

Transportation & Construction Systems Business Unit

Unceasing Challenge for New Value Creation

December 17, 2018

**General Manager,
Transportation & Construction Systems Business Unit
Shoichiro Oka**

1. Organization and Business Overview

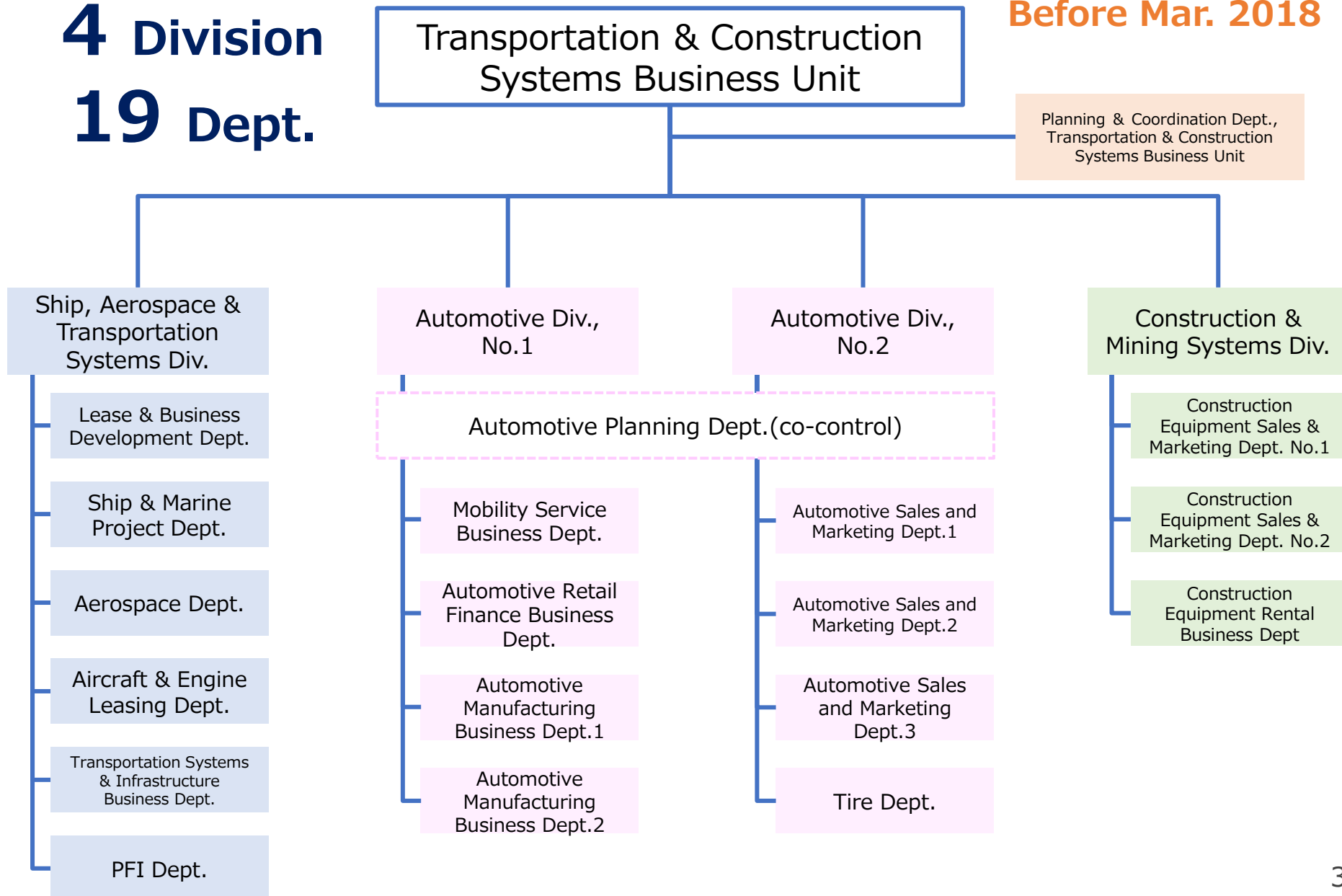
2. Strategy in “Medium-Term Management Plan 2020”

