FY2012 Results and FY2013 Forecast

Mid-Term Management Plan "Vision2017"

Masayoshi Matsumoto
President and CEO
1. FY2012 (1) Consolidated PL

<table>
<thead>
<tr>
<th></th>
<th>FY2011 Actual ①</th>
<th>FY2012 Plan ②</th>
<th>FY2012 Actual ③</th>
<th>Increase/Decrease ③-①</th>
<th>Difference ③-②</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>2,059.3</td>
<td>2,100.0</td>
<td>2,159.9</td>
<td>100.6</td>
<td>59.9</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>86.9</td>
<td>87.0</td>
<td>76.8</td>
<td>(10.1)</td>
<td>(10.2)</td>
</tr>
<tr>
<td><strong>Equity in Net Income</strong></td>
<td>20.5</td>
<td>20.0</td>
<td>22.1</td>
<td>1.6</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Ordinary, Others</strong></td>
<td>(0.7)</td>
<td>(7.0)</td>
<td>(4.8)</td>
<td>(4.1)</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>106.7</td>
<td>100.0</td>
<td>94.1</td>
<td>(12.6)</td>
<td>(5.9)</td>
</tr>
<tr>
<td><strong>Loss on Disaster</strong></td>
<td>(7.3)</td>
<td>0.0</td>
<td>0.0</td>
<td>7.3</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Restructuring Expenses</strong></td>
<td>0.0</td>
<td>(9.2)</td>
<td>(9.1)</td>
<td>(9.1)</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Extraordinary, Others</strong></td>
<td>0.6</td>
<td>1.2</td>
<td>(0.9)</td>
<td>(1.5)</td>
<td>(2.1)</td>
</tr>
<tr>
<td><strong>Income before Income Taxes and Minority Interests</strong></td>
<td>100.0</td>
<td>92.0</td>
<td>84.1</td>
<td>(15.9)</td>
<td>(7.9)</td>
</tr>
<tr>
<td><strong>Income Taxes and Minority Interests</strong></td>
<td>(41.1)</td>
<td>(47.0)</td>
<td>(46.1)</td>
<td>(5.0)</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>58.9</td>
<td>45.0</td>
<td>38.0</td>
<td>(20.9)</td>
<td>(7.0)</td>
</tr>
</tbody>
</table>

• **FY2012 vs. FY2011** Net sales increased by 4.9%. However, OP decreased due to increased expenses for depreciation and R&D, and reduced profit of Information & Communications and Electronics businesses. While incurring restructuring expenses for Transmission Devices business and WH in Europe, as deferred income tax assets was not posted from the conservative point of view, net income was ¥38.0bn, down by ¥20.9bn compared with the same period of the previous year.

• **FY2012 Actual vs. Plan** Although net sales exceeded the plan, OP didn’t reach the plan owing to decreases in profit of I & C and Electronics.
Although sales increase and cost down recovered downturn of price down and effect of Chinese issues, increase in expenses for depreciation due to increased capital investment and for R&D for future growth was so huge that OP was limited to ¥76.8bn, down by ¥10.1bn compared with the same period of the previous year.
### 1. FY2012 (3) Sales and OP by Segment

- **< FY2012 vs. FY2011 >** Demands expanded primarily for Automotive and Electronics, as compared with the previous year affected by the earthquake and the flood. Whereas, OP of Automotive decreased slightly owing to effect of Chinese issues and increase in depreciation expense, and OP of I & C and Electronics decreased due to reduced profit of Transmission Devices and FPC.
- **< FY2012 Actual vs. Plan >** Delayed improvement of profitability of Transmission Devices, reduced demands for FPC new products and deteriorated production efficiency of FPC due to overconcentration brought down OP of I&C and Electronics.

