

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

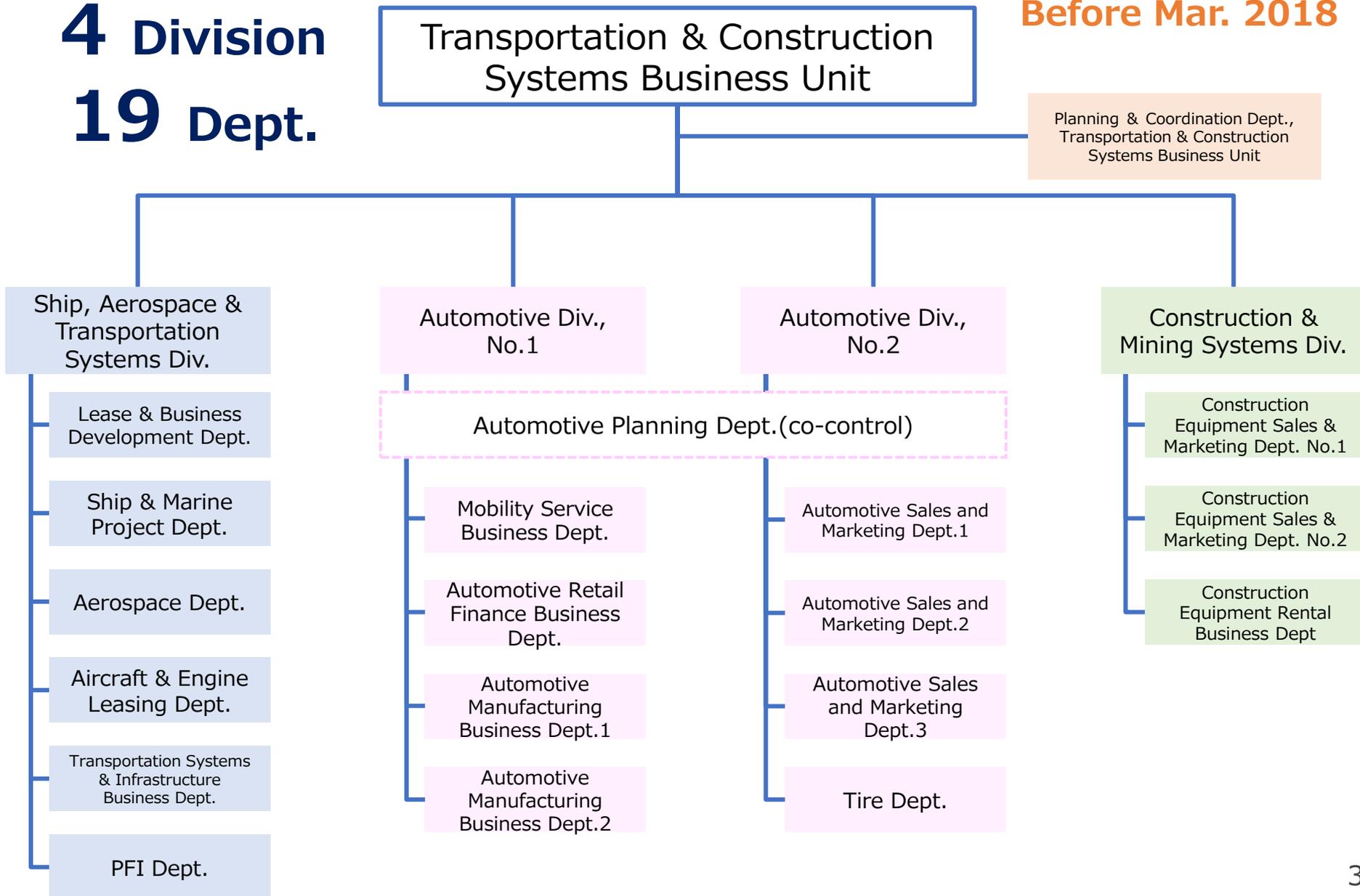
2. Strategy in “Medium-Term Management Plan 2020”

