

**Sumitomo Electric Mid-Term Management Plan
Interim Revision
of VISION 2017 Targets**

SUMITOMO ELECTRIC INDUSTRIES, LTD.

2015/5/26

Mid-Term Management Plan "VISION 2017" — Overall Concept (announced May 2013)

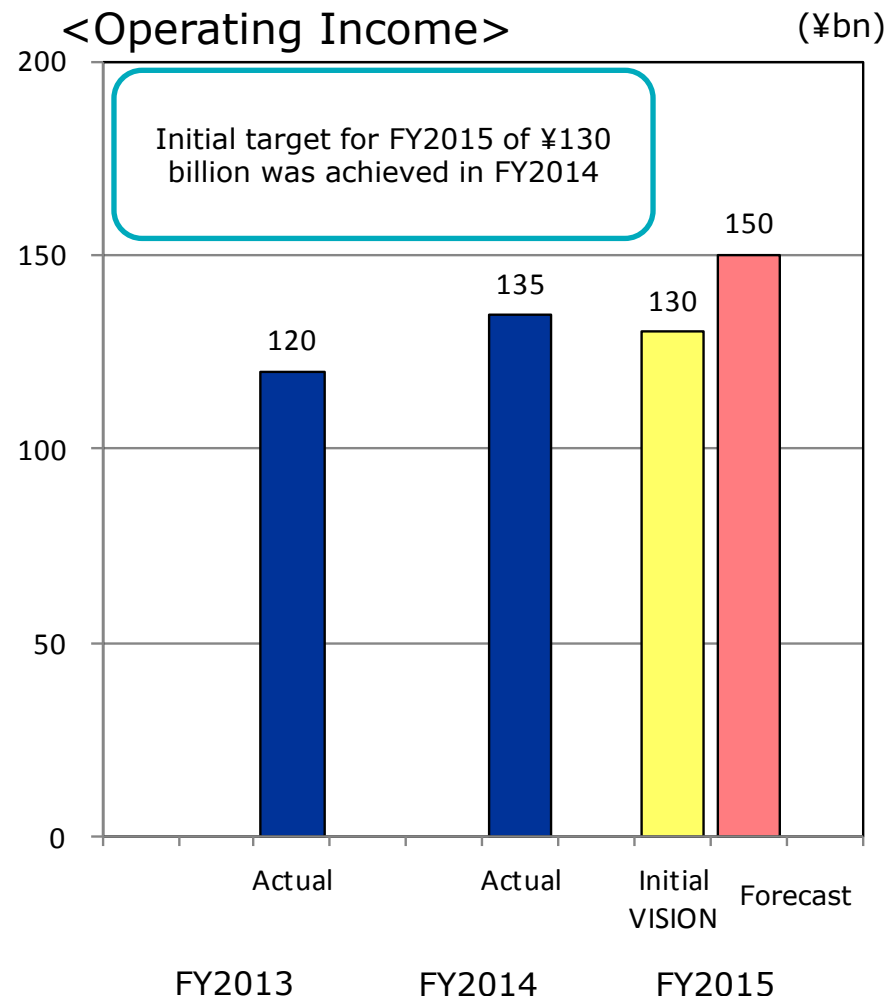
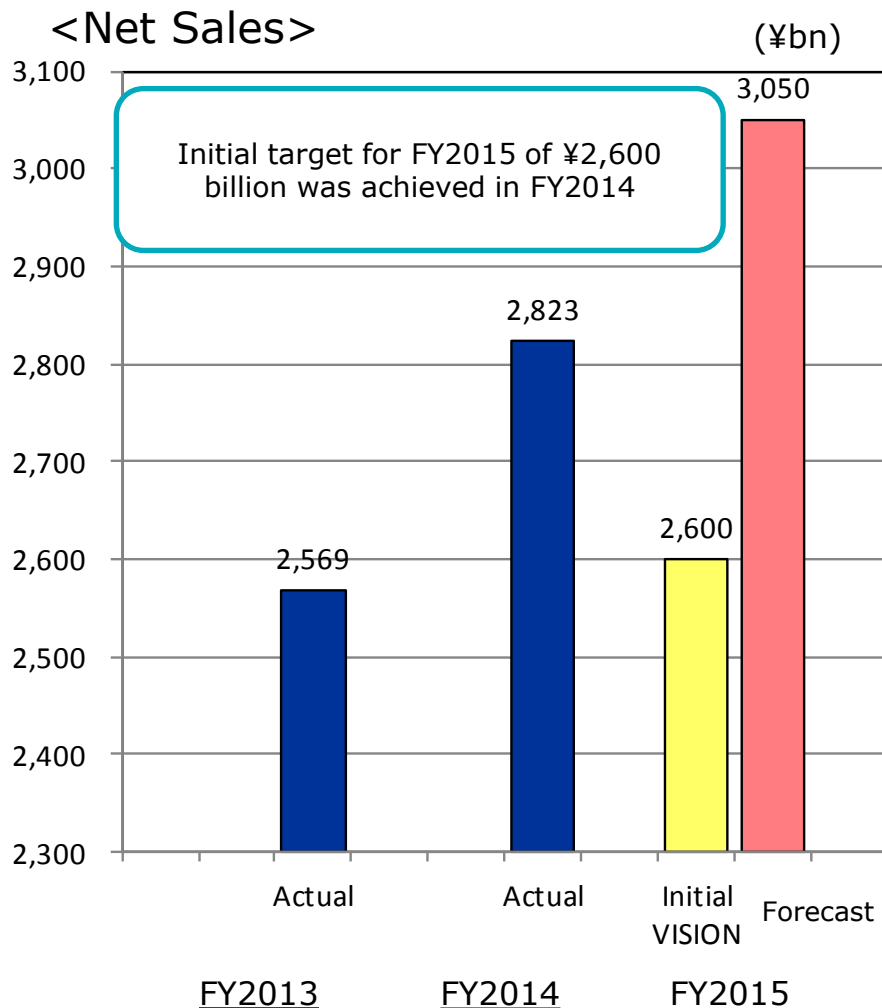