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY2011 Actual</th>
<th>FY2012 Plan</th>
<th>FY2012 Actual</th>
<th>Increase/Decrease</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales (¥bn)</td>
<td>OP</td>
<td>Sales (¥bn)</td>
<td>Sales (¥bn)</td>
<td>Sales (¥bn)</td>
</tr>
<tr>
<td><strong>Automotive</strong></td>
<td>991.7</td>
<td>54.3</td>
<td>1,040.0</td>
<td>53.5</td>
<td>79.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,071.2</td>
<td>53.1</td>
<td>31.2</td>
</tr>
<tr>
<td><strong>Information &amp; Communications</strong></td>
<td>162.0 (5.9)</td>
<td>170.0 (4.0)</td>
<td>155.1 (10.3)</td>
<td>(6.9) (4.4)</td>
<td>(14.9) (6.3)</td>
</tr>
<tr>
<td><strong>Electronics</strong></td>
<td>185.8</td>
<td>3.3</td>
<td>220.0</td>
<td>5.5</td>
<td>31.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>217.6</td>
<td>0.0</td>
<td>(2.4) (5.5)</td>
</tr>
<tr>
<td><strong>Electric Wire &amp; Cable, Energy</strong></td>
<td>508.6</td>
<td>16.9</td>
<td>480.0</td>
<td>16.0</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>511.2</td>
<td>19.1</td>
<td>2.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31.2 (1.0)</td>
</tr>
<tr>
<td><strong>Industrial Materials</strong></td>
<td>277.9</td>
<td>18.5</td>
<td>280.0</td>
<td>16.0</td>
<td>(5.4) (3.4)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>272.5</td>
<td>15.1</td>
<td>(7.5) (0.9)</td>
</tr>
<tr>
<td><strong>Eliminations</strong></td>
<td>(66.7) (0.2)</td>
<td>(90.0) 0.0</td>
<td>(67.7) (0.2)</td>
<td>(1.0) 0.0</td>
<td>22.3 (0.2)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,059.3</td>
<td>86.9</td>
<td>2,100.0</td>
<td>87.0</td>
<td>100.6 (10.1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,159.9</td>
<td>76.8</td>
<td>59.9 (10.2)</td>
</tr>
</tbody>
</table>
While sluggish economy in Japan, overseas markets were captured and overseas sales ratio (right below) increased to 48.6%. OP by region shows stagnancy in Europe and improved profitability in Asia and North America.
While Yen depreciation and high stock prices improved accumulated other comprehensive income, as cash out for increased capital investment and M&A grew, interest bearing debt increased to ¥485.7bn. Shareholders’ equity ratio deteriorated to 46.7% by 1.0 point and debt equity ratio to 0.45 by 0.08 point.

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>988.8</td>
<td>1,047.4</td>
<td>1,115.8</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>967.5</td>
<td>1,024.7</td>
<td>1,181.8</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>531.0</td>
<td>635.9</td>
<td>657.2</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>332.7</td>
<td>297.3</td>
<td>395.7</td>
</tr>
<tr>
<td>(Interest bearing Debt)</td>
<td>341.9</td>
<td>364.1</td>
<td>485.7</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>966.9</td>
<td>1,011.3</td>
<td>1,033.3</td>
</tr>
<tr>
<td>Accumulated Other Comprehensive Income</td>
<td>(17.8)</td>
<td>(23.3)</td>
<td>39.2</td>
</tr>
<tr>
<td>Minority Interest/Share Warrants</td>
<td>143.5</td>
<td>150.9</td>
<td>172.2</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,956.3</td>
<td>2,072.1</td>
<td>2,297.6</td>
</tr>
<tr>
<td>Shareholders' Equity Ratio</td>
<td>48.5%</td>
<td>47.7%</td>
<td>46.7%</td>
</tr>
<tr>
<td>Debt / Equity Ratio</td>
<td>0.36</td>
<td>0.37</td>
<td>0.45</td>
</tr>
</tbody>
</table>
## 2. FY2013 Forecast (1) Consolidated PL

Forecasted net sales is ¥2,400bn and OP ¥100bn in 2013. Increment of net sales will be brought, in a major part, by increase by Forex rate difference due to Yen depreciation (around +¥90bn), increase from M&A (around +¥70bn) and increase by copper price up (around +¥20bn), and pure increment of sales volume will be around 3%.