3. Financial Aspects

Organization Structure

4 Division
19 Dept.

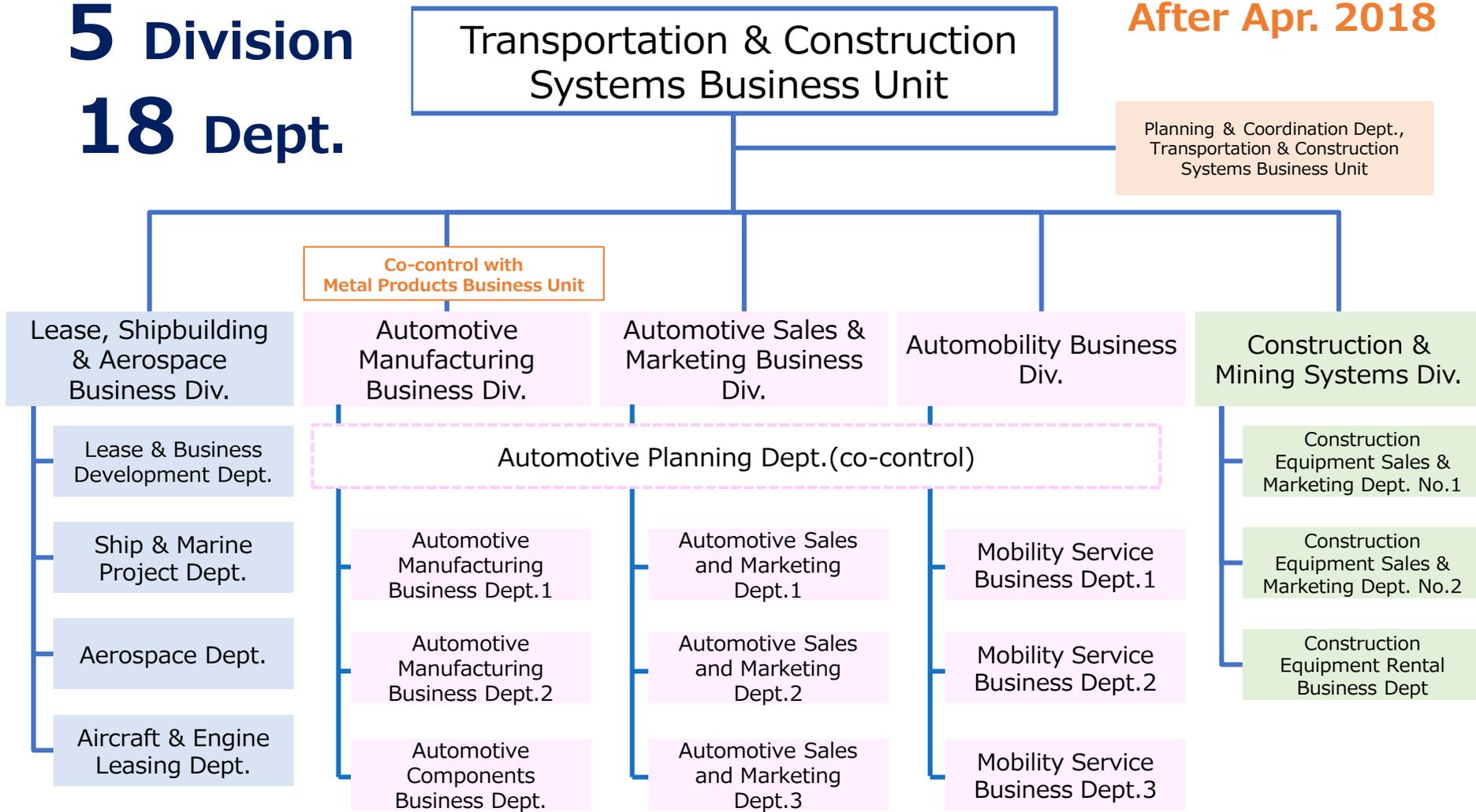
Before Mar. 2018



Organization Structure

5 Division
18 Dept.

After Apr. 2018



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

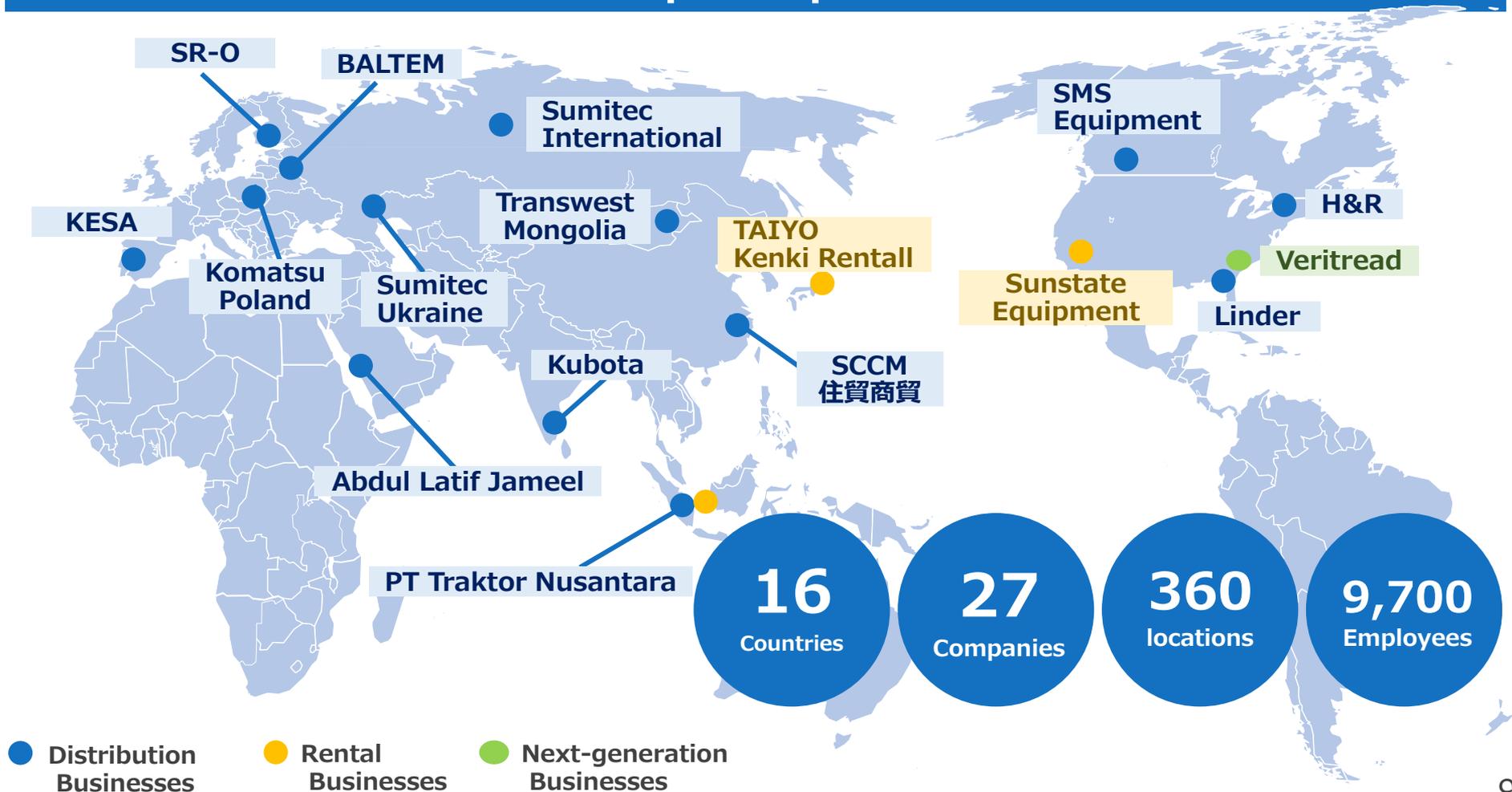
(2) To enhance the function of leasing and financing business and make synergies with other business

(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

【Distribution and service】

Canada : SMS Equipment

U.S : Linder

Russia : Sumitec International

Europe : Tecnosumit

China : SCCM

【Rental】

U.S : Sunstate Equipment

Japan : Taiyo Kenki Rental

Main businesses

【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

As of
now

3
countries



7
countries

6
locations



15
locations

Sales
¥27
billion



Sales
¥49
billion*

Result of FY2017

Reinforcement of automobile casting parts business

- Location map of KIRIU Group/Fujiwa Group

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

KIRIU-SAMIC (KOREA)

KIRIU USA

KIRIU Corporation (Ashikaga, Yamagata, Oita, TECHNO)

MUNJAL KIRIU [Haryana, Gujarat] (India)