Positioning as our foundation the three bases—human resources, manufacturing, and financial stability—that have been built on the unwavering Sumitomo Spirit, we aim to institute changes to and extend the scope of our current business fields by strengthening our strategic marketing, increasing our global presence, and enhancing our leading technology. We will put a special emphasis on the mobility, energy, and communications fields, while also fusing these to create new integrated fields, and at the same time expand into new business fields.

Changes in the Business Environment Since VISION 2017 was Set (May 2013)

- The global business climate is moving in a more bearish direction than initially forecast
 - The pace of economic development in China, the other BRICs countries, and other new economies is decelerating faster than predicted
 - The geopolitical risk in the Middle East, Ukraine, and other areas is increasing
 - Political issues from the fallout over European financial support for Greece are causing concern regarding their impact on markets
 - The negative impact on domestic spending due to the rise in consumption tax in Japan has drawn out more than anticipated
- The steep decline in the yen's value has progressed since 2013
 - VISION 2017 was initially based on a value of \$1 = ¥90; €1 = ¥120
 - The revision will assume the exchange rate of \$1 = ¥115; €1 = ¥130

Mid-Term Management Plan "VISION 2017" Results of Efforts to Date



Assumed exchange rates	Initial VISION	\$1 = ¥ 90, €1 = ¥120
	Forecast	\$1 = ¥115, €1 = ¥130

Interim Revision of VISION 2017 Targets

1. Interim Revision of VISION 2017 FY2017 Targets

Net Sales ¥3,300 billion Operating Income ¥200 billion ROA* over 9%
(Operating income/net sales: over 6%)



$$*ROA = \frac{\text{Operating income}}{\text{(Total assets - interest-free liabilities)}}$$

Initial VISION 2017 FY2017 Targets (announced May 2013)

Net Sales ¥3,000 billion Operating Income ¥180 billion ROA 9%
(Operating income/net sales: 6%)

The following targets have been maintained from the VISION 2017 initial published values

