

Mineral Resources, Energy, Chemical &



Masahiro Fujita

General Manager,
Mineral Resources,
Energy, Chemical &
Electronics Business Unit

Main Fields

- Mineral Resources & Energy
- Chemical & Electronics

Organization

- Planning & Administration Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit
- Project Management Dept. for Mining & E&P
- Mineral Resources Division No. 1
- Mineral Resources Division No. 2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division

Message from the General Manager

“What We Aim to Be”

We will construct a high-quality portfolio in upstream mineral resources and energy to realize stable supplies for customers. At the same time, we will provide distinctive services in our midstream and downstream businesses.

Growth Strategies for Becoming What We Aim to Be

In upstream businesses, our goal is to build a high-quality portfolio that, from a long-term viewpoint, is highly competitive and diversifies risk effectively by accumulating capabilities that will become strengths, stimulating the metabolism of our business portfolio, and steadily realizing profitability in projects in which we have invested. In midstream and downstream businesses, we aim to realize high-value-added, differentiated businesses and trading. To this end, we will achieve superior capabilities by exploiting our customer base, expertise, and abundant knowledge and experience in relation to the management of operating companies that we have developed in regions worldwide.

Q Please give us a review of BBBO2014.

A We recognized significant losses in upstream resource equity interests due to reasons that included falling market prices.

In the mineral resources and energy field, falling prices led to challenging business conditions. However, we increased competitiveness by reducing costs. As for the chemical and electronics field, we expanded the geographical coverage of our global crop protection businesses, built agricultural value chains that include fertilizer businesses, and expanded cosmetics businesses.

Fiscal 2014 Results

Loss for the year was ¥191.0 billion, a decline of ¥214.7 billion compared with the previous fiscal year's profit for the year. We incurred impairment losses of ¥227.8 billion in a tight oil development project in the United States, an iron ore mining project in Brazil, coal mining projects in Australia, a shale gas project in the United States, and North Sea oil field interests. However, our nickel project in Madagascar achieved the 90% operating rate required for its financial completion. In the chemical and electronics field, businesses generally performed stably.



A rendering of the completed Cove Point LNG base in the United States (provided by Dominion Cove Point LNG, LP)

Q Please tell us about the measures you are taking in BBBO2017.

A In upstream resources and energy businesses, we will enhance the quality of our portfolio.

Over the medium term, we expect demand for resources and energy to strengthen as the world's population rises and emerging countries drive

Electronics Business Unit

Performance Highlights

	FY2013	FY2014	FY2015 Forecast
Gross profit	82.9	86.9	90.0
Operating profit (loss)	(11.4)	(170.3)	–
Share of profit of investments accounted for using the equity method	36.9	(53.8)	–
Profit (loss) for the year (attributable to owners of the parent)	23.6	(191.0)	26.0
Basic profit (loss)	43.2	(42.0)	–
Total assets	1,748.1	1,682.7	–

(Billions of yen)

economic growth. Further, changing lifestyles in emerging countries are likely to increase demand for food qualitatively and quantitatively. However, concerns over the effects of global warming and the accompanying climate change will have on worldwide agricultural production is creating a need for enhanced agricultural productivity.

In upstream resources and energy businesses, our basic policy is to replace existing assets with new investments, with a view to heightening the portfolio quality that we had under BBBO2014. Also, we will reduce risk exposure through the early completion of the Ambatovy nickel project in Madagascar and the Sierra Gorda copper and molybdenum mine project in Chile, and we plan to continuously reduce costs and improve the profitability of existing businesses. In midstream and downstream businesses, we aim to expand the earnings base of businesses related to crop protection products so that they become a future pillar of earnings, and we are focusing our efforts on building global sales networks for crop protection products and expanding multifaceted support businesses, which handle agricultural materials. We are also working to strengthen energy trading businesses, such as LNG businesses, and bolster the foundations of electronics manufacturing services (EMS) businesses for automobiles in the United States as well as developing phenol businesses and other petrochemicals businesses in China.

Q Could you please explain about CSR initiatives that you pursue through business activities?

A With contributing to stable food supplies and environment-friendly agriculture as our guiding vision, we are expanding crop protection product businesses in the global market.

As food demand increases due to the growth of emerging countries' economies and populations, ensuring stable, safe food supplies has become a worldwide issue. Aiming to help solve this issue, we are focusing efforts on providing leading-edge, environment-friendly crop protection products and increasing sales of products created through pheromone-based technology, microbial crop protection products, and other products. In particular, products created through pheromone-based technology are becoming highly valued as a pest control option that does not affect beneficial insects, soil, or water quality because they use insect sex pheromones to obstruct the breeding of harmful insects, preventing their reproduction. Through a crop protection product sales network spanning more than 30 countries worldwide, we will protect food for future generations.



