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Oct. 30, 2007

Sumitomo Corporation

Sumitomo Corporation Actively Involved in Overseas Telecommunication Business Investments in Two Uzbekistan Telecommunication Companies

Sumitomo Corporation (President and CEO: Susumu Kato; Head Office: Chuo-ku, Tokyo, Japan; hereafter, "Sumitomo") and KT Corporation (President and CEO: Joong Soo Nam; Head Office: Seongnam-city, South Korea; hereafter, "KT") have agreed to jointly acquire 85 percent voting stocks in JV East Telecom, a telecommunication backbone operator (CEO: Abdukhamid Makhmudov; Head Office: Tashkent, Uzbekistan; hereafter, "ET"), and 100 percent voting stocks in Super iMAX, a wireless broadband provider (hereafter, "SiM"), from their existing major stockholder, Eastwell Invest Holding S.A. (Luxemburg). Sumitomo and KT will undertake further investment in order to expand the businesses of ET and SiM after the acquisition.

ET owns the optical fiber cable backbone networks that connect the major cities in Uzbekistan, leasing the lines to the service providers such as mobile phone operators and ISPs. The company also provides the IP telephony services, data communication services, and a variety of value-added services, mainly to the corporate customers. SiM is planning to establish its WiMAX-based*1 wireless broadband service first for the small-to-medium-sized companies and SOHOs, and to expand the service to the consumers on the later stage, covering the 18 largest cities in Uzbekistan.

In Uzbekistan, the telecommunication market today is still in the early stage compared to the other counties in Commonwealth of Independent States (CIS), where the penetration of the basic telephone has been 10 percent, the mobile phones has been 15 percent, and the Internet access has been 10 percent. However, demand for the mobile phone and the Internet access is rapidly increasing, which in turn is expanding the demand for backbone lines by the mobile phone operators and ISPs. A continuing increase in the mobile phone services and Internet services is expected, and the market potential is high. Demand for backbone lines is expected to grow even further as the backbone line is a critical factor in telecommunication business.

Another aim of acquiring these two companies together is their potential synergy. The introduction of cutting-edge WiMAX wireless broadband technology by SiM will encourage more people to acquire the broadband Internet access. This in turn should increase the demand for the backbone lines, which are provided by ET. At the same time, SiM can secure a stable supply of the backbone line usage, which occupies a large part of the costs for the wireless broadband Internet service business, at an appropriate pricing from ET.

Sumitomo has poured efforts into developing its telecommunication/IT business as one of its strategic business fields, which include the mobile phone services in Mongolia, Russia, Indonesia, Vietnam, and Saipan; the wireless broadband services; the value-added services for cellular phones; and the basic telephone services. In particular, Russia and the CIS countries have been regarded as Sumitomo's strategic business area for their telecommunication/IT business in overseas, where Sumitomo has been gaining the abundant telecommunication business experience in these countries through conventional trade and finance business, even before launching its own telecommunication business. This acquisition is grounded on Sumitomo's business expertise combined with the telecommunication know-how of KT, South Korea's largest integrated telecommunication service provider. The two companies will apply the business models and technologies of the broadband Internet utilized in the advanced countries of South Korea and Japan in operating this business in Uzbekistan.

*1) WiMAX: Worldwide Interoperability for Microwave Access. WiMAX is the IEEE 802.16 standard for the wireless telecommunication technology. It enables the high-speed data communications and is now in the spotlight as a means of providing Internet access to the isolated areas where the connections through optical fiber cable or an ADSL network are not available. As IEEE802.16e has already been developed, the Ministry of Internal Affairs and Communications of Japan is currently working on licensing the 2.5GHz Band Telecommunication Carriers in order to introduce the Broadband Mobile Wireless Access Systems that utilize the WiMAX and other technologies. Four companies, Wireless Broadband Kikaku Corporation, ACCA Wireless, OpenWin, and WILLCOM, have applied for this license.

Company Overviews

Company Name:	East Telecom	Super iMAX
Date of Foundation:	Sept. 9, 2003	July 2007

Service Start Date:	Second half of 2005	Second half of 2008 (expected)
Head Office:	Tashkent, Uzbekistan	Tashkent, Uzbekistan
Area of Business:	Telecommunication backbone line provision; local, long distance, and international telephone services; data communication services	Wireless broadband services
Share Ratio after Investment	KT 51% Sumitomo 34% Uzbektelecom 15%	KT 60% Sumitomo 40%
Number of Employees:	84	Newly established

East Telecom Head Office



Internet Cafe



Inquiries

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