

Transportation & Construction Systems Business Unit

Main Fields

- Ship, Aerospace & Transportation Systems
- Automotive
- Construction Equipment

Organization

- Planning & Coordination Dept., Transportation & Construction Systems Business Unit
- Ship, Aerospace & Transportation Systems Division
- Automotive Division, No. 1
- Automotive Division, No. 2
- Construction & Mining Systems Division



“What We Aim to Be”

We will anticipate changes in business conditions and change and expand business fields flexibly while realizing sustained growth.

We aim to be the industry leader in all of our business fields.
We will create new value through innovation based on out-of-the-box thinking.
We will develop regionally rooted businesses and contribute to the advancement of countries, societies, and industries.

Naoki Hidaka

General Manager,
Transportation & Construction Systems Business Unit

Ship, aerospace & transportation systems

- One of Japan's leading general leasing businesses
- World-class aircraft leasing businesses, transportation system businesses, and shipbuilding businesses

Automotive

- Value chain that globally covers upstream through to downstream business fields

Construction equipment

- Business management expertise and local executives in each region developed through many years of hands-on business management

Strengths

Ship, aerospace & transportation systems

- Replacement of assets in portfolios of ship businesses
- Expansion of foundations of general leasing businesses and aircraft leasing businesses
- Advancement of railway infrastructure businesses

Automotive

- Business innovation in response to new car society resulting from revolution in automotive technology

Construction equipment

- Strengthening and expansion of business foundations in emerging markets

Challenges

Ship, aerospace & transportation systems

- Increase in customers for aircraft and railways in emerging countries

Automotive

- Progress of motorization with a focus on emerging countries
- New businesses resulting from new automotive technological innovation, such as self-driving cars and IoT

Construction equipment

- Increase in construction demand as population increases and urbanization advances worldwide

Opportunities

Ship, aerospace & transportation systems

- Decrease in shipping cargo movements accompanying softening growth in China's economy

Automotive

- Geopolitical market risk

Construction equipment

- Cyclical nature of the market

Risks

Performance Highlights

(Billions of yen)	FY2014	FY2015	FY2016 Forecast
Gross profit	183.6	175.5	152.0
Operating profit	18.4	24.3	—
Share of profit of investments accounted for using the equity method	31.7	31.3	—
Profit for the year (attributable to owners of the parent)	40.6	73.4	43.0
Basic profit	51.4	50.7	—
Total assets	1,756.4	1,508.5	—

Fiscal 2015 Results

In fiscal 2015, profit for the year increased ¥32.8 billion year on year, to ¥73.4 billion, due to the steady performance of aircraft leasing businesses, construction equipment rental businesses in North America and Japan, and the recognition of gain on sale and revaluation of shares accompanying reorganization of automotive retail financing businesses in Indonesia.

Europe and CIS

- Automobile distributor
- Automobile dealer
- Tire wholesale and retail
- ▲ Construction equipment dealer
- Automobile retail finance

East Asia

- Automotive parts manufacture
- Automobile dealer
- ▲ Construction equipment dealer

Japan

- Auto leasing
- Electric vehicle-related
- Automotive parts manufacture
- ▲ General construction equipment rental
- Finance and general lease business
- Shipbuilding

Americas

- Vehicle production facility
- Automotive parts manufacture
- Automobile dealer
- Tire wholesale and retail
- ▲ General construction equipment rental
- ▲ Construction equipment dealer
- Aerospace-related
- Railway and transport projects

Middle East and Africa

- Automobile distributor
- Tire wholesale and retail
- Automobile retail finance
- ▲ Construction equipment dealer

Asia and Oceania

- Automobile retail finance
- Automobile distributor
- Automobile dealer
- Auto leasing
- Automotive parts manufacture
- Tire wholesale and retail
- ▲ Agricultural machinery distributor
- ▲ Construction equipment dealer
- Finance and general lease business
- Railway and transport projects

Other (global businesses)

- Aircraft leasing
- Aircraft engine leasing
- Ship-owning and operating business
- ▲ ■ Various types of trading

- : Automotive
- ▲ : Construction equipment
- : Ship, aerospace & transportation systems
- Red: Manufacturing
- Green: Sales and services
- Blue: Financing and assets

Global Portfolio

Growth Strategies for Becoming What We Aim to Be

- In our three core business areas—sales and services, manufacturing, and financing and assets—we will strengthen the earning power of existing businesses and advance initiatives in new businesses.
- We will modulate resource allocation in light of careful monitoring of business conditions and medium-to-long-term perspectives.