KIRIU Thailand

KIRIU MEXICANA

KIRIU Indonesia

Sophistication of manufacturing operation in China, India

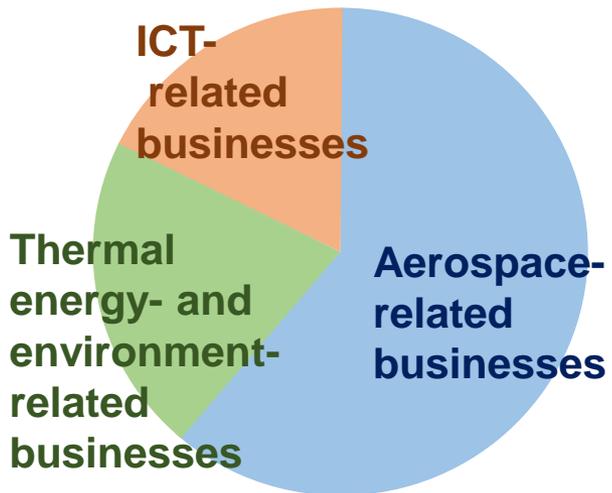
Reinforcement of the Collaboration with Sumitomo Precision Products



- 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



【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】

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(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**

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*

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



	SC	SMFG
General leasing	50	50

	SC	SMFG	SMFL
Automobile leasing	34	22	26

	SMBC	SMFL
Aircraft leasing	32	68

Sumitomo Corporation

Metal Products
Business Unit

Transportation &
Construction Systems
Business Unit

Infrastructure
Business Unit

Media & Digital
Business Unit

Living Related & Real
Estate Business Unit

Mineral Resources,
Energy, Chemical &
Electronics Business
Unit



Factoring of metal
materials and
products

Lease of manufacturing
equipment for
automotive
components

Lease of facilities
