

FY2018 Business Unit IR Meeting

(Infrastructure Business Unit)

<Summary of Q&A>

Date: December 17, 2018

Attendees: Tsutomu Akimoto, General Manager, Infrastructure Business Unit
Toyoaki Funakoshi, General Manager, Planning & Coordination Dept.,
Infrastructure Business Unit
Hiroshi Karashima, General Manager, Social Infrastructure Business Division
Norihiro Nonaka, General Manager, Global Power Infrastructure Business Division
Keiichi Mihara, Deputy General Manager, Global Power Infrastructure Business
Division
Yasushi Fukuda, General Manager, Logistics Infrastructure Business Division

Overall

Q: Is there any prospect of maintaining a profit level of 50 billion yen during the current medium-term management plan?

A: As profits from EPC will decrease with the progress of construction in the future, the third year of the medium-term management plan includes some challenging factors. On the other hand, we expect growth in Summit Energy and further increase the value of water business in Brazil which we are currently focusing on. We'd like to keep the level of 50 billion yen range for three years by accumulating various projects.

Q: Could you give us an image of the composition ratio of each division profit during the current medium-term management plan?

A: Although the major part of profit for units is currently generated by Global Power Infrastructure Business Division, Social Infrastructure Business Division plans to increase its profit in the future. Therefore the profit percentage accounted by Global Power Infrastructure Business Division is expected to gradually decline.

Q: What should be done to secure strategic investment fund? Also, is it possible to monetize projects that use strategic investment fund during the current medium-term management plan?

A: Strategic investment fund is not secured for each unit and the amount is limited, so we are conscious of working as soon as possible. We don't expect new businesses to become a major profit base for the unit during the current medium-term management plan, as new businesses

that will be implemented using strategic investment fund will start with a foothold for three years and build from it in the future.

Q: What is your view on improving the asset efficiency of the entire unit?

A: We believe that asset efficiency is the most important factor in building our portfolio and we are constantly aware of it. For example, in the case of electric power, when a new asset is incorporated, the asset replacement is considered for a project that has peaked out or is not economical. After examining the asset efficiency of individual assets, we intend to drastically replace the asset if contributes to improving the entire portfolio and asset efficiency.

Individual fields / Businesses

Q: What is the concept of rebalancing the electricity portfolio?

A: A large number of new projects in the power IPP are renewable energy and gas-fired. It is possible that the ratio of coal-fired will increase slightly at some point in the future, but the ratio of coal-fired will decrease in the medium to long term as the ratio of other power sources will increase.

Q: Regarding the power IPP, how will the Greenfield and Brownfield be combined in the future? What is the domestic business policy?

A: Regarding to increase the amount of IPP assets, we don't decide that we won't do any of the Brownfield projects, but most of the projects which we are currently working on are Greenfield projects. Therefore, we would like you to understand that we are focusing on the Greenfield now. In Japan, we have focused on solar power, but in the future we will focus on wind power. The legislation of offshore wind power was enacted in the previous Diet session, and we would like to pay attention it in the future.

Q: I would like to know the details of the activities of development bases in each region (Center of Excellence).

A: The development bases in each region are also engaged in some water business, but mainly in the electric power business. We would like you to understand that the development base is located at the forefront of the field, where is considered important local market. As for China, however, it is a focusing market and there is no significant asset at present.

Q: What is the concept of an infrastructure fund that is working on, and what are the criteria for selling to the fund? And how does it look to make a profit?

A: Renewable energy in developed countries is highly liquid in the market and we have experience of selling them. By creating an infrastructure fund that we are currently working on, we consider we can maintain our relationship with our renewable energy assets and partners. On the other hand, we want to recover some of its cash and reinvest it to improve efficiency. There are no clear criteria for sale at this time.

As for profits, there will be a one-off profit on sale to the fund. After the sale, our own equity interest rate will decrease, so its ordinary profit will decrease compared to the case where it is not sold. However, by maintaining a part of its equity, we will continue to capture ordinary profit.

Q: What is the image of the North Hanoi Smart City project? Is it an image of building up large assets?

A: Since we have a wealth of business experience in Vietnam, such as operating a car dealer, we will first build and sell condominiums through marketing based on such experience. We do not expect infrastructure development in which risk assets accumulate rapidly in order to sell out. Basically, we plan to build and sell 2 ~ 3 condominiums and use the collected cash to build and sell the next one.

In addition to housing sales, we have received many inquiries from Japanese companies such as schools and hospitals. We feel that the trust and desire for Japanese medical care and education from the Vietnamese side is very high, and we hope to provide the basis of Japanese life well.

Q: What is the significance of working to increase the value of existing overseas industrial parks?

A: For example, we will supply electricity to the industrial park by ourselves and provide more adequate services to the tenants, it will lead to our profit. Or by introducing new technologies to improve efficiency, we expect to reduce current maintenance costs and connect them into profit. Through raising the level of the industrial park itself, we also hope to raise its status as described "Industrial park is Sumitomo Corporation" and increase the number of tenants.

Q: How will you acquire know-how about new infrastructure fields (airport, railway operation, port, urban development, etc.)?

A: The new infrastructure sector will need a variety of resources. If there are resources in our company, such as commercial facilities, the know-how will be used across units. On the other hand, the know-how which is not in our company, for example, airport operation is working in the form of procuring outside resources. As for the railway business, the basic stance is to complete it as a joint project with Japanese railway companies. They are also highly motivated

to do business overseas due to the shrinking domestic population and we are talking with reliable companies. As for the port business, we are working with Japanese port business operators or those which are already in charge of port operations in overseas local areas as partners.