3. Financial Aspects

Organization Structure

4 Division
19 Dept.

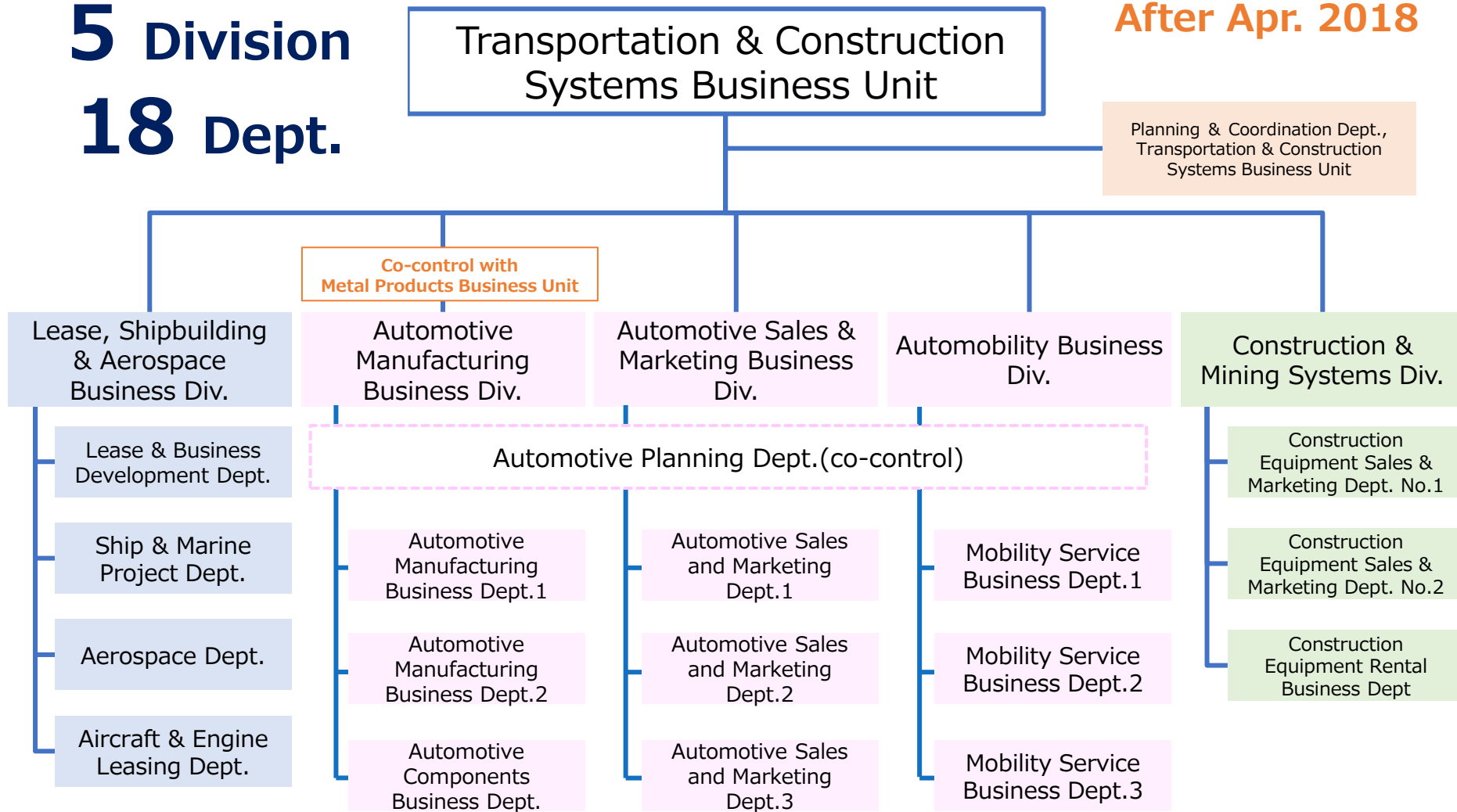
Before Mar. 2018



Organization Structure

5 Division
18 Dept.

After Apr. 2018



Principal Businesses (by Division)

Lease, Ship & Aerospace Business Division

- General lease business
- Trade of ships, chartered ship business
- Shipbuilding
- Trade of defense and aerospace equipment and related products
- Manufacturing of aircraft components
- Lease of aircraft and engines

Construction & Mining Systems Division

- Trade of construction machinery
- Sales and services of construction machinery
- Sales and services of mining machinery
- Sales and services of agricultural machinery
- Rental of general construction machinery

Automotive Manufacturing Business Division

- Trade of automotive components and production equipment
- Manufacturing of automobiles and automotive components
- After-sales market business

Automotive Sales & Marketing Business Division

- Trade of automobiles
- Automotive distribution business
- Automotive dealing business

Automobility Business Division

- Auto leasing business
- Business related to cells for EVs
- Automotive sales and finance business
- Trade and sales of tires

Principal Businesses (by Function)