for overseas
industrial parks

Lease of cable TV
equipment

Finance for real
estate projects

Factoring of
chemical materials
and products

Lease of metal
processing
equipment

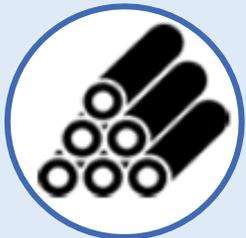
Financing for new
shipbuilding

Lease of solar
power generation
equipment

Lease of ICT
related equipment

Factoring of fiber,
wood, food related
products

Lease of factory
facilities for
chemicals materials

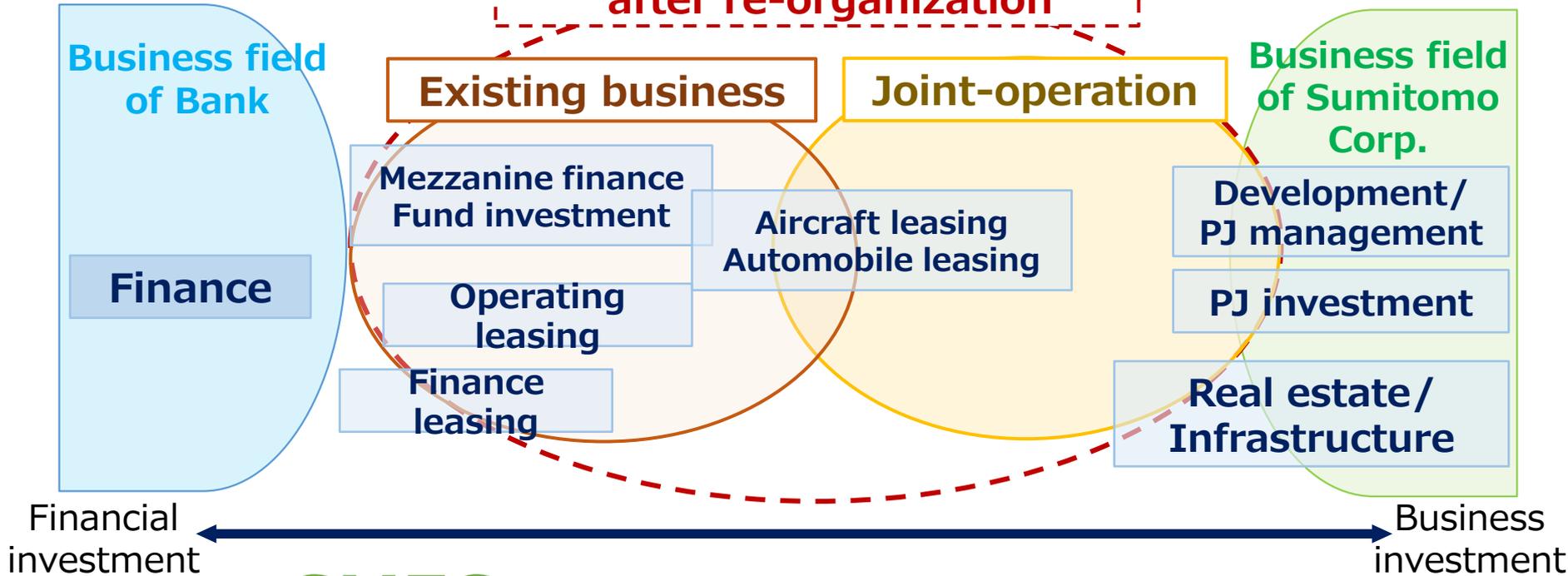


Business field of SMFL after re-organization

General leasing

► **SMFL**

Business field of SMFL after re-organization



SMFG

Sumitomo Corporation

- Customer base
- Financial solution



- Value-chain Construction
- Business incubation

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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

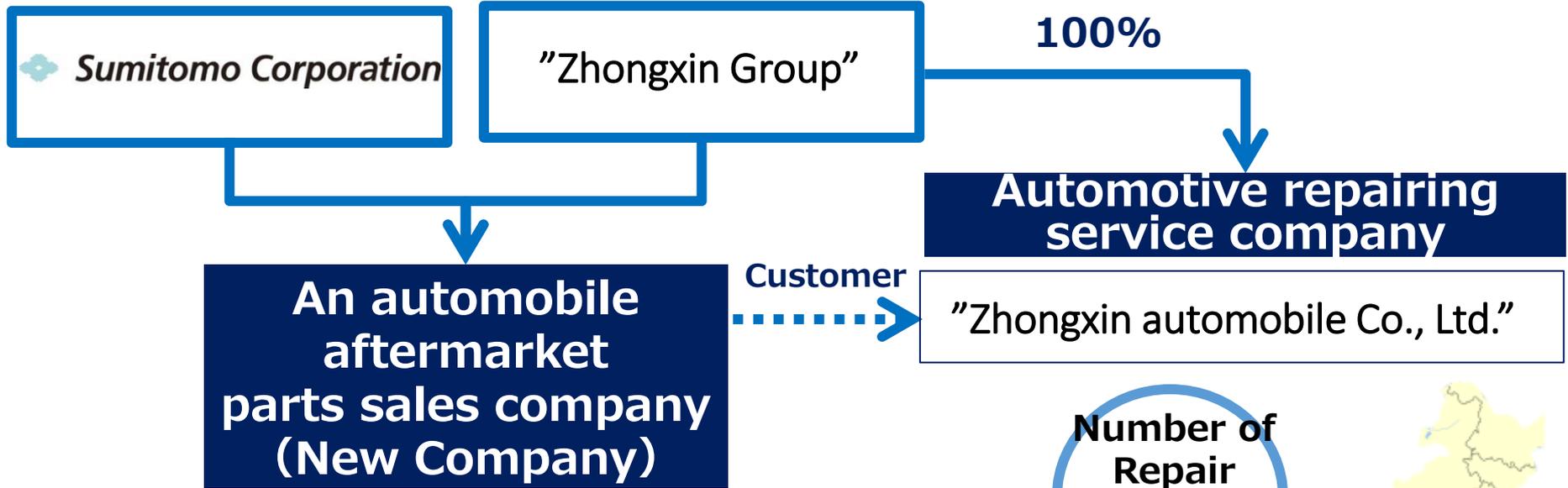
100

(After integration)

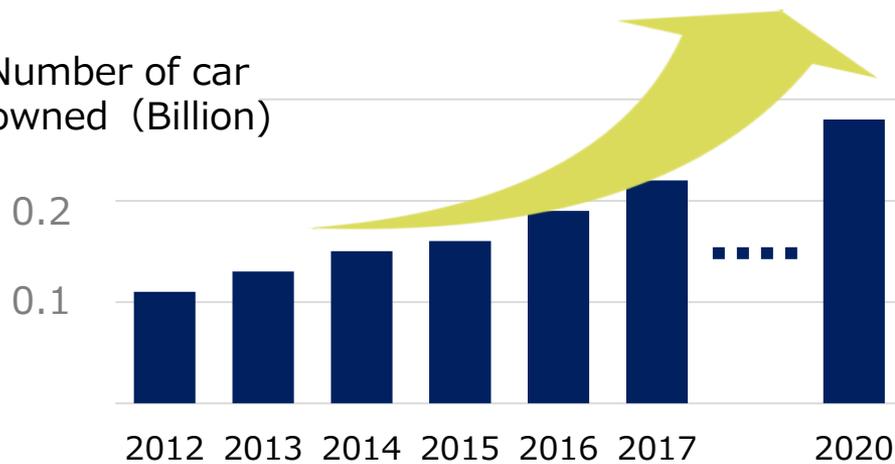
Capital alliance with Michelin
↓
Integration and further reinforcement of existing businesses
↓
To evolve to the next-generation mobility service provider