Usage of products for which pheromone-based technology has been applied

Mineral Resources, Energy, Chemical & Electronics Business Unit

Summary of Main Fields

Mineral Resources & Energy Field

“What We Aim to Be”

We aim to contribute to stable supplies of mineral resources and energy through investment in upstream equity interests and trading.

Business Conditions

At present, resource prices remain low due to the decelerating economic growth of China and other emerging countries. Over the medium-to-long term, however, sustained economic growth is likely to increase demand for mineral resources and energy because various industries in Japan and overseas make extensive use of oil, gas, and mineral resources, including iron and base metals (copper, lead, and zinc), rare metals (nickel and cobalt), and precious metals (gold, silver, and platinum).

Strengths and Strategies

The strengths of Sumitomo Corporation in upstream resources businesses are its high-quality mines and equity interests; the experience acquired through the operation of a wholly owned silver, zinc, and lead mine, the San Cristobal mine in Bolivia; and long-term, stable relationships with global customers and partners. We will leverage these strengths to build a durable, competitive portfolio that can contribute to earnings significantly over the medium-to-long term.

Regarding midstream and downstream businesses, we intend to take advantage of our expertise and relationships with customers and partners in the energy market to entrench such existing projects as the Cove Point LNG

export project in the United States and to pursue new trading transactions boldly.

Current Initiatives

The Batu Hijau copper mine project in Indonesia stopped exports and production due to the Indonesian government’s enactment of new mining legislation, resulting in a significant decrease in earnings in fiscal 2014. However, the project resumed production and exports in September 2014 and is expected to contribute to earnings throughout fiscal 2015. As for coal businesses in Australia, we completed the acquisition of the Clermont mine, for which we concluded a basic agreement in fiscal 2013. Meanwhile, our iron ore business in Brazil completed the first phase of an expansion project, which has entered the ramping-up stage. We will decide on when to begin a second-phase extension project in light of a careful analysis of market conditions. In crude oil and gas businesses, we integrated the respective LPG wholesale businesses of Cosmo Oil Co., Ltd., Showa Shell Sekiyu K.K., and TonenGeneral Sekiyu K.K. to establish Gyxis Corporation. This company’s mission is to provide stable supplies of LPG and build one of Japan’s leading LPG networks. Further, the Cove Point LNG project in the United States, in which we participate, aims to liquefy natural gas produced in the United States and begin exporting it to Japan from 2017. Also, we will heighten the value of the San Cristobal silver, zinc, and lead mine by reducing costs and increasing efficiency further.

- **P.56** Ambatovy Nickel Project
- **P.57** Sierra Gorda Copper and Molybdenum Mine Project

Map of Upstream Interests in Mineral Resources and Energy



Chemical & Electronics Field

“What We Aim to Be”

We aim to provide growth industries with differentiated services and raw materials that promise high earnings.

Business Conditions

As the increasing populations and economic development of emerging countries boost demand for food, a rising need for crop protection products and fertilizers that heighten the quality and yield of agricultural produce is probable. Further, business conditions are changing dramatically in the basic chemicals area, particularly in the petrochemicals field, and we need to respond accordingly.

Strengths and Strategies

In the agricultural field, we have a network of global customers, strong relationships with manufacturers and suppliers, and a crop protection products sales network that spans 30 countries. We enjoy a well-established presence in the crop protection products industry thanks to in-depth specialist knowledge about crop protection products businesses and a wide-ranging ability to offer solutions.

In addition, we have benefited from a trading relationship with one of Spain’s major petrochemicals companies, CEPESA Química S.A., for approximately 25 years, and we participate in its petrochemicals manufacturing businesses in China.

Current Initiatives

In May 2015, we took a 65% stake in Agro Amazonia Produtos Agropecuarios S.A. a distributor of farm and livestock supplies, such as crop protection products, seeds, and fertilizers, in Brazil’s largest granary, the state of Mato Grosso. Also, Sumitomo Corporation acquired a 25% equity interest in CEPESA Química China S.A., in which CEPESA Química has a stake. Going forward, we will manufacture and sell phenol and acetone, which are raw materials for plastic used in automotive and electronic components.