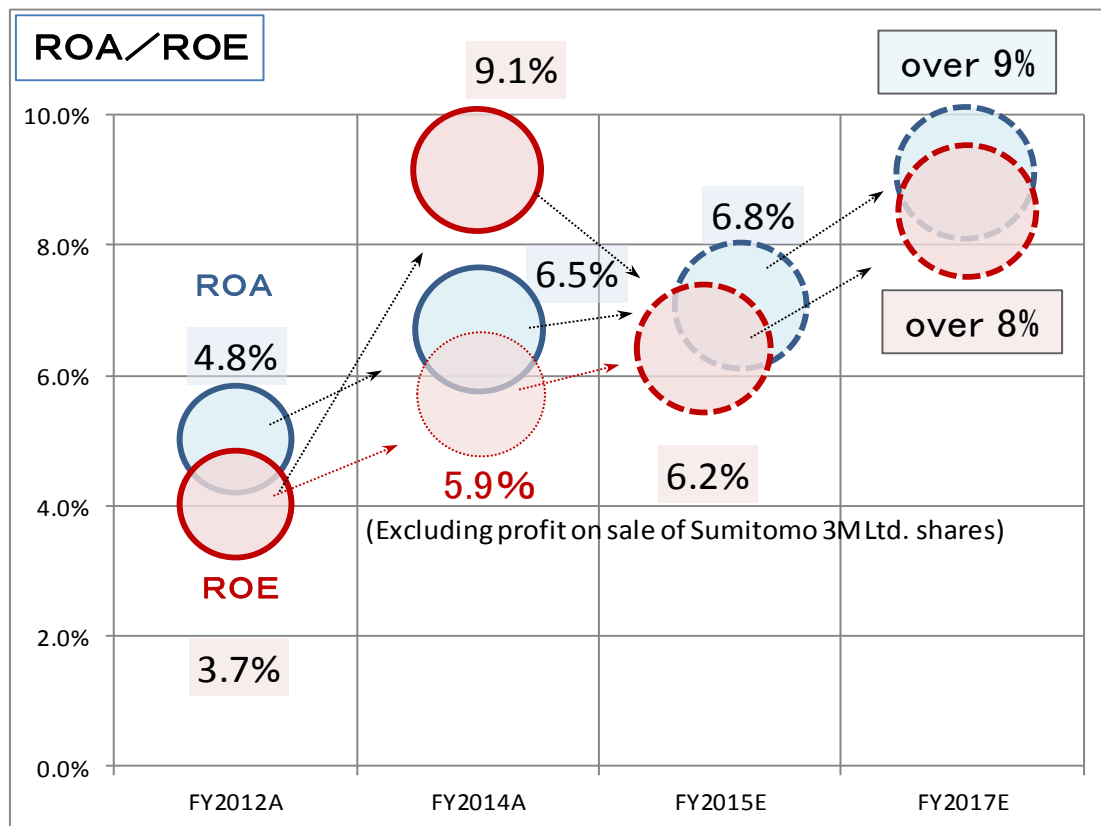
■We will aim:

- to raise the overseas sales ratio and overseas production ratio to the 60-70% level.
- for new product sales ratio of 30%.
- for combined sales in FY2017, in integrated business fields and new business fields, of ¥150 billion.

