

Environment & Infrastructure Business Unit

Main Fields

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

Organization

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



“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.

Masayuki Hyodo

General Manager,
Environment & Infrastructure Business Unit

Project formation and advancement capabilities underpinned by experience and track record

Infrastructure businesses

- Project management capabilities that encompass stages from design through to construction and from business development through to management and industry network

Logistics & insurance and overseas industrial parks

- Experience in global logistics for a wide range of goods, insurance-based risk management capabilities, wealth of experience in development and management of industrial parks overseas, and capabilities for supporting tenant companies

Creation of growth opportunities by combining environmental preservation with economic benefits

Infrastructure businesses

- Increase in demand for environment-friendly infrastructure due to growing environmental awareness and economic development of emerging countries and increase in business opportunities resulting from deregulation of electricity retail market in Japan

Logistics & insurance and overseas industrial parks

- Rise in need for logistics insurance services and overseas industrial parks as Japanese companies advance into overseas markets

Establishment of organizations that empower diverse personnel to exercise leadership

- Aiming to optimize utilization and deployment of personnel on global basis to develop the businesses globally, cultivate markets and capture demand, and secure cost competitiveness

Challenges

Agile responses to uncertain, volatile conditions

- Drastic changes in industries, such as realignment among heavy electrical machinery manufacturers in Japan, the United States, and Europe and the emergence of China
- Changes in conditions or regulatory strengthening for coal-fired power plants and changes to respective countries' incentive schemes for renewable energy power generation businesses

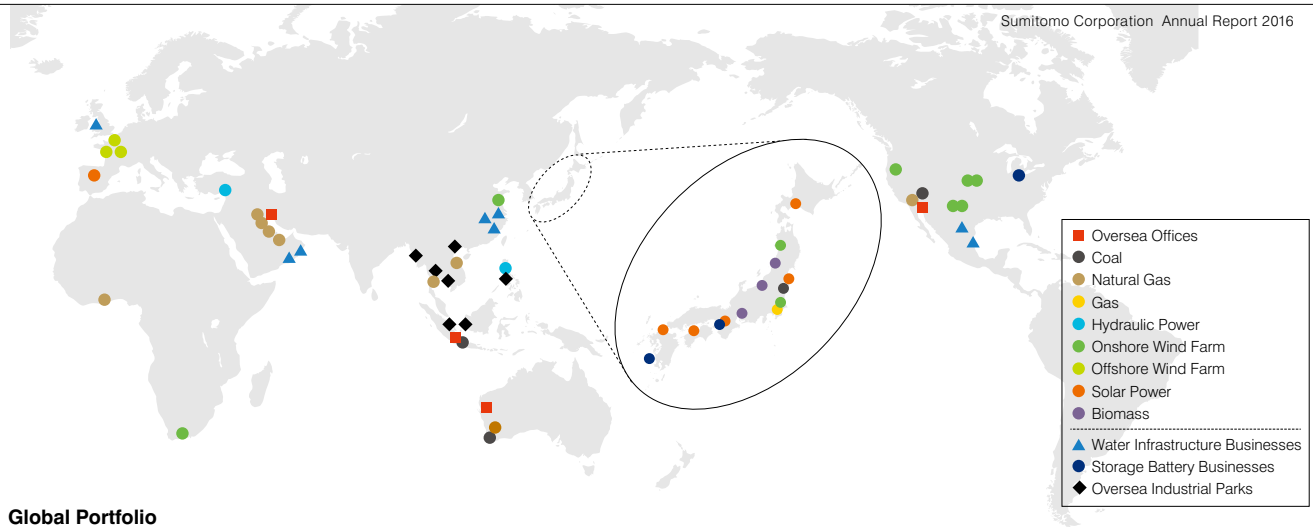
Risks

Performance Highlights

(Billions of yen)	FY2014	FY2015	FY2016 Forecast
Gross profit	64.5	56.8	66.0
Operating profit	20.5	15.0	—
Share of profit of investments accounted for using the equity method	5.3	10.1	—
Profit for the year (attributable to owners of the parent)	22.9	25.6	33.0
Basic profit	17.5	19.6	—
Total assets	597.2	560.2	—

Fiscal 2015 Results

In fiscal 2015, the year ended March 31, 2016, profit for the year increased ¥2.7 billion year on year, to ¥25.6 billion, because steady performances by overseas power infrastructure businesses, such as the Tanjung Jati B Coal-Fired Power Plant in Indonesia, and the realization of value in the renewable energy field in Japan and overseas more than compensated for the effect of lower electricity wholesale prices on domestic electricity sales businesses.



