

Environment & Infrastructure Business Unit



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General Manager,
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Main Fields

- Environment & Infrastructure Project Field
- Global Power Infrastructure Field
- Logistics & Insurance Field

Organization

- Planning & Administration Dept., Environment & Infrastructure Business Unit
- Environment & Infrastructure Project Business Division
- Global Power Infrastructure Business Division
- Logistics & Insurance Business Division

Message from the General Manager

“What We Aim to Be”

We aim to expand long-term, stable earnings foundations and contribute to society’s development by growing infrastructure businesses that cater to market demand and increasing and improving logistics capabilities.

Growth Strategies for Becoming What We Aim to Be

To expand our earnings foundations, we will increase the allocation of management resources on priority fields, such as overseas power infrastructure businesses, overseas renewable energy power generation businesses, domestic electricity businesses, and overseas industrial park businesses. We intend to expand overseas power infrastructure businesses mainly in Asia, the Middle East, the Americas, and Sub-Saharan Africa. The focus of our expansion of renewable energy power generation businesses will be offshore wind power. Meanwhile, domestic electricity businesses will focus efforts on expanding our power generation capacity and growing the scale of retail sales. In addition, overseas industrial park businesses will extend existing industrial parks and develop new industrial parks. Also, we will foster water infrastructure businesses and battery businesses as future pillars of earnings.

Q Please give us a review of BBBO2014.

A Profit for the year increased year on year due to the solid business results of the Tanjung Jati B Coal-Fired Power Plant in Indonesia and other overseas power infrastructure businesses.

Overseas power infrastructure businesses began commercial operation of a gas-fired combined-cycle thermal power plant in the United Arab Emirates, participated in gas-fired combined-cycle thermal power plant projects in Kuwait and Ghana, and received orders for large-scale EPC (engineering, procurement, and construction) projects in Malaysia and Vietnam. Renewable energy power generation businesses began commercial operation of wind and solar farms that were constructed in Japan, the United States, and South Africa; participated in offshore wind power generation projects in Belgium; and started to build a biomass power plant in Japan. As for overseas industrial park businesses, we extended existing industrial parks and advanced a new development in Myanmar. Through such initiatives in all of the above businesses, we sought to expand earnings foundations steadily. As measures for strategic asset management, we disposed of certain equity interests in water infrastructure businesses in the United Kingdom and sold the operating companies of solar power generation and wind power generation businesses in Japan and overseas.



Manjung ultra-supercritical coal-fired power plant (Malaysia)

Fiscal 2014 Results

Profit for the year rose ¥3.8 billion year on year, to ¥22.9 billion, reflecting steady performances by overseas power infrastructure businesses.

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

Performance Highlights

	FY2013	FY2014	FY2015 Forecast
Gross profit	63.7	64.5	67.0
Operating profit	19.2	20.5	–
Share of profit of investments accounted for using the equity method	5.2	5.3	–
Profit for the year (attributable to owners of the parent)	19.1	22.9	25.0
Basic profit	15.6	17.5	–
Total assets	597.0	597.2	–

(Billions of yen)

A We will reinforce and expand earnings foundations and maintain their growth momentum by implementing growth strategies and undertaking appropriate asset management.

Overseas, emerging countries' economic growth and increasing populations are generating ever greater demand for power and water infrastructure. Moreover, demand is heightening for environment-friendly businesses that will help establish a sustainable society. In Japan, the full liberalization of power retailing scheduled for April 2016 promises to increase business opportunities. Further, as Japanese companies advance overseas, demand for logistics services and the development of industrial parks is becoming very strong.

In overseas power infrastructure businesses, we will give priority to initiatives in regions in which we have abundant experience and expertise, such as Asia, the Middle East, and the Americas. At the same time, we will focus efforts on developing projects in Sub-Saharan Africa and other new markets. Renewable energy power generation businesses will expand business foundations centered on offshore wind power generation in Europe while focusing on strategic asset management. With sights set on the full liberalization of power retailing, domestic electricity businesses will expand our competitive power generation capacity, such as biomass power generation, and grow the scale of retail sales. Logistics businesses will contribute to additional growth of businesses throughout the Sumitomo Corporation Group by providing integrated, comprehensive support in Japan and overseas. As for overseas industrial park businesses, plans call for extending and upgrading the capabilities of existing industrial parks while developing new projects in emerging countries. Water infrastructure businesses will focus efforts on the development of new concession business projects, and battery businesses will conduct verification projects for energy management businesses in Japan and overseas that use storage batteries.

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

A We contribute to the development of local economies and communities through renewable energy power generation businesses in such areas as wind and solar power.

There is a growing concern that the growth of South Africa's economy and population could lead to increased power shortages as well as an increase in CO₂ emissions, due to its high dependency on coal-fired power generation. In an aim to resolve these issues, we took advantage of the experience and expertise accumulated through the wind power businesses in Japan and overseas to lead the development and construction of a 100MW wind farm project with a local partner. In August 2014, the project reached commercial operation. During the 20-year operational period, we will contribute and utilize part of our revenue from the project for the benefit of the local communities. As shown by one of our initiatives that provides extracurricular lessons for elementary schoolchildren, we will continue ensuring that our renewable energy businesses positively impact the lives of the local communities.



An extracurricular lesson for elementary schoolchildren

Environment & Infrastructure Business Unit

Summary of Main Fields

Environment & Infrastructure Project Field

“What We Aim to Be”

We aim to contribute to the realization of a sustainable society and sustainable industries by advancing projects for the development of efficient infrastructure that places minimal burden on the environment.