Interim Revision of VISION 2017 Targets

2. Added Indicators as FY2017 Targets for VISION 2017

ROE over 8%



⇒ Strengthening efforts to improve ROA

Interim Revision of VISION 2017 Targets

3. Revision of VISION 2017 Resource Allocation

Note: "12V" = VISION 2012,
Mid-Term Management Plan for FY2008-2012

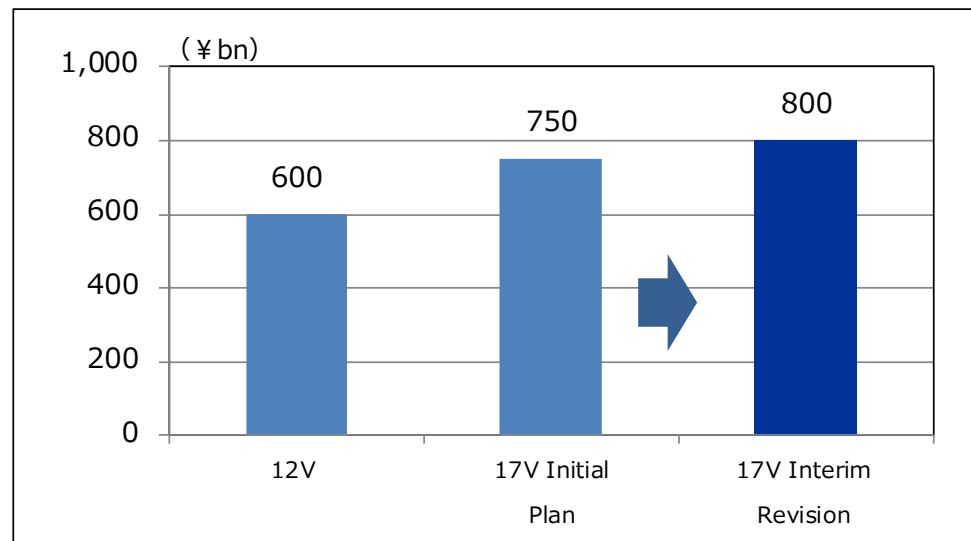
Capital Investment Expenditures

Bumped up to further expand capabilities and invest in efficiency

VISION 2017 Initial Plan Cumulative total: ¥750 billion



VISION 2017 Interim Revision Cumulative total: ¥800 billion



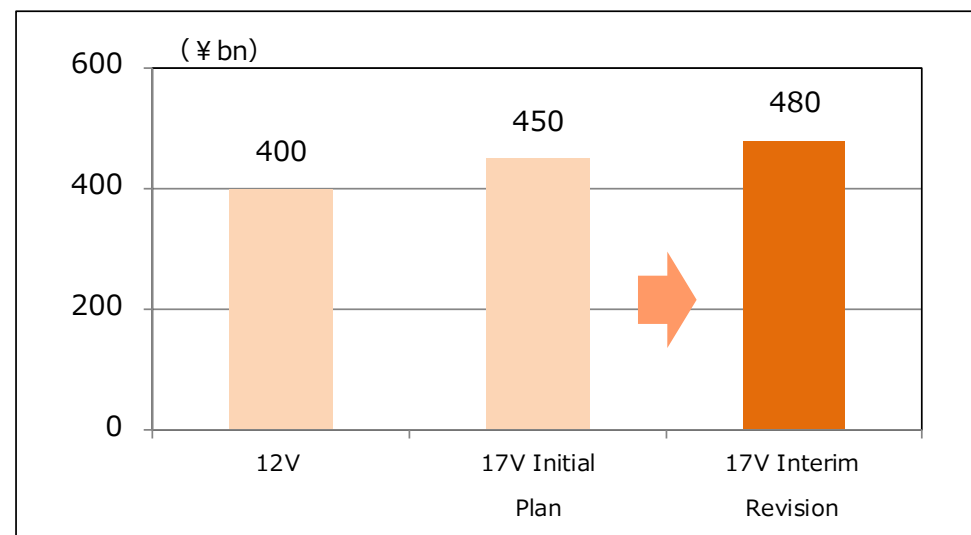
Research and Development Expenditures

Bumped up to accelerate expansion into integrated business fields and challenging new business fields