Global Portfolio

Growth Strategies for Becoming What We Aim to Be

Earnings Pillars

- **Overseas power infrastructure businesses (power generation businesses and EPC (engineering, procurement, and construction) projects for power plants)**
Enhance power infrastructure businesses in Asia, the Middle East, the Americas, and Sub-Saharan Africa
- **Overseas renewable energy power generation businesses**
Develop new projects in response to respective countries' incentive schemes
Focus on expanding in the offshore wind power generation field
Replace assets strategically
- **Domestic electricity businesses**
Secure additional competitive power sources and expand retailing

- **Logistics insurance and overseas industrial park businesses**

Expand existing businesses and continue to develop new businesses
Upgrade the capabilities and undertake global development of high-value-added businesses.

- **Domestic electrical machinery businesses**
Capture demand from Japanese companies developing businesses overseas

Future Pillars

- **Water infrastructure businesses**
- **Storage battery businesses**

Fiscal 2015 Summary

In overseas power infrastructure businesses, gas-fired combined-cycle thermal power plant projects in Kuwait and Ghana progressed with construction, and we began EPC projects in Tanzania and Mozambique. Also, we concluded a power purchase agreement for the Tanjung Jati B Coal-Fired Power Plant Units 5 & 6 Expansion Project. Further, we began building an offshore wind farm in Belgium and a biomass power plant in Sakata City, Yamagata Prefecture. Other initiatives included opening an industrial park and a logistics company that provides logistics services in the industrial park in Myanmar and beginning commercial operations of a desalination plant in Oman. In addition, as part of efforts to replace assets strategically, we realized value in the renewable energy field in Japan and overseas.

BBBO2017 Growth Strategies

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. Overseas renewable energy power generation businesses will expand their business foundations centered on offshore wind power generation in Europe while focusing on strategic asset replacement.

As for domestic electricity sales businesses, we will increase our competitive power generation capacity and expand retailing. In logistics insurance and overseas industrial park businesses, plans call for expanding and upgrading the capabilities of existing businesses while developing new projects.

Initiatives Aimed at Addressing Social Issues

Construction of Power Plants in Sub-Saharan Africa

In recent years, power shortages have become a serious problem in Sub-Saharan Africa, which has seen economic development and marked population growth. We began building Mozambique's first natural gas-fired combined-cycle thermal power plant in February 2016 and Tanzania's first such plant in the following month. By introducing the latest highly efficient power generation equipment that uses local natural gas, we will help solve power shortage problems and contribute to the development of local communities.



A rendered image of the completed Kinyerezi natural gas-fired combined-cycle thermal power plant in Tanzania

Environment & Infrastructure Business Unit

Summary of Main Fields

Environment & Infrastructure Project Field



The Belwind offshore wind farm in Belgium

Opportunities and Risks

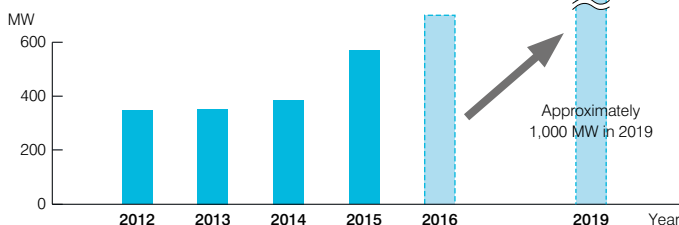
In relation to wind power and solar power generation businesses and other areas of the renewable energy field, although some developed countries are changing incentive schemes that encourage the introduction of renewable energy, its spread is likely to continue as a result of efforts to realize a low-carbon society. As for domestic electricity sales businesses, while the deregulation of the electricity retail market is creating opportunities to acquire new customers, competition is expected to intensify as a series of new companies enter the market.

Growth Strategies

With respect to overseas renewable energy businesses, we will proceed through growth cycles by accumulating new high-quality assets, mainly related to offshore wind power generation in Europe, while realizing the value of existing assets.

As for domestic electricity sales businesses, we will increase our competitive power generation capacity through such initiatives as steadily starting up biomass power plants that are under construction. At the same time, we aim to collaborate closely with Cable TV operator J:COM, to grow the scale of retail sales.

Electricity Supply Contracts of Domestic Electricity Sales Businesses



Following partial deregulation in March 2000, Japan's electricity retail market deregulated in stages and became fully deregulated in April 2016. Since establishing Summit Energy Corporation and entering this market in 2001, we have increased the scale of sales and expanded business foundations steadily. By exploiting the experience and expertise we have accumulated during this period, we aim to grow even more significantly.