### Presuppositions for the forecast
- Forex: ¥90/$ ¥120/€
- Copper: ¥0.75million/t (LME US$8000/t)

<table>
<thead>
<tr>
<th></th>
<th>FY2012 Actual ①</th>
<th>FY2013 Forecast</th>
<th>Difference ②-①</th>
<th>Growth ②</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥bn</td>
<td>1H</td>
<td>2H</td>
<td>Total</td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,159.9</td>
<td>1,100.0</td>
<td>1,300.0</td>
<td>2,400.0</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>76.8</td>
<td>30.0</td>
<td>70.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Equity in Net Income</td>
<td>22.1</td>
<td>10.0</td>
<td>14.0</td>
<td>24.0</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>94.1</td>
<td>40.0</td>
<td>80.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Net Extraordinary Loss</td>
<td>(10.0)</td>
<td>(4.0)</td>
<td>(4.0)</td>
<td>(8.0)</td>
</tr>
<tr>
<td>Income before Income Taxes and Minority Interests</td>
<td>84.1</td>
<td>36.0</td>
<td>76.0</td>
<td>112.0</td>
</tr>
<tr>
<td>Income Taxes and Minority interests</td>
<td>(46.1)</td>
<td>(16.0)</td>
<td>(36.0)</td>
<td>(52.0)</td>
</tr>
<tr>
<td>Net Income</td>
<td>38.0</td>
<td>20.0</td>
<td>40.0</td>
<td>60.0</td>
</tr>
</tbody>
</table>
Despite increase in depreciation expense, due to sales increase and effect of Yen depreciation, OP is forecasted to increase to ¥100bn by ¥23.2bn from the previous year.

<table>
<thead>
<tr>
<th>FY2012 Actual</th>
<th>FY2013 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥76.8bn (3.6%)</td>
<td>¥100.0bn (4.2%)</td>
</tr>
</tbody>
</table>

- **Price down & Product mix** (26.5%
- **Depreciation** (19.4%)
- **R&D** (0.7%)
- **Sales Increase** +18.5%
- **Recovery from effect of Chinese Issues** +18.5%
- **Cost down and others** +16.5%
- **Forex** +24.4%

※Average Rate
FY2012 ¥82.91/$ → FY2013 90.00
FY2012 ¥106.78/€ → FY2013 120.00
2. FY2013 Forecast (3) Sales and OP by Segment

Automotive sales volume is forecasted to increase by around 5% except effect of Forex and OP by ¥5.4bn. I&C projects positive turnaround due to Yen depreciation, decrease in R&D expense and sales increase in new products. Electronics predicts improvement of OP due to sales increase in smartphone markets and cost reduction. EW&CE will keep a high level of OP of ¥18bn. IM’ OP is forecasted to increase by no more than ¥1.9bn due to huge expenses at production and sales bases in overseas, though sales will increase.

<table>
<thead>
<tr>
<th></th>
<th>FY2012 Actual</th>
<th>FY2013 Forecast</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales (¥bn)</td>
<td>OP %</td>
<td>Sales (¥bn)</td>
</tr>
<tr>
<td>Automotive</td>
<td>1,071.2</td>
<td>53.1</td>
<td>670.0</td>
</tr>
<tr>
<td>Information &amp;</td>
<td>155.1</td>
<td>(10.3)</td>
<td>100.0</td>
</tr>
<tr>
<td>Communications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronics</td>
<td>217.6</td>
<td>0.0</td>
<td>130.0</td>
</tr>
<tr>
<td>Electric Wire &amp;</td>
<td>511.2</td>
<td>19.1</td>
<td>280.0</td>
</tr>
<tr>
<td>Cable, Energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Materials</td>
<td>272.5</td>
<td>15.1</td>
<td>160.0</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(67.7)</td>
<td>(0.2)</td>
<td>(40.0)</td>
</tr>
<tr>
<td>Total</td>
<td>2,159.9</td>
<td>76.8</td>
<td>1,300.0</td>
</tr>
</tbody>
</table>
3. Achievements and Efforts by Segment

(1) Automotive

<table>
<thead>
<tr>
<th>FY2012 Plan</th>
<th>FY2012 Actual</th>
<th>FY2011 Actual</th>
<th>FY2010 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ¥bn</td>
<td>Wiring Harnesses</td>
<td>Tokai Rubber &amp; others</td>
<td>OP</td>
</tr>
<tr>
<td>1,040.0</td>
<td>251.2</td>
<td>251.6</td>
<td>245.8</td>
</tr>
<tr>
<td>788.8</td>
<td>53.5</td>
<td>54.3</td>
<td>64.1</td>
</tr>
<tr>
<td>907.5</td>
<td>347.5</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>1,255.0</td>
<td>347.5</td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