VISION 2017 Initial Plan Cumulative total: ¥450 billion



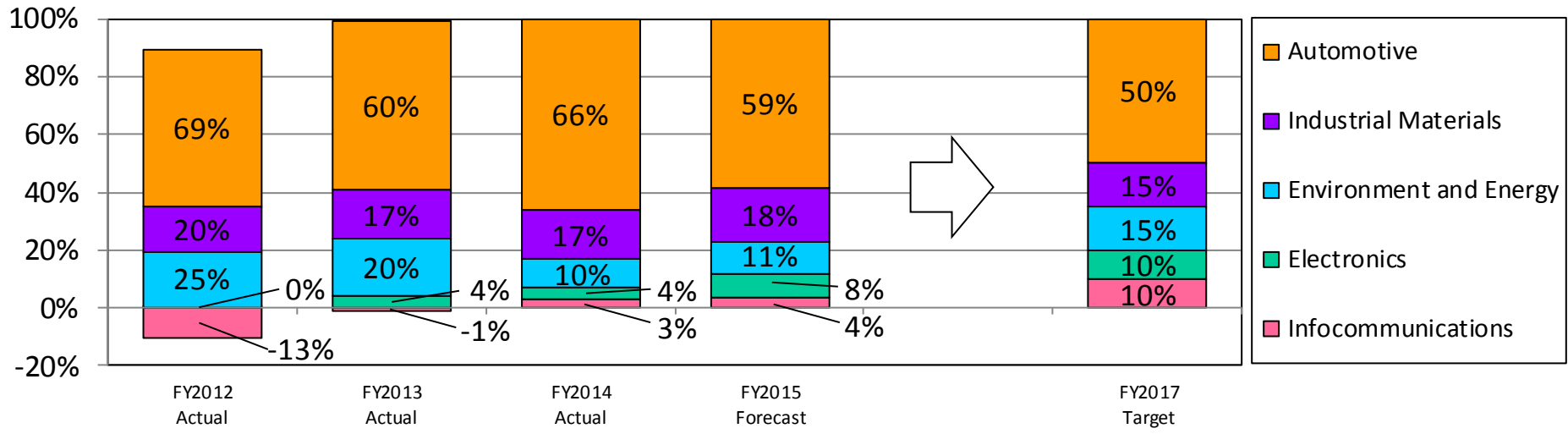
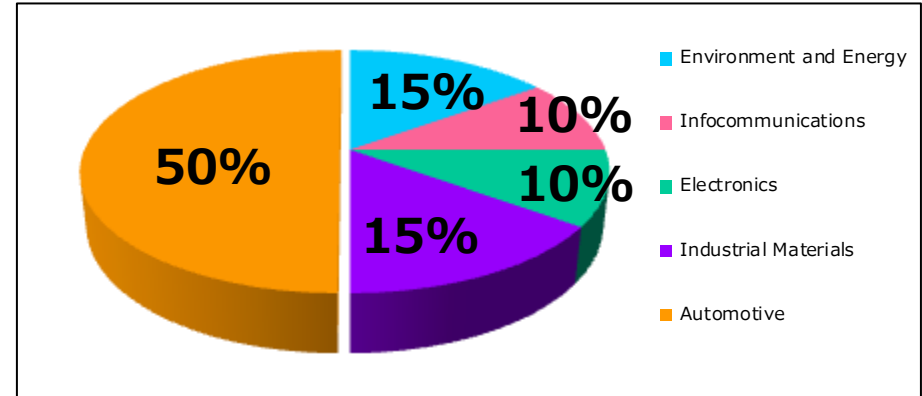
VISION 2017 Interim Revision Cumulative total: ¥480 billion



Business Portfolio Strategy Remains as Planned in Initial VISION 2017

Plan Initially Announced (based on projected FY2017 operating income)

As of this interim revision, the percentage for the automotive segment remains high, while a recovery of profitability and expansion in electronics and information/communications more closely approach the ideals initially set forth in VISION 2017.



Strategies for New Growth in Current Business Fields to Achieve Revised Targets

■ Interim Target Revisions and Achieving Them

- Net sales have been moving well toward initial VISION 2017 targets in the first and second fiscal years, partly due to exchange rates (yen devaluation).
- In contrast, operating income was temporarily stagnant in FY2014 but we are aiming for an increase from FY2015.

■Automotive Segment

Aiming to be an all-round supplier of automotive parts

Strategies to Achieve Revised Targets

- ◆ Growth in Non-Japanese Share
 - Growth in share of wiring harnesses/connectors and anti-vibration rubber products
- ◆ Acceleration of New Product Development
 - Pursuit of lighter weight (aluminum wiring harnesses, etc.) and responding to modularization
 - Broadening range of electronics products (central gateways, etc.)



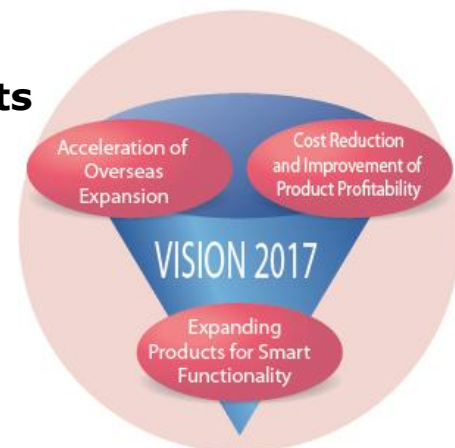
Strategies for New Growth in Current Business Fields to Achieve Revised Targets

■ Information & Communications Segment

Aiming to be a globally competitive product vendor in the markets for optical fiber and cable, optical interconnection, high-end transmission devices, and optical network systems