Global Power Infrastructure Field



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

Opportunities and Risks

Demand for power is likely to continue trending upward as emerging countries experience population increases and rapid economic growth. Given the building momentum worldwide of initiatives focused on realizing a low-carbon society—including the adoption of the Paris Agreement by COP21*1—we must monitor regulatory changes affecting such areas as the public financing of coal-fired power generation projects. Also, in response to the acceleration of infrastructural investment in China, competition to win new orders is expected to become fiercer.

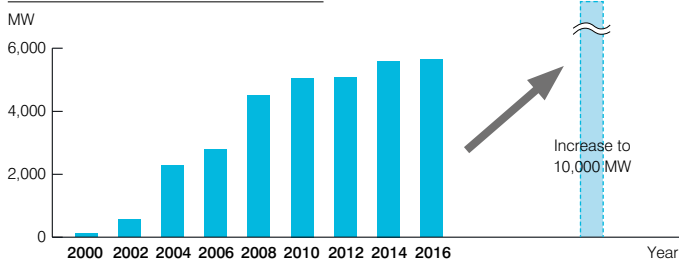
Growth Strategies

We aim to expand business foundations by contributing to the realization of a low-carbon society and providing emerging countries with stable power supplies through the export of high-quality infrastructure, such as highly efficient power plants based on Japanese technology.

Also, we will create opportunities to acquire further orders by implementing regional strategies focused on Asia, the Middle East, and Sub-Saharan Africa and building partnerships with customers.

*1. The 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change

Net Ownership Power Generation Capacity of Overseas Power Generation Businesses*2



The Sumitomo Corporation Group began full-fledged initiatives focused on overseas power generation businesses in 2000. Since then, we have steadily expanded business foundations. Currently, net ownership power generation capacity is approximately 5,600 MW. Our next step will be to increase this to 10,000 MW by advancing development of additional projects. In conjunction with these efforts, we will concentrate on fostering personnel able to contribute to the efficient management of power generation assets.

*2. Not including renewable energy

Logistics & Insurance Field



Thang Long Industrial Park in Vietnam

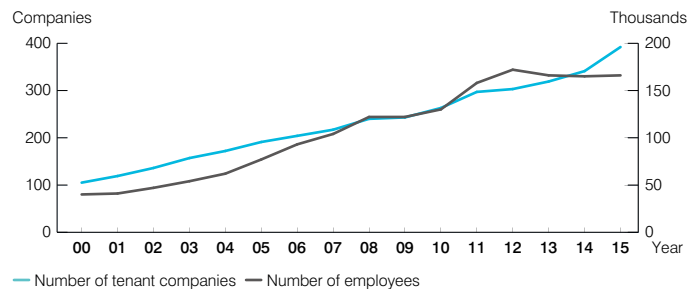
Risks and Opportunities

Demand for logistics and overseas industrial parks is expected to increase over the long term as economic partnership agreements (EPAs), such as the Trans-Pacific Partnership (TPP), invigorate intra-regional logistics and drive economic growth in emerging countries. Meanwhile, we will pay close attention to the effects that the stagnation of China's market and the economic slowdown among emerging countries are having on companies' overseas forays. Further, the growing scale and complexity of the Sumitomo Corporation Group's businesses calls for increasingly sophisticated logistics and insurance capabilities.

Growth Strategies

In overseas industrial park businesses, we will extend existing industrial parks and upgrade their capabilities. At the same time, we will expand our earnings base by developing new projects in India, Vietnam, and other emerging countries. Also, the Sumitomo Corporation Group will take advantage of its experience in providing global logistics for a wide range of goods as a general trading company and its expertise in insurance-based risk management to enhance the corporate value of the Group as a whole and concentrate on generating earnings and upgrading capabilities.

Number of Tenant Companies in Industrial Parks and Number of Employees in Industrial Park Businesses



Our overseas industrial park businesses not only support Japanese manufacturers in Asia but also help enrich local residents' lives by creating significant amounts of employment and encouraging the development and advancement of the surrounding areas.

Project Overview

Developing Infrastructure Business in Myanmar's Thilawa Special Economic Zone

In Myanmar, the development of social and industrial infrastructure is a pressing issue. After the country transitioned to a civilian government in 2011, the Sumitomo Corporation Group was one of the first overseas corporations to begin business activities there. In 2013, we participated in an industrial park development project in the Thilawa Special Economic Zone. The Group led construction in this joint project, which involved the private and public sectors of Japan and Myanmar and opened for business in September 2015. Further, in partnership with a Japanese logistics company we established a logistics company in the industrial park, enabling us to offer one-stop logistics services to companies establishing bases in the Thilawa Special Economic Zone. Also, we are building a gas-fired thermal power plant on land next to the zone. Through such projects to develop basic infrastructure, we will help invigorate industry and advance economic development in Myanmar.



Main gate A of the Thilawa Special Economic Zone

Value-Creating Business Model