	Lease, ship and aerospace field	Automotive field	Construction machinery and agricultural machinery field (including forklifts)
Manufacturing	<ul style="list-style-type: none"> ● Shipbuilding ● Manufacturing of aircraft components 	<ul style="list-style-type: none"> ● Manufacturing of automobiles ● Manufacturing of automotive components 	<ul style="list-style-type: none"> ● Processing and recycling of mining machinery components
Sales and Services	<ul style="list-style-type: none"> ● Trade (ship, aerospace, defense) 	<ul style="list-style-type: none"> ● Trade ● Distribution ● Dealing ● After-sales services ● EV-related 	<ul style="list-style-type: none"> ● Trade ● Distribution ● Dealing ● After-sales services
Finance and Asset	<ul style="list-style-type: none"> ● General lease ● Chartered ships, co-owned ships ● Lease of aircraft ● Lease of aircraft engines 	<ul style="list-style-type: none"> ● Auto leasing ● Sales and financial services for automobiles and motorbikes 	<ul style="list-style-type: none"> ● Rental of general construction machinery

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**【Direction of strategy
during the mid-term management plan】**

“Enhancing business bases” and “Creating new values”, facing the Fourth Industrial Revolution squarely

【Three pillars of the strategy】

(1) To reinforce existing businesses

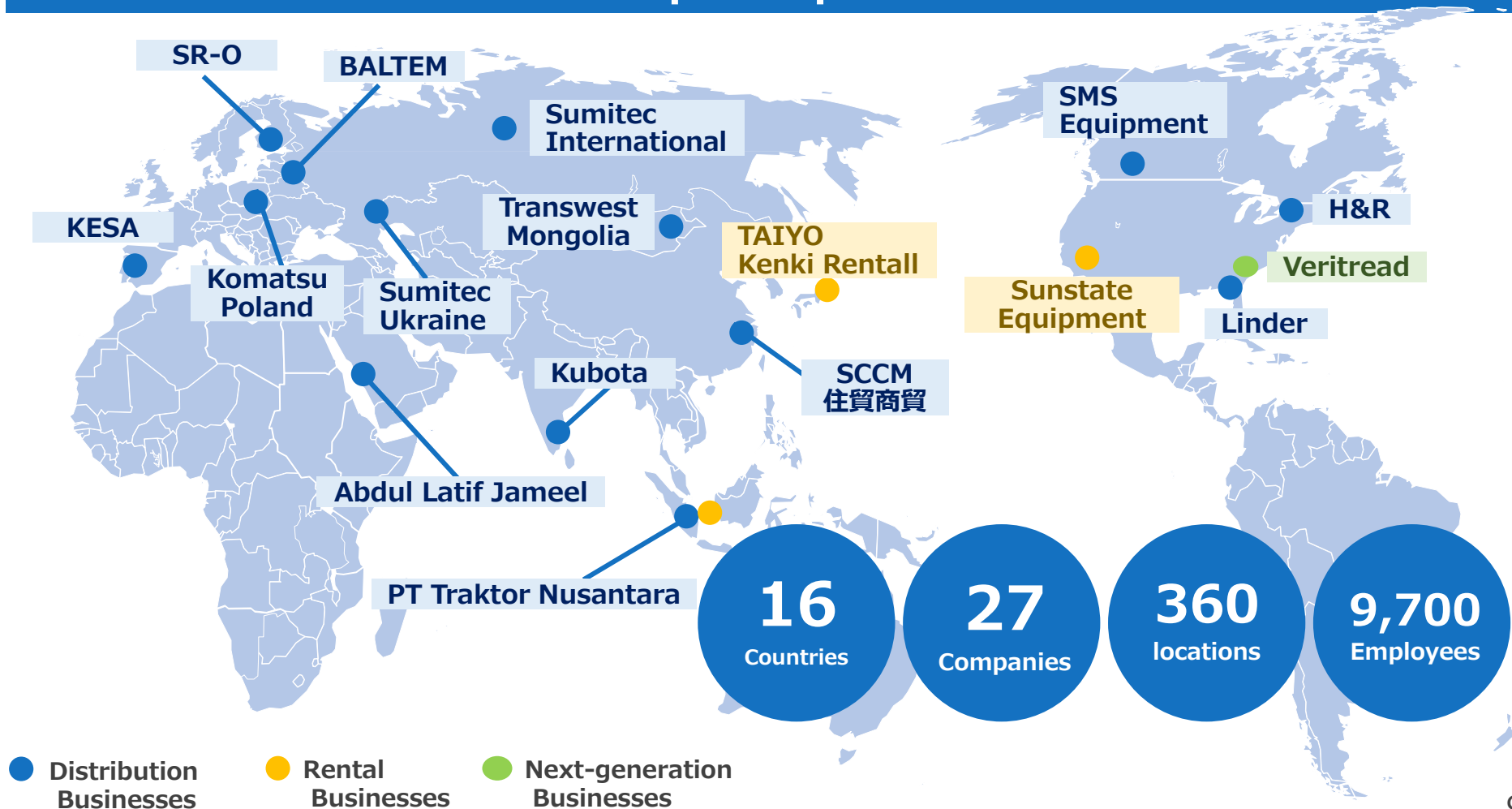
(2) To enhance the function of leasing and financing business and make synergies with other business

(3) To promote various businesses in the coming mobility society

Reinforcement of Construction & Mining Systems business

Only one general trading company that has the 'Division'.
(We are the biggest player in terms of not only business scale but also organization in the trading companies.)