CEPSA Química China S.A.'s phenol plant in Shanghai

Project Overview

Advancement of Cosmetic Ingredients Business through Global Capabilities



Sample formula developed with Cosmotec in Brazil

Our acquisition of a U.S. cosmetic ingredients formulator, Presperse Corporation, as a wholly owned subsidiary in 2010 marked our full-fledged entry into the cosmetic ingredients related business field. Cosmetic ingredients formulators are specialized companies with expertise in how to choose and blend cosmetic ingredients and supply such ingredients to cosmetic manufacturers. Moreover, they develop and offer formulas as a way of promoting the sale of these ingredients. Counting such major cosmetic manufacturers as Estée Lauder, L’Oréal, Avon, and P&G among its mainstay customers, Presperse has provided services to about 300 cosmetic manufacturers.

In 2014, the global market for cosmetics, including skin care and hair care products, accounted for retail sales of about US\$460 billion. This is a promising market that is expected to grow 3% or 4% per year. The largest market for cosmetics is the United States, followed by Brazil and Japan. Other important markets are Europe and China. In particular, Brazil’s market is buoyant and is expected to surpass the U.S. market in 2016.

Aiming to build networks in major markets around the world, in 2013 Sumitomo Corporation agreed to invest capital in Cosmotec International Especialidades Cosméticas Ltda. of Brazil to establish a formulator business. Further, in 2015 we entered the European market by assuming a business from Kyowa Hakko Europe GmbH that markets cosmetic ingredients mainly in Germany and its surrounding countries. Together with existing cosmetic ingredients businesses in Japan and China, the abovementioned businesses give us coverage of the major markets. In the future, we will explore the possibility of initiatives in Southeast Asia and Russia, as we develop businesses in this field globally.

Mineral Resources, Energy, Chemical & Electronics Business Unit

Mineral Resources & Energy Field

Progress of Large-Scale Development Projects



The Ambatovy nickel plant in Madagascar

Ambatovy Nickel Project

Madagascar

We aim to stabilize operations as soon as possible and enhance profitability.

Stainless steel made from nickel has a wide range of applications, from consumer electronics through to construction, automobiles, and industrial equipment. Consequently, worldwide demand for nickel is trending upward. With this growing demand in mind, in 2005 Sumitomo Corporation participated in a project in Madagascar tasked with establishing nickel operations that integrate processes from production through to smelting. When operating at full capacity, the project produces 60,000 tons of nickel per year on average, making it one of the largest projects of its kind in the world.

The project began commercial production in January 2014. Furthermore, in March 2015 it passed a production test that was one of the key financing-related criterion for completing the project: achieving a 90% average operating rate for 90 out of 100 consecutive days. Until now, we have deployed personnel and other management resources to this project and given first priority to

starting it up. Aiming to realize the new task of moving into a phase of full production and stable operations, we are currently working in close collaboration with personnel in frontline operations.

Project Summary

Total project cost:	US\$7.2 billion
Annual average production at full capacity:	Nickel: 60,000 tons; Cobalt: 6,000 tons
Shareholders:	Sherritt International Corporation: 40%; Sumitomo Corporation: 27.5%; Korea Resources Corporation (KORES): 27.5%; SNC-Lavalin Group Inc.: 5%
Commencement of Sumitomo Corporation's participation:	2005
Sumitomo Corporation's exposure:	Approx. US\$2.7 billion (As of May 2015; Including completion guarantee)

Sierra Gorda mining area in Chile



Sierra Gorda Copper and Molybdenum Mine Project

Chile

We are working to realize full production capacity by the end of 2015.

With its partners, Sumitomo Corporation is advancing a project to produce copper concentrate and molybdenum concentrate in Chile. The project's advantages include nearby transport infrastructure, such as arterial highways, railways, and ports, and a location 1,700 meters above sea level, which is relatively low for mines in Chile.

Plant construction costs were higher than originally anticipated due to steep rises in material, equipment, and personnel costs. Nevertheless, production started up in 2014, and we are working to realize full production capacity by the end of 2015.

Moreover, we will conduct a detailed survey aiming to begin construction for an extension project in 2016.

Project Summary

Development investment:	US\$4.2 billion
Annual average production:	Copper concentrate: 730,000 tons; Molybdenum concentrate: 22,000 tons
Shareholders:	KGHM Polska Miedz S.A.: 55%; Sumitomo Metal Mining Co., Ltd.: 31.5%; Sumitomo Corporation: 13.5%
Commencement of Sumitomo Corporation's participation:	2011
Sumitomo Corporation's exposure:	Approx. US\$1.0 billion (As of May 2015; Including completion guarantee of US\$300 million)