Business Conditions

In Japan, the increasing liberalization and deregulation of power retailing promises to create more business opportunities. With regard to renewable energy power generation, although change in the incentive schemes that respective countries are introducing is a risk, we expect demand for environment-friendly power generation capacity to continue. Also, demand for safe, hygienic water is likely to increase.

Strengths and Strategies

In domestic electricity businesses, we will exploit accumulated experience and Sumitomo Corporation’s integrated strength to secure additional competitive power generation capacity and increase the scale of retail sales. Meanwhile, renewable energy power generation businesses will take advantage of our experience in the development of projects in the United States, South Africa, and Belgium to accumulate high-quality assets and focus on strategic asset management. In water infrastructure businesses, our aim is to capitalize on experience garnered through the water supply businesses in the United Kingdom to participate in high-quality projects.

Current Initiatives

We began commercial operation of wind farms and solar farms that we constructed in Japan, the United States, and South Africa and participated in an offshore wind power generation project in Belgium that we expect will grow vigorously. In preparation for full liberalization in the power retail field, we are taking advantage of Sumitomo Corporation’s integrated strength by, for example, undertaking business collaboration with J:COM, which is a cable TV provider and has the largest market share in the industry. Also, in Japan we are building a biomass power plant as in-house power generation capacity.



Oga Wind Farm (Japan)

Global Power Infrastructure Field

“What We Aim to Be”

We aim to reinforce our leading position in the electric power development field through the two mainstays of power generation businesses and EPC projects.

Business Conditions

Global demand for power is expected to increase further due to the rising populations and economic growth of emerging countries, mainly in Asia, the Middle East, and Sub-Saharan Africa.

Strengths and Strategies

We will concentrate efforts on proposing and forming projects in which we can bring to bear more sophisticated and diverse capabilities. In such projects, we will identify changes in market needs accurately and integrate knowledge and expertise ranging from the design and construction of power stations through to the development and management of power generation businesses—acquired through many years of experience in the overseas power business. We will give priority to initiatives in such regions as Asia, the Middle East, and the Americas, where we have an extensive track record and in-depth knowledge. Furthermore, we will continue to take on the challenge of Sub-Saharan Africa and other new markets.

Current Initiatives

In the power infrastructure field, we are constructing Kuwait’s first private independent water and power producer (IWPP) project, the Az-Zour North project, with a view to beginning commercial operations in 2016. In addition, we are constructing a gas-fired combined-cycle thermal power plant in Ghana that will be one of the largest facilities of its kind in the country when commercial operations begin in 2017. In the power EPC field, we are proceeding with large-scale construction projects in Taiwan, Malaysia, and Vietnam. In other initiatives, battery businesses are conducting verification projects for energy management businesses in Japan and overseas that use storage batteries.



Az-Zour North Independent Water and Power Producer (IWPP) project (Kuwait)

Logistics & Insurance Field

“What We Aim to Be”

We aim to extend the business foundations of overseas industrial parks and to contribute to Companywide earnings through the expansion and improvement of logistics and insurance capabilities.

Business Conditions

As the scale of the Sumitomo Corporation Group's businesses increases, more sophisticated logistics and insurance capabilities are required. Companies from countries worldwide, including numerous Japanese companies, are making advances into emerging countries centered on Asia. Consequently, demand for logistics services and industrial parks is rising.

Strengths and Strategies

By leveraging the experience in handling logistics for diverse products that we have accumulated as a general trading company and expertise in insurance risk management acquired through the implementation of a variety of large-scale projects, we will help enhance the value of businesses throughout the Group as well as generate independent earnings. In overseas industrial park businesses, we aim to expand earnings foundations by extending and upgrading the capabilities of existing industrial parks while developing new projects in emerging countries.

Current Initiatives

We are reorganizing logistics companies in Japan and overseas to heighten the sophistication of logistics capabilities and enhance management efficiency. Furthermore, we are contributing to earnings growth throughout the Company by providing comprehensive logistics support to new large-scale projects overseas. In overseas industrial park businesses, we are playing a leading role in the development of industrial parks as part of a public-private collaboration between Myanmar and Japan. Moreover, we are developing new industrial parks in India and Vietnam.



Thilawa Special Economic Zone (Myanmar)

Project Overview

Initiatives for Renewable Energy Power Generation Businesses in the United States



Mesquite Creek Wind Farm (U.S.)

Viewing overseas renewable energy businesses as one of our core businesses, we have developed and managed businesses in the Americas, Europe, South Africa, and China.

Our initiatives for renewable energy businesses in the United States began in 2009 when we acquired an equity interest in the existing Stanton wind farm in Texas. Since then, we have accumulated knowledge and experience in this field by participating in various projects. These include participation in the Shepherds Flat wind farm in Oregon; the Desert Sunlight solar farm in California, which is one of the world's largest solar farms; and the Cimarron II and Ironwood wind farms, which are jointly owned and operated by Duke Energy Renewables, a major utility and renewable energy developer in the United States.

In April 2015, we began commercial operation of the Mesquite Creek wind farm in western Texas, an initiative that we led at all stages, from the arrangement of project finance and conclusion of generated power off-take contracts through to development and construction. In the United States, companies involved in consumer business are increasingly and actively purchasing electricity from renewable sources. Following this trend, we concluded a long-term, 20-year off-take contract for the sale of most of the power generated by the Mesquite Creek wind farm with Mars, Inc., a major U.S. manufacturer and seller of confectioneries and pet food. As can be seen in this project, we are taking on the challenge of new schemes of selling power while contributing to the preservation and improvement of the environment.