Group Companies



Strengthening Construction & Mining Systems business

Products	Earthmoving	Generator /compressor	Material handlingt	Crane
	Mining equipment	Aerial	Agricultural Equipment	Small items and tools
	Road Equipment	Demolition machine	Forestry equipment	House/Toilet

Main businesses	【Distribution and service】 <u>Canada</u> : SMS Equipment <u>U.S</u> : Linder <u>Russia</u> : Sumitec International <u>Europe</u> : Tecnosumit <u>China</u> : SCCM 【Rental】 <u>U.S</u> : Sunstate Equipment <u>Japan</u> : Taiyo Kenki Rental		
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【Vision】

- “No.1 One-Stop-Solution Provider”
- To build a resilient business infrastructure that can respond accurately to cyclical market

【Growth Strategy】

1. Distribution and Service Businesses

2. Rental Businesses



Promoting geographical business expansion by

“Hands-on”

Reinforcement of Automobile Casting Parts Business

KIRIU CORPORATION

(Tochigi pref.)

Founded in 1906 (SC Participated in 2004)

Number of employees: 5,722 (consolidated base)

Products : Brake related parts and others

Fujiwa Machinery Industry

(Kunshan, China)

Founded in 1995 (SC Participated in 2006)

Number of employees: 1,430

Products : Brake parts, Drive parts etc.

As of
initial investment
in KIRIU

3
countries

6
locations

Sales
¥27
billion

As of
now

7
countries

15
locations

Sales
¥49
billion*

Result of FY2017

Reinforcement of automobile casting parts business

- Location map of KIRIU Group/Fujiwa Group

- KIRIU-LIOHO,
- Fujiwa machinery Industry[Hubei,Kunshan] (China)
- KIRIU TECHNO[Yantai]

KIRIU-SAMIC
(KOREA)

KIRIU Corporation
(Ashikaga, Yamagata,
Oita, TECHNO)

KIRIU USA

MUNJAL KIRIU[Haryana,
Gujarat] (India)

KIRIU Thailand

KIRIU MEXICANA

KIRIU Indonesia

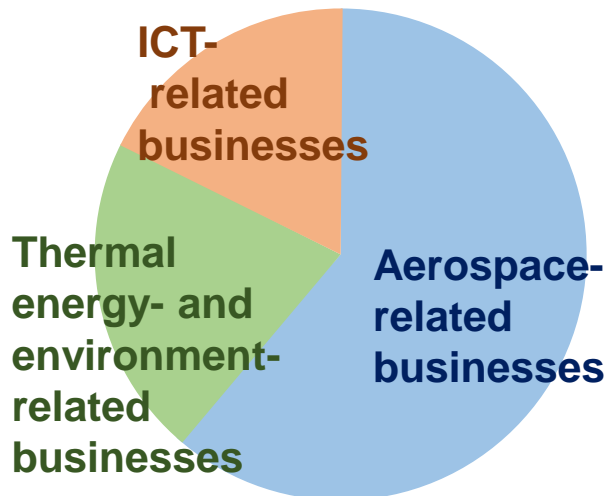
Sophistication of manufacturing operation
in China, India

Reinforcement of the Collaboration with Sumitomo Precision Products



- Sumitomo Corporation became the largest shareholder of Sumitomo Precision Products Co., Ltd. in May 2017 and has been promoting further collaboration.

Business fields of Sumitomo Precision Products



Main collaboration fields

Aircraft landing gear systems

Aircraft heat control systems

Industrial heat exchangers

Sensors (MEMS)

Sumitomo precision Products Co., Ltd.