- <Compared with FY2011> Sales increased due to WH sales increases in domestic, N. America and S. E. Asia. OP decreased by ¥1.2bn owing to effect of Chinese issues and increased depreciation and R&D expenses.
- <Compared with FY2012 Plan> Sales increased due to demands increases in N. America and S. E. Asia. OP decreased by ¥0.4bn owing to effect of Chinese issues.
- Accelerated enhancement of production capa. in S. E. Asia toward China+1.
- Established a production base for aluminum wire for Automotive in Thailand to meet demand increase in aluminum WH. (Commercial production scheduled to start in Sept. 2014)

<table>
<thead>
<tr>
<th>FY2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ¥bn</td>
<td>Wiring Harnesses</td>
</tr>
<tr>
<td>1,255.0</td>
<td>347.5</td>
</tr>
<tr>
<td>907.5</td>
<td>347.5</td>
</tr>
</tbody>
</table>

- WH sales volume is forecasted to increase by around 5% except Forex and copper price up.
- Tokai Rubber: Sales is to increase by around ¥70bn for M&A.
- Enhanced sales network for WH non-Japanese customers such as Ford, Chrysler, PSA and others.
- Promotion for thorough cost reduction
- Enrichment of production bases in Mexico, Morocco, S. E. Asia and others.
- Development of new products meeting market needs “Total auto parts maker” targeted through development and sales promotion of parts for eco-friendly car (high voltage, battery related, ISS regeneration part) and next generation WH (aluminum/optical WH).
3. Achievements and Efforts by Segment

(2) Information & Communications

FY2012 Result, FY2013 Forecast & 2017 Vision

Achievements and Efforts by Segment

Sales

<table>
<thead>
<tr>
<th>FY2010 Actual</th>
<th>FY2011 Actual</th>
<th>FY2012 Plan</th>
<th>FY2012 Actual</th>
<th>FY2013 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥bn</td>
<td>(80)</td>
<td>(5.9)</td>
<td>(4.0)</td>
<td>(10.3)</td>
</tr>
<tr>
<td>Sales ¥bn</td>
<td>218.2</td>
<td>162.0</td>
<td>170.0</td>
<td>180.0</td>
</tr>
<tr>
<td>Fiber Cable/Accessories</td>
<td>34.3</td>
<td>27.1</td>
<td>28.2</td>
<td>34.5</td>
</tr>
<tr>
<td>Commuture</td>
<td>22.7</td>
<td>25.8</td>
<td>27.8</td>
<td>22.8</td>
</tr>
<tr>
<td>Transmission Devices</td>
<td>49.5</td>
<td>41.1</td>
<td>38.7</td>
<td>44.3</td>
</tr>
<tr>
<td>OP</td>
<td>162.0</td>
<td>170.0</td>
<td>155.1</td>
<td>180.0</td>
</tr>
<tr>
<td>Access Network Equipment</td>
<td>79.1</td>
<td>68.0</td>
<td>71.8</td>
<td>78.4</td>
</tr>
<tr>
<td>Others</td>
<td>3.0</td>
<td>(5.9)</td>
<td>(4.0)</td>
<td>1.0</td>
</tr>
</tbody>
</table>

<Compared with FY2011> Sales decreased owing to demand reduction of transmission devices and network equipment, and OP suffered a loss of ¥10.3bn due to demand reduction and deteriorated profitability of transmission devices.

<Compared with FY2012 Plan> Both sales and OP decreased owing to demand reduction of network equipment, deteriorated profitability of transmission devices and delayed manpower reduction.

Transmission Devices Div. posted restructuring expenses in 1H and started the process. Rationalization of production bases and reduction of manpower would continue.