To be a mobility service platform in North America

Acquiring new platform - China -



Number of car owned (Billion)

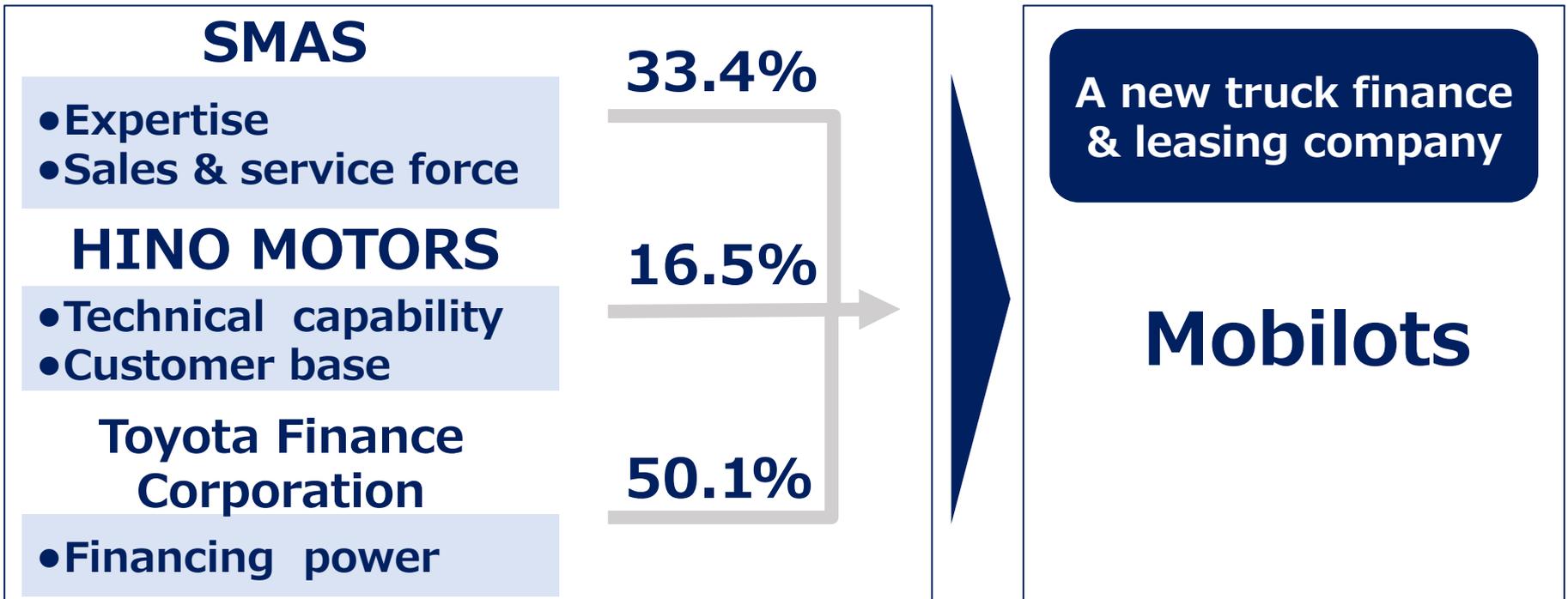


Number of car owned in China		
2012	0.11 bil.	0.25bil.
2017	0.22 bil.	0.27bil.
2020	0.28 bil. (forecast)	