Technologies and Development Capabilities

 Sumitomo Corporation

Worldwide Customer Base



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**“Enhancing business bases” and “Creating
new values”, facing the Fourth Industrial
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【Three pillars of the strategy】

（ 1 ） To reinforce existing businesses

**（ 2 ） To enhance the function of leasing and financing
business and make synergies with other business**

**（ 3 ） To promote various businesses in the coming
mobility society**

General leasing

- ▶ ***Sumitomo Mitsui Finance and Leasing***

Automobile leasing

- ▶ ***Sumitomo Mitsui Auto Service***

Aircraft leasing

- ▶ ***SMBC Aviation Capital***

Aircraft engine leasing

- ▶ ***Sumisho Aero Engine Lease***

Car & motorcycle retail financing

- ▶ ***OTO/SOF***

General leasing

▶ *Sumitomo Mitsui Finance and Leasing*

Automobile leasing

▶ *Sumitomo Mitsui Auto Service*

**Top-class
in the
sector**

**Total asset
¥5.7
trillion**

**Customers
170,000
companies**

Leasing and financing business -SMAS-

General leasing

Sumitomo Mitsui Finance and Leasing

Automobile leasing

► ***Sumitomo Mitsui Auto Service***

Aircraft leasing

► *SMBC Aviation Capital*

No. 1
in Japan

Total asset
¥750
billion

Number of
vehicles