FY2013

- Capturing orders and improving profitability taking advantage of Yen depreciation.
- Fiber cable: Sales increase through domestic market share increase and demand increase in low loss optic fiber, and further promotion of total cost reduction
- Improvement of performance and competitiveness of Transmission Devices Div.
  - Continued restructuring such as rationalization of production bases, reduction of manpower and production shift to overseas
  - Capture of orders for 40/100Gbps CFP through cultivation of market
  - Sales promotion and cost reduction of GaN products for low cost base station
- Network systems: Capture of overseas demands like CATV
3. Achievements and Efforts by Segment

(3) Electronics

FY2012 Result, FY2013 Forecast & 2017 Vision

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>178.2</td>
<td>185.8</td>
<td>220.0</td>
<td>217.6</td>
<td>240.0</td>
</tr>
<tr>
<td>Electronic Wire</td>
<td>22.6</td>
<td>14.2</td>
<td>22.0</td>
<td>14.0</td>
<td>26.5</td>
</tr>
<tr>
<td>FPC</td>
<td>61.4</td>
<td>73.9</td>
<td>103.4</td>
<td>97.5</td>
<td>116.2</td>
</tr>
<tr>
<td>Fine Polymer</td>
<td>57.4</td>
<td>55.6</td>
<td>59.9</td>
<td>57.2</td>
<td>61.3</td>
</tr>
<tr>
<td>Semiconductor</td>
<td>2.6</td>
<td>5.5</td>
<td>5.5</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Others</td>
<td>6.6</td>
<td>3.3</td>
<td>10.5</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>OP</td>
<td>3.3</td>
<td>21.2</td>
<td>19.8</td>
<td>21.1</td>
<td>21.1</td>
</tr>
</tbody>
</table>

FY2012

- <Compared with FY2011> Sales increased considerably due to demand increase in FPC for smartphone. However, OP decreased by ¥3.3bn to ¥0 owing to price down and cost up for unfavorable product mix and over-concentrated production.
- <Compared with FY2012 Plan> Although sales was just as forecasted, OP was far below the forecast owing to demand decrease in FPC new business and change in product mix.
- Electronic Wire: Start of sales of 10Gbps high speed IF products
- FPC: Enhanced production capa. mainly in Asia to meet order increase

FY2013

- FPC: • Development of new products for smartphone and tablet PC
  • Widening range for new customers
  • Further reduction of total cost through best arrangement of production
- Electronic Wire: Sales promotion of electronic wire for automotive, tab-lead for Li-battery, high speed IF
- Fine Polymer/Water Treatment: Sales promotion of waterproof tube for automotive, water treatment module
- Semiconductor: Sales promotion of GaN substrate for white LED and GaAs substrate for wireless communication
3. Achievements and Efforts by Segment

(4) Electric Wire & Cables, Energy

<table>
<thead>
<tr>
<th>Sales ¥bn</th>
<th>Copper Wire Rods</th>
<th>Electric Power Cables</th>
<th>Magnet Wires</th>
<th>Sumitomo Densetsu</th>
<th>Nissin Electric</th>
<th>Others</th>
<th>OP ¥bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010 Actual</td>
<td>464.9</td>
<td>30.2</td>
<td>90.4</td>
<td>104.5</td>
<td>47.3</td>
<td>88.7</td>
<td>530.0</td>
</tr>
<tr>
<td>FY2011 Actual</td>
<td>508.6</td>
<td>32.5</td>
<td>100.3</td>
<td>132.1</td>
<td>99.5</td>
<td>99.3</td>
<td>110.0</td>
</tr>
<tr>
<td>FY2012 Plan</td>
<td>480.0</td>
<td>21.2</td>
<td>102.0</td>
<td>135.0</td>
<td>90.1</td>
<td>76.3</td>
<td>148.0</td>
</tr>
<tr>
<td>FY2012 Actual</td>
<td>511.2</td>
<td>15.1</td>
<td>103.3</td>
<td>153.3</td>
<td>91.8</td>
<td>57.4</td>
<td>57.8</td>
</tr>
<tr>
<td>FY2013 Forecast</td>
<td>511.2</td>
<td>15.1</td>
<td>103.3</td>
<td>153.3</td>
<td>91.8</td>
<td>57.4</td>
<td>18.0</td>
</tr>
</tbody>
</table>

FY2012

- <Compared with FY2011> Sales increased due to demands increases in overseas electrification construction by Sumitomo Densetsu and celmet for HEV. OP hits record high for the segment at ¥19.1bn.
- <Compared with FY2012 Plan> OP increased to ¥19.1bn by ¥3.1bn owing to OP increase at Sumitomo Densetsu and profitability improvement for low voltage cables.
- Further promotion of demonstration experiment such as megawatt class vast scale electricity generation system in Yokohama Works, superconductivity cable systems.