Evolving SMAS - a joint venture with OEMs -

Auto leasing

▶ **SMAS**



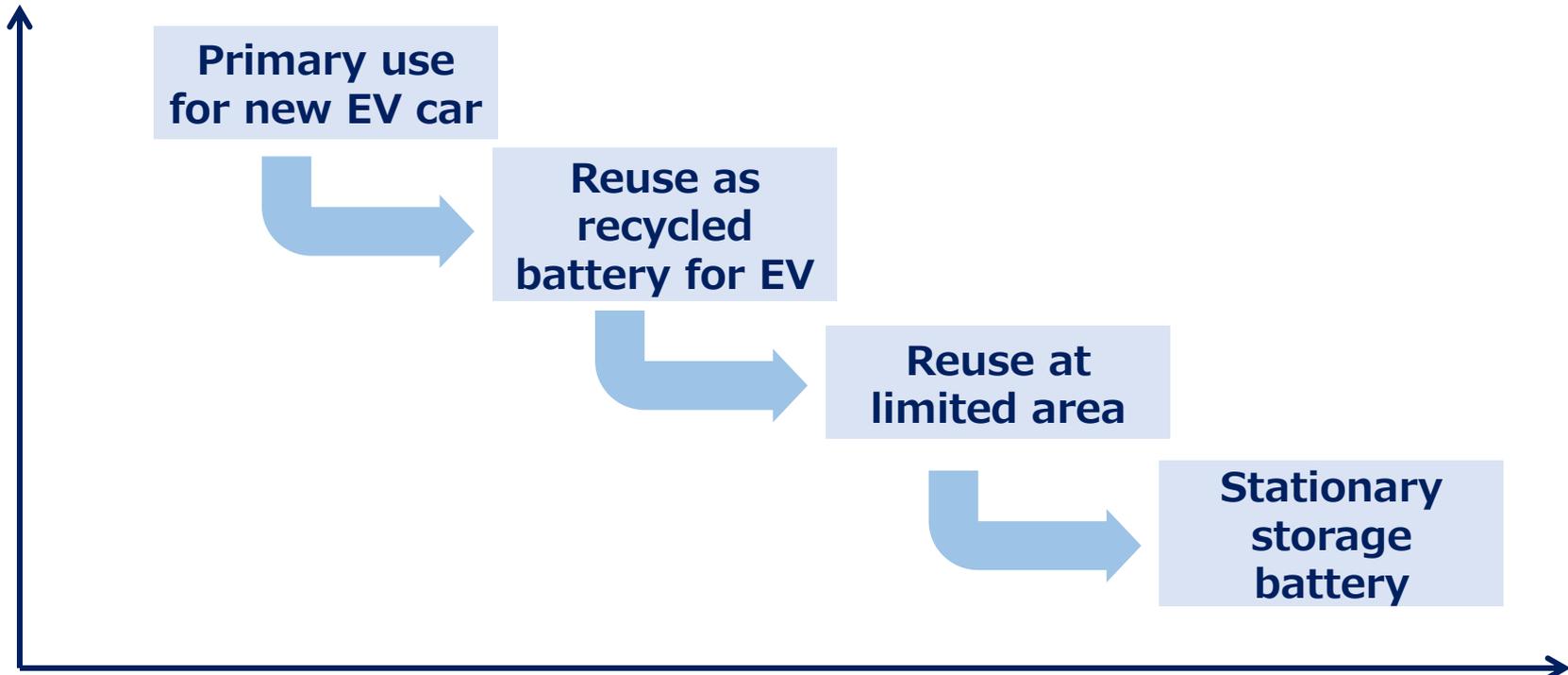
To Utilize connected technology to meet diversifying needs

Evolution of SMAS -collaboration with OEM-

SMAS × NISSAN MOTOR Corporation × Sumitomo Corporation

Construction of cascade reuse model of EV

Battery status



Collaboration with “Start-ups”

Electric

HYLIION

electric shaft for trailer

RIVIAN

EV

Gogoro

EV scooters,
Charging infrastructure

NExT-e Solutions

NExT-e Solutions
Battery management system

ActiveScaler

Seamless
Mobility solution

GMS

Engine remote control

Smart Drive

Telematics

Connected

Aerospace

SINTAVIA

Metal Additive
Manufacturing

Hawkeye360

Commercial satellites
(geospatial information solution)