790,000

Customers
40,000
Companies

No. 4
in the world

Total asset
¥1.4
trillion

Number of
aircrafts
650

Aircraft leasing

▶ ***SMBC Aviation Capital***

Aircraft engine leasing

▶ ***Sumisho Aero Engine Lease***

**Car & motorcycle retail
financing**

▶ ***OTO/SOF***

Established
in
2013

Number of
engines
34

Total asset
¥40
billion

Aircraft engine leasing

▶ ***Sumisho Aero Engine Lease***

Car & motorcycle retail
financing

▶ ***OTO/SOF***

Leasing and financing business

-OTO/SOF-

No. 1

As
independent
player

Total asset
¥300
billion

Customers
1.2mil
people

Branches
240
locations

航空機リース

▶ *SMBC Aviation Capital*

二輪/四輪ファイナンス

▶ *Sumisho Aero Engine Lease*

Car & motorcycle retail
financing

▶ **OTO/SOF**

Leasing business re-organization with SMFG

General leasing

► **SMFL**

 Sumitomo Corporation

SMFG



Deepening of Business Collaboration

Leasing business re-organization with SMFG

 Sumitomo Corporation

SMFG

► **SMFL**

General
leasing

SC

50

SMFG

50

► **SMAS**

Automobile
leasing

SC

34

SMFG

22

SMFL

26

18

► **SMBC AC**

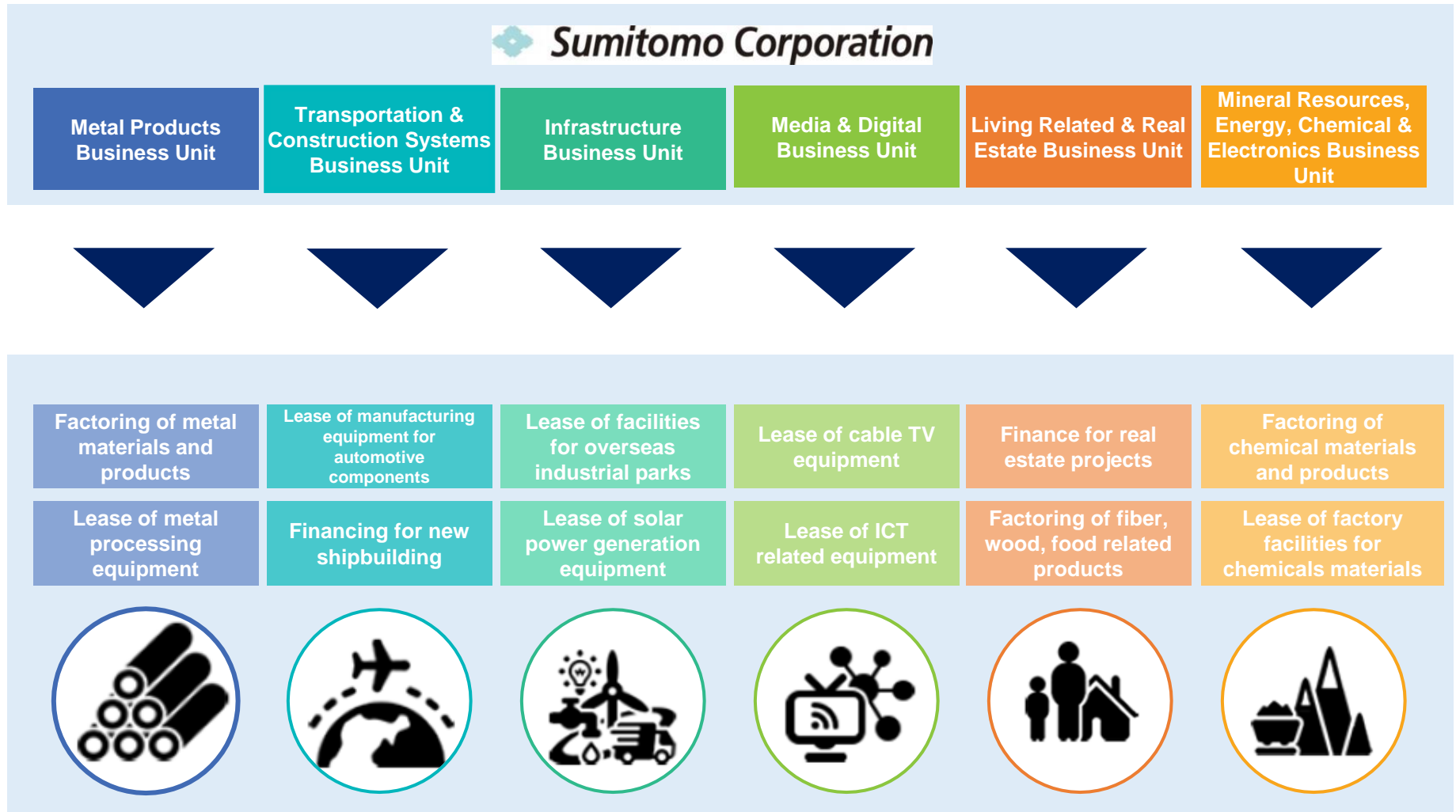
Aircraft
leasing

SMBC

32

SMFL

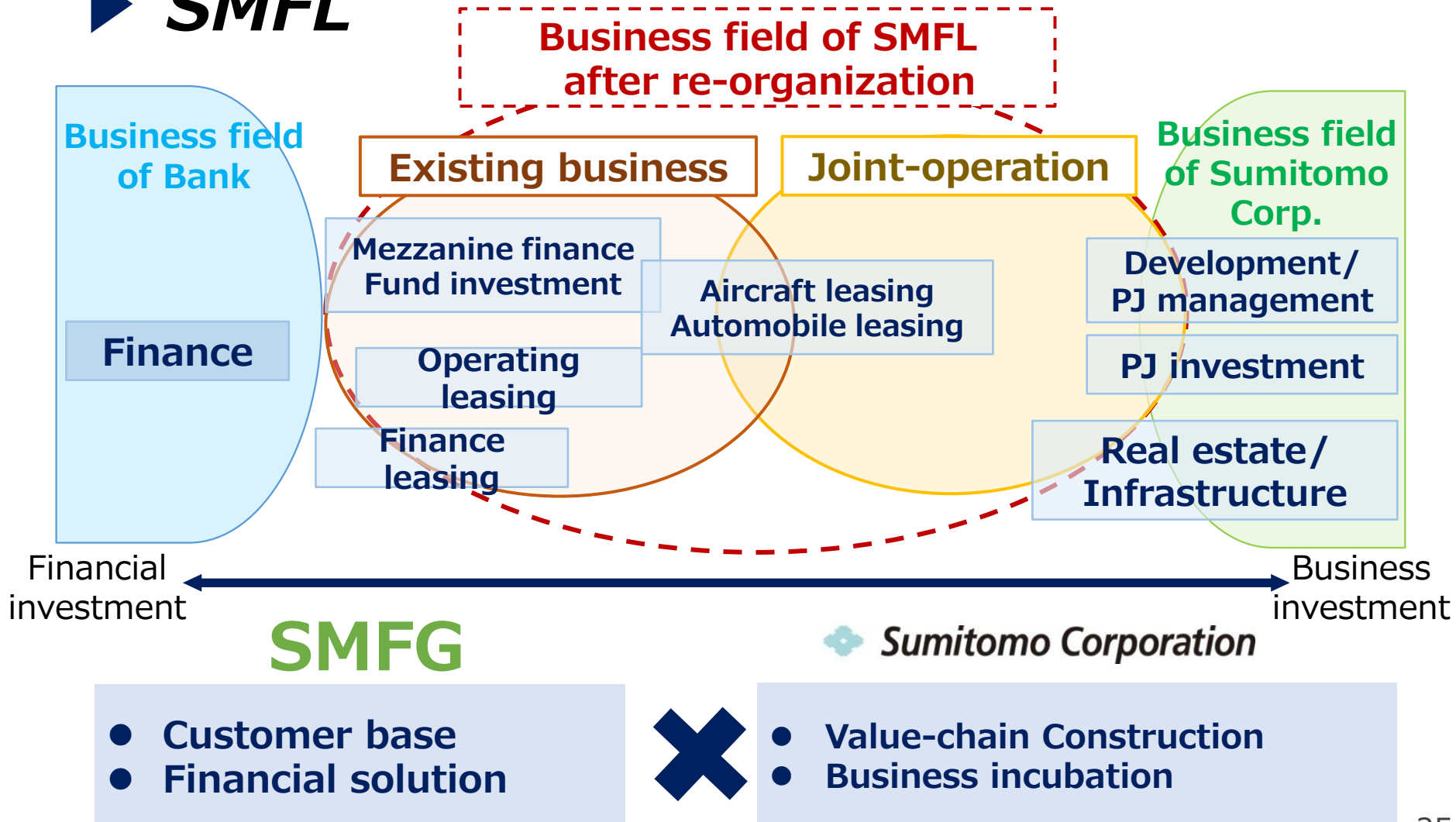
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Business field of SMFL after re-organization

