambatovy Nickel Project in Madagascar, Sumitomo Corporation (hereinafter “Sumitomo”) will recognize an additional impairment loss of approximately 30 billion yen relating to Ambatovy Nickel Project in the 3rd quarter of FY 2020 (October 1st 2020 to December 31st 2020). In addition to this impairment loss on a consolidated basis, a valuation loss of subsidiary shares will also be booked on a non-consolidated basis.

1. The recognition of impairment loss in Ambatovy Nickel Project

Background and reason for the impairment loss

In 2005, Sumitomo participated in the Ambatovy Nickel Project in Madagascar tasked with establishing nickel operations that integrate processes from mining through to refining. Sumitomo, through Summit Ambatovy Mineral Resources Investment B.V. (Head Office: Amsterdam Netherlands, hereinafter “SAMRI”), its wholly-owned subsidiary, has invested in Ambatovy Minerals S.A., a mining company, and Dynatec Madagascar S.A., a refining company, (Head Office: Antananarivo Madagascar, hereinafter “Project Companies”) at 54.17% share ratio respectively. The Project is jointly operated with Korea Resources Corporation (Head Office: Gangwon – do Korea, Share ratio 45.82%).※

(※) In relation to our news release “Announcement on the completion of Sherritt’s capital restructuring process” on the 1st of September 2020, Sumitomo’s share ratio has increased by 6.5% to 54.17%, following an exchange of Sherritt’s financial loan owed to Sumitomo with Sherritt’s corresponding shares in Project Companies.

In the 1st quarter of FY 2020, as a result of reassessing the business plan in relation to the stoppage of operation due to the spread of COVID-19 and the decline in mid-long term nickel price outlook, Sumitomo posted an impairment loss up to the recoverable amount. Considering Ambatovy’s past production performance including the current shutdown, scrutinization and adjustment to the business/production plan has been performed to reflect a more reliable/stable operation after restart. As a result additional impairment loss on the Project Company’s fixed assets will be booked. Consequently, Sumitomo will recognize a loss in its consolidated and non consolidated financial statements as follows:

(1) Consolidated Financial Statement

SAMRI will recognize a loss of approximately 30 billion yen as “Share of loss of investments accounted for using the equity method” in relation to its investments in Project Companies. (approximately 30 billion yen excludes the impairment of approximately 55 billion yen released on the 20th of July 2020).

(2) Non-consolidated Financial Statements of Sumitomo

Sumitomo will recognize a loss of approximately 47.5 billion yen as “Valuation loss on investment securities” in relation to its investment in SAMRI under “Non-operating expense”. (approximately 47.5 billion yen excludes the impairment of approximately 80 billion yen released on July 20th 2020).

2. Forecast on consolidated earnings

The Annual Forecasts for FY2020 released on the 6th of November 2020 remain unchanged.

3. Dividend forecast

Sumitomo will not revise the dividend forecast of 35 yen per share on a year-end basis for the fiscal year ending March 31st 2021, as announced on November 6th 2020.

Note: Cautionary Statement Concerning Forward-looking Statements

This notice 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 notice 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 Sumitomo’s business strategies. Sumitomo may be unsuccessful in implementing its business strategies, and management may fail to achieve its forecasts. Sumitomo is under no obligation – and - expressly disclaims any such obligation - to update or alter its forward-looking statements.