Strategies to Achieve Revised Targets

- ◆ Acceleration of Overseas Expansion
 - Expansion of overseas production (local production for local consumption of optical fiber, etc.)
 - Entry into overseas markets (North American CATV)
- ◆ Cost Reduction and Improvement of Product Profitability
 - Promoting/Continuing business restructuring (transmission devices)



■ Electronics Segment

Aiming to be the top supplier of high-functionality wiring materials and unique highly functional parts and materials

Strategies to Achieve Revised Targets

- ◆ Strengthening of Global Manufacturing and Sales System
 - Expansion of manufacturing sites in Vietnam and other parts of Southeast Asia, and efficiency improvement at existing sites
- ◆ Expansion of Customers and Business Fields
 - Expansion of the automotive market as an additional core field to the current core consumer equipment market as represented by smartphones



Strategies for New Growth in Current Business Fields to Achieve Revised Targets

■ Environment & Energy Segment

Helping to raise the level of social infrastructure by globally supplying highly functional, high-quality environmental and energy products and systems

Strategies to Achieve Revised Targets

- ◆ Strengthening Development of Products Relating to Next-Generation Energy Systems
 - Strengthening development of redox flow batteries, CPVs, and other products related to next-generation energy systems
- ◆ Strengthening Ability to Propose Solutions/Strengthening Global Supply System
 - Meeting domestic and international demand for power infrastructure by incorporating J-Power Systems Corporation as a wholly owned subsidiary



■ Industrial Materials Segment

Globally supplying high-performance, high-functionality products to support the basic functions of industry, by using steel and rare metals as raw materials and exploiting our world-class materials and process technology

Strategies to Achieve Revised Targets

- ◆ Core Technology Improvement and Innovation
 - Entry into new fields that promise future growth such as aircraft and precision machining
- ◆ Strengthening Raw Material Procurement
 - Launching ore-refining operation
- ◆ Accelerating Overseas Expansion
 - Building a global sales and development system



Acceleration of Expansion into Integrated Business Fields and Challenging New Business Fields to Achieve the Revised Targets

Allocation of necessary resources to integrated business fields and new business fields is already in progress to develop them into core income generators

Expansion into Integrated Business Fields

Energy & Communications (ICT)

- ◆ Redox Flow Batteries
 - Carrying out demonstration project in Japan for eventual entry into overseas markets such as California, USA
- ◆ Concentrator Photovoltaics (CPVs)
 - Aiming to commercialize the business, particularly in countries and regions with long hours of sunshine



Challenging New Business Fields

- ◆ Magnesium Alloys
 - Sales for mobile device housings are being expanded, taking advantage of high corrosion resistance and ease of decoration
 - Development of heat-resistant, nonflammable alloys and wide sheet material is underway for expansion into the field of transportation equipment in the future

Mobility & Communications (ICT)

- ◆ Automotive Electronics
 - Expansion of non-harness products, an integrated business field together with communications (ICT)



Organization/Efforts

- The following three centers were established (June 2013)
- Advanced Automotive Systems R&D Center
 - Power System R&D Center
 - Infocommunications and Social Infrastructure Systems R&D Center

Organization/Efforts

- New Business Development Unit and New Business Marketing and Promotion Division established (June 2013)



Aiming to Achieve Targets in the VISION 2017 Mid-Term Management Plan

Three Bases for Our Business

- **Manufacturing Base:** In FY2015 we adopted the global standard for safety management and are carrying it out worldwide. We also appointed a CMO (chief manufacturing officer) to further strengthen QCD.
- **Human Resources Base:** We adopted a global human resource management (HRM) policy, set up the Diversity & Inclusion Promotion Group, and took other measures to strengthen this base.
- **Financial Base:** We are striving to attain a shareholder's equity ratio of 50% and dividend payout ratio of 30%, building and maintaining a robust, solid financial footing.

Sumitomo Spirit, CSR, and the 120th Anniversary

- In FY2017, the final year of VISION 2017, we will celebrate the 120th anniversary of the establishment of the Sumitomo Electric Group. In carrying out VISION 2017, our basic core values are the Sumitomo Spirit and Sumitomo Electric Group Corporate Principles. The foundation of CSR in our group is based on contributing to society through business activities based on compliance.