General
leasing

► **SMFL**



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Change to Value Proposition

Ownership



Utilization

Changes to Buyers

Individuals



Fleet owners

Changes to Leading Players

Manufacturers and
distributors



Service operators

Change to Rules of the Game

Pay per unit



Pay per km

Mobility Services Envisioned by Sumitomo Corporation

What are mobility services?

**Billable only when
a vehicle is in motion**

**Cannot charge or may
have to reimburse when
it is not in use**

Who are mobility service providers?

**Take non-operation risks
(risks of idleness)**

Own and manage assets

Platform



Partner

and/or

Tech



**Mobility service
provider**

TBC (Alliance with Michelin)

 Sumitomo Corporation

**TBC
Corporation**

 Sumitomo Corporation
(50%)

MICHELIN
(50%)

Number of
retail stores
in the U.S.
2,500

Consolidation of
Secondary wholesales

Enhancing B2B
business

Enhancing
E-commerce

Distribution
warehouses
100
(After integration)

Capital alliance with
Michelin



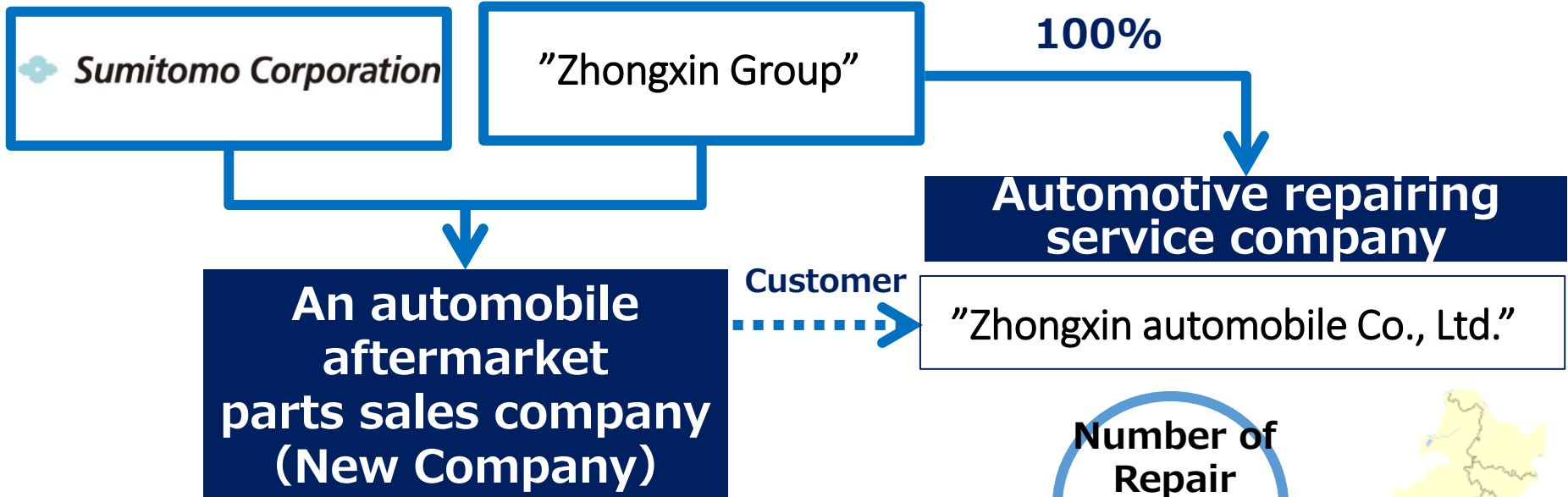
Integration and further
reinforcement of existing
businesses