Shared

Vulog

Free-floating carsharing

akippa

Parking sharing

TURO

P2P
carsharing

Construction & Mining Equipment

VERITREAD

B2B matching
service

“Hands-on” Challenges for Next-Generation Mobility

e-SHARE石垣

Gogoro's EV smart scooter sharing in Ishigaki-island

1



gogoro

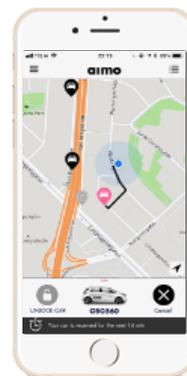
島内主要スポット



aimo

Free-floating EV carsharing service in Stockholm

2



vulog



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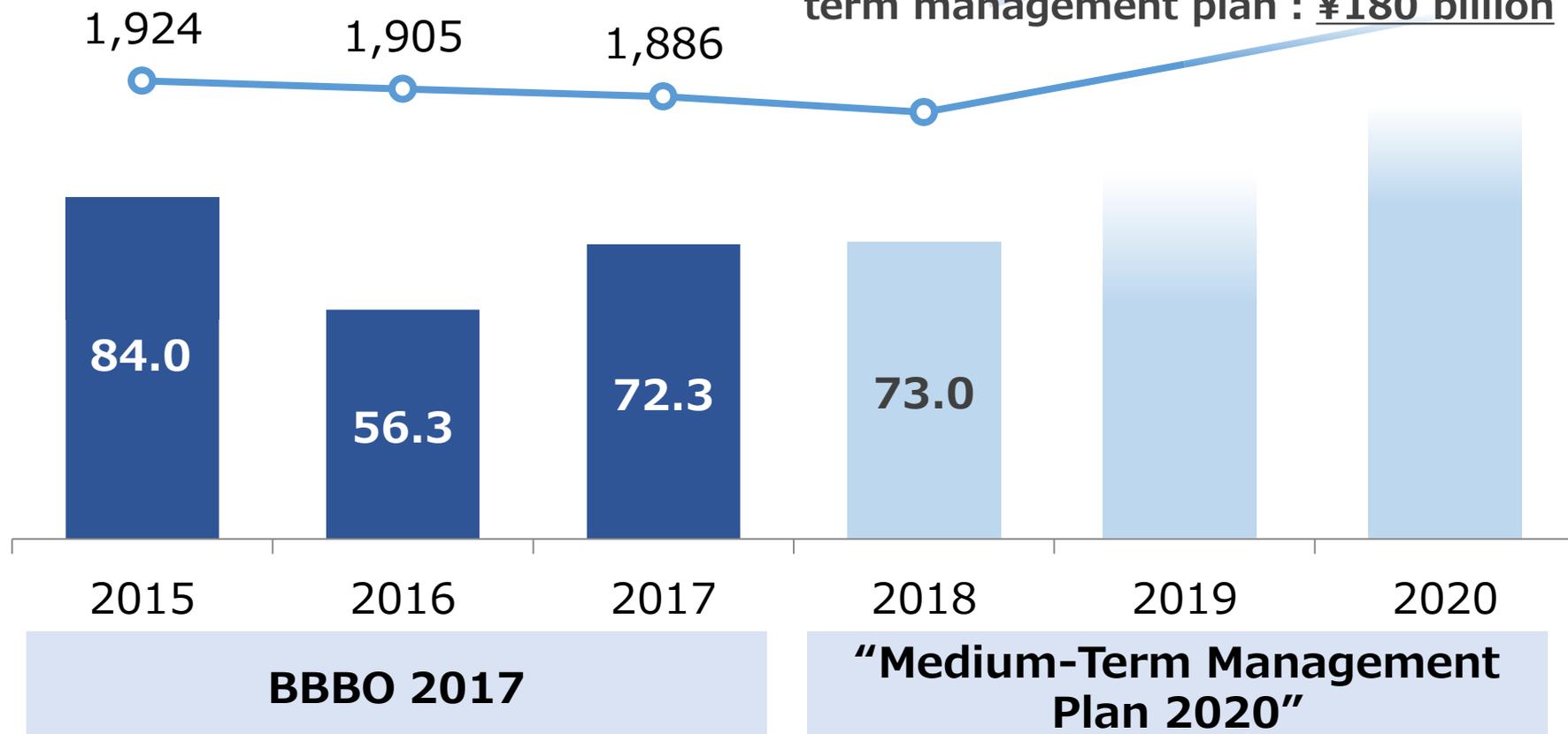
Quantitative Targets

- Total assets
(Billions of yen)
- Profit for the year
attributable to
owners of the parent
(Billions of yen)

Enhancing Business Base

Creating New Values

Investments in the 3 years of medium-term management plan : ¥180 billion



 ***Sumitomo Corporation***