- We will strengthen Groupwide collaboration among organizations, bolster operational tie-ups with global partners, and take on new business areas.
- We will foster global personnel able to work in a hands-on, site-focused manner.

Fiscal 2015 Overview

In automotive retail financing businesses in Indonesia, we reorganized the capital of PT. Oto Multiartha and PT. Summit Oto Finance to enable continuous expansion and advance growth strategies further. Aiming to capture solid leasing demand in Japan, Sumitomo Mitsui Finance and Leasing Company, Limited, acquired the General Electric Group's leasing business in Japan. Also, railway-related businesses received an order for the construction of a large-scale railway under the Thai government's Red Line Construction Project. As for existing businesses, our U.S. construction equipment rental business and auto leasing businesses in Japan performed solidly.

BBBO2017 Growth Strategies

In the automobile and construction equipment sales and services fields, we intend to strengthen existing businesses and enter new markets. Further, we will steadily implement a plan to regenerate U.S. tire businesses. Regarding the financing and assets field, in aircraft leasing, engine leasing, auto leasing and automotive retail financing, and construction equipment rental, we will inject and collect funds strategically. As for the manufacturing field, plans call for tackling new businesses in the automotive and aircraft parts fields. Also, to create new value we will advance collaboration among organizations and partner-based strategies.

Initiatives Aimed at Addressing Social Issues

Japan Charge Network's Project to Establish Charging Stations for Electric Vehicles

To popularize electric vehicles and thereby help realize a low-carbon society, the establishment of charging stations that supply electricity to vehicles is vital. Through Japan Charge Network Co., Ltd., the Sumitomo Corporation Group has been at the forefront of efforts to expand and improve charging infrastructure since the earliest days of electric vehicles. By installing, managing, and operating charging stations, we aim to popularize environment-friendly vehicles and contribute to the realization a rich environment for tomorrow's society.



An example of an express charging station that Japan Charge Network has installed (Minokamo Service Area)

Transportation & Construction Systems Business Unit

Summary of Main Fields

Ship, Aerospace & Transportation Systems Field



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A leading-edge aircraft scheduled for use in one of our aircraft leasing businesses

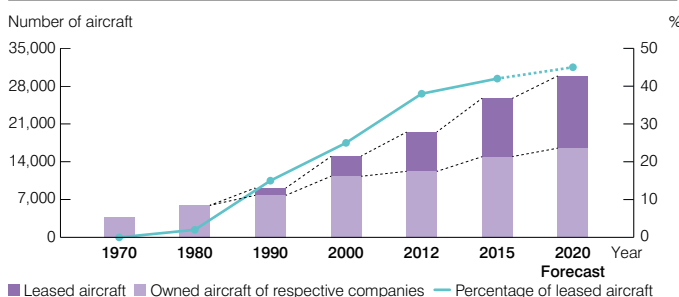
Opportunities and Risks

In aircraft leasing businesses, demand is expected to grow stably as the growth of emerging countries increases passenger numbers and low-cost carriers (LCCs) become more widespread. In overseas markets, the initiatives of leasing businesses promise favorable results. Meanwhile, conditions are sluggish in the shipping and shipbuilding markets, and we are paying careful attention to current market trends. Mainly in Asia, business opportunities are increasing due to the large number of urban railway and high-speed railway development projects that are planned.

Growth Strategies

In the aviation field, we will expand the aircraft leasing businesses of SMBC Aviation Capital further, while advancing engine leasing and other related businesses and pursuing synergies. Leasing businesses will focus on expanding their customer bases in Japan and overseas and upgrading operations. As for ship businesses, we aim to secure stable earnings based on the shipbuilding businesses of Oshima Shipbuilding Co., Ltd., and ship trading and ship-owning and operating businesses. With regard to transport infrastructure, we will strive to win new orders for railway EPC projects and facilitate the fulfillment of contracts.

Number / Percentage of Leased Aircraft among Aircraft Worldwide



As burgeoning passenger demand expands the commercial aircraft market, the aircraft leasing market continues to grow steadily as it provides airlines with a flexible means of procuring aircraft. Boasting the world's third largest number of owned or managed aircraft, SMBC Aviation Capital is advancing business development globally.