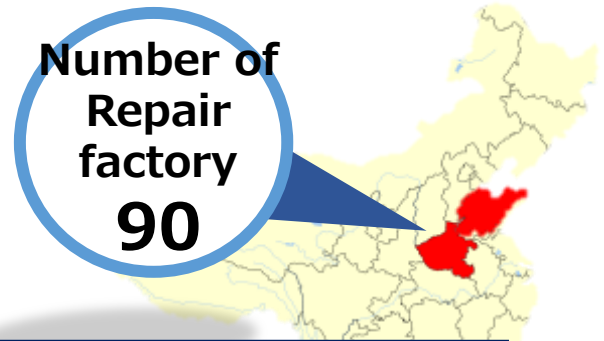
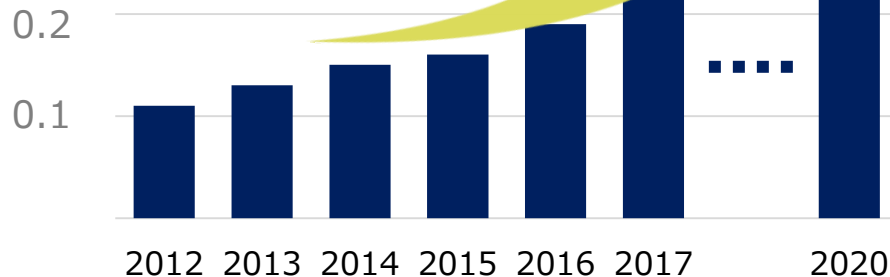
To evolve
to the next-generation
mobility service provider

To be a mobility
service platform in
North America

Acquiring new platform - China -



Number of car owned (Billion)



Number of car owned in China

2012	0.11 bil.	0.25bil.
2017	0.22 bil.	0.27bil.
2020	0.28 bil.	(forecast)

Evolving SMAS - a joint venture with OEMs -

Auto leasing

► **SMAS**

SMAS

- Expertise
- Sales & service force

HINO MOTORS

- Technical capability
- Customer base

**Toyota Finance
Corporation**

- Financing power

33.4%

16.5%

50.1%

**A new truck finance
& leasing company**

Mobilots

To Utilize connected technology to meet diversifying needs

Evolution of SMAS -collaboration with OEM-

 Sumitomo Corporation

SMAS  NISSAN MOTOR Corporation   Sumitomo Corporation

Construction of cascade reuse model of EV

Battery
status

Primary use
for new EV car

Reuse as
recycled
battery for EV

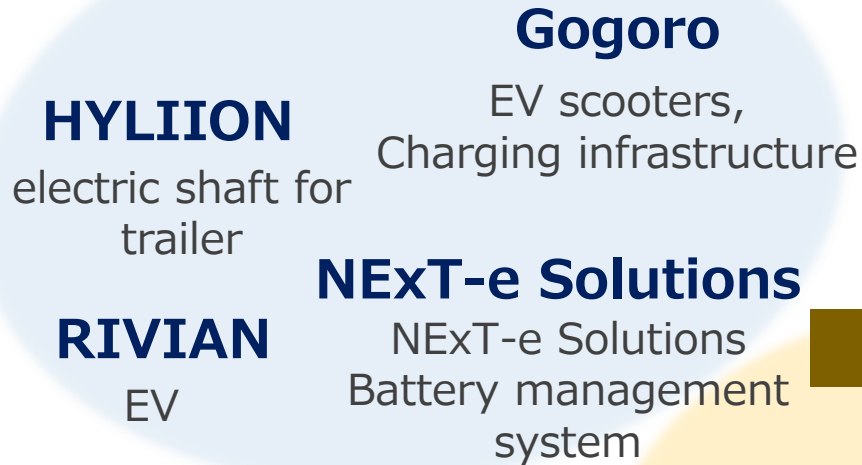
Reuse at
limited area

Stationary
storage
battery

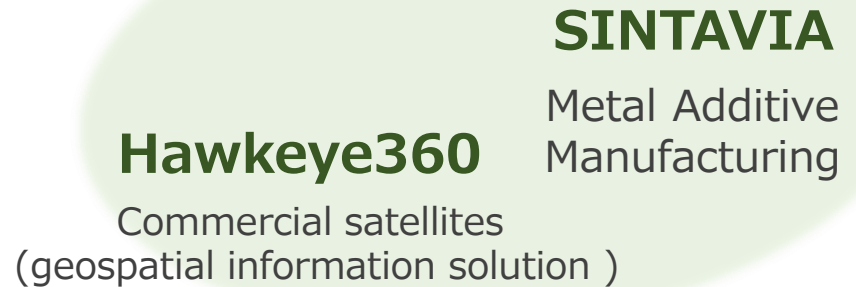
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Collaboration with “Start-ups”

Electric



Aerospace



Shared



Connected

“Hands-on” Challenges for Next-Generation Mobility

e-SHARE石垣

Gogoro's EV smart scooter sharing in Ishigaki-island

1



gogoro

島内主要スポット



aimo

Free-floating EV carsharing service in Stockholm

2



vulog



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Quantitative Targets