Automotive Field



Continuing to grow, Indonesia's automobile and motorcycle markets

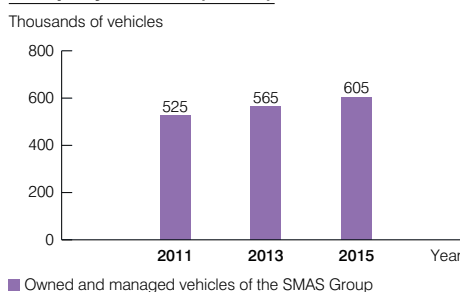
Opportunities and Risks

Centered on emerging countries, demand for automobiles is likely to grow at a steady pace, and expansion is expected in all related business fields, including manufacturing, sales, distribution, services, and financing. Also, growing demand for lightweight vehicles and alternative fuel amid concern over environmental problems, as well as new needs associated with autonomous driving and the IoT are contributing to the growth of business opportunities in this field. On the other hand, geopolitical risk related to political instability in certain regions is a cause for concern.

Growth Strategies

Automotive retail financing businesses, with a focus on Asia, will take an other related financial businesses to accelerate and diversify its growth in the finance and service business. As for mobility services businesses, which have auto leasing at their core, we will offer a range of solutions to respond to demand arising from "a new society of new mobility." Parts and vehicle manufacturing businesses and automobile and tire distribution businesses will expand existing businesses and services in regions worldwide and take on new challenges.

Growth of Sumitomo Mitsui Auto Service Company, Limited (SMAS)



One of Japan's largest auto leasing companies, the Sumitomo Mitsui Auto Service Company, Limited (SMAS) Group, owns and manages approximately 600,000 vehicles worldwide on a consolidated basis. By providing vehicles and onboard equipment that enhance safety and environment friendliness, the SMAS Group will upgrade the services that it offers customers while stepping up the pace of business development overseas.



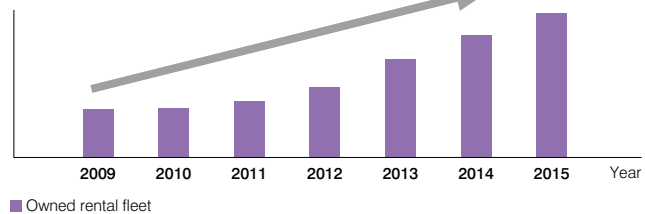
Construction Equipment Field

An on-site technician of Canadian subsidiary SMS Equipment Inc. conducting a diagnosis of construction equipment

Opportunities and Risks

Worldwide demand for construction equipment is expected to grow steadily over the medium-to-long term as the population increases and urbanization advances. While demand for new equipment sales continues to be slow at present, demand for repair and maintenance services remains stable. Boasting high-quality service capabilities in the product support field, we believe that under the current business conditions, it is a good opportunity for us to enhance customer satisfaction further. Also, construction equipment rental businesses promise to expand due to growth in the rental penetration mainly in developed countries.

U.S. Construction Equipment Rental Businesses



In the United States, the world's largest construction equipment rental market, we acquired an equity interest in Sunstate Equipment Co., LLC, in 2009 because we saw growth potential in this market. Since then, in accordance with our initial plan, the company has been increasing rental assets and growing earnings steadily.

Growth Strategies

In existing businesses, we will concentrate efforts on improving asset efficiency and expanding product support businesses while advancing new initiatives in peripheral business fields. Also, with a view to a major advance, we will embark upon ambitious initiatives to expand our business base in the field of construction equipment sales and services businesses in the emerging countries of the Middle East, Southeast Asia, and other regions as well as in the field of construction equipment rental businesses in Europe and Southeast Asia.

Project Overview

Alliance Between Japan's Private and Public Sectors Helps Secure Thai Railway Construction Contract

In recent years, road congestion and air pollution have become serious problems in Thailand. Therefore, the country needs to build a low-carbon society and mass transport infrastructure. In March 2016, a consortium comprising Mitsubishi Heavy Industries, Ltd., Hitachi, Ltd., and Sumitomo Corporation won a contract to design, construct, and install railway electric and mechanical systems for a railway project in Bangkok, the Red Line Construction Project. The contract includes the supply of 130 railcars but excludes civil engineering work. We will maximize the project's value by taking advantage of capabilities that we have garnered as a result of our extensive experience in executing such contracts worldwide.

Further, funding for the railway's construction will include an international yen loan from the Japan International Cooperation Agency (JICA). Thus, an alliance between Japan's private and public sectors will export high-quality infrastructure to help sustain Thailand's growth.



The Red Line in Bangkok, Thailand



The Red Line route map

Value-Creating Business Model