FY2013

- Capture of demands for WR and MW through Asian bases
- MW: Securing orders and strengthening production of rectangular wire for HEV motor
- Sumitomo Densetsu: Expansion and strengthening of overseas business, deployment into eco-friendly business
- Nissin Electric: Sales promotion of products for new energy, eco-friendly business such as power conditioner
- Speed-up of development of products for restructure of electric power infrastructure
- JPS: Start of operations of manufacturing bases at India and Saudi Arabia and capture of Asian demands
3. Achievements and Efforts by Segment

(5) Industrial Materials

FY2012 Result, FY2013 Forecast & 2017 Vision

Sales ¥bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Hard metal</th>
<th>Special steel wires</th>
<th>Sintered parts</th>
<th>A.L.M.T.</th>
<th>Others</th>
<th>OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010 Actual</td>
<td>277.5</td>
<td>59.1</td>
<td>40.6</td>
<td>39.0</td>
<td>61.9</td>
<td>76.9</td>
<td>16.9</td>
</tr>
<tr>
<td>FY2011 Actual</td>
<td>277.9</td>
<td>55.6</td>
<td>43.8</td>
<td>39.4</td>
<td>68.8</td>
<td>70.3</td>
<td>18.5</td>
</tr>
<tr>
<td>FY2012 Plan</td>
<td>280.0</td>
<td>54.8</td>
<td>41.9</td>
<td>44.0</td>
<td>72.6</td>
<td>66.7</td>
<td>16.0</td>
</tr>
<tr>
<td>FY2012 Actual</td>
<td>272.5</td>
<td>54.3</td>
<td>38.6</td>
<td>44.7</td>
<td>70.9</td>
<td>64</td>
<td>15.1</td>
</tr>
<tr>
<td>FY2013 Forecast</td>
<td>300.0</td>
<td>62.0</td>
<td>40.4</td>
<td>50.0</td>
<td>77.5</td>
<td>70.1</td>
<td>17.0</td>
</tr>
</tbody>
</table>

- **FY2012**
  - <Compared with FY2011> Sales decreased owing to demands decreases in saw wire for solar panel and electronics related products by ALMT. OP also decreased by ¥3.4bn due to decrease in demand and increase in expenses for expansion of overseas manufacturing and sales bases.
  - <Compared with FY2012 Plan> OP decreased by ¥0.9bn from the forecast owing to demands decreases in Special Steel Wire and ALMT.
  - Manufacturing bases were established for Sintered parts and Hard metal in Indonesia. (Operations to be started in 2013 1H)

- **FY2013**
  - Smooth start of Manufacturing bases of Sintered parts and Hard metal in Indonesia
  - Hard metal: diversified sourcing and speed up of recycle of tungsten
  - Special steel wire: Securing orders for PC in recovering Japanese market
  - Securing orders and strengthening production of automotive parts like steel cord, spring wire, sintered parts, etc. to meet worldwide order increase for Automotive
  - ALMT: Sales expansion through putting large capital investments dynamic forces
4. 12Vision (1) Transition of Sales and OP

Both 12Vision sales and OP fell from the target owing to Lehman Shock at the beginning, big disasters and historical long term Yen appreciation. Revised 12Vision OP (¥135bn) converted by current Forex could not be achieved either.
12Vision OP target would be revised to ¥135bn, if converted by ¥80/$, ¥100/€, and be broken down by segment as shown below bar graphs in red. As compared with the revised targets by segment, Automotive and EW&CE achieved the targets, Industrial Materials fell slightly from the target and I&C and Electronics fell hugely from the targets by around ¥30bn.

Transition of OP by Segment during 12Vision

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>74.5</td>
<td>64.1</td>
<td>54.3</td>
<td>53.1</td>
<td>52.0</td>
<td></td>
</tr>
<tr>
<td>Information &amp; Communications</td>
<td>34.5</td>
<td>8.1</td>
<td>5.0</td>
<td>3.0</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Electronics</td>
<td>24.0</td>
<td>17.2</td>
<td>4.9</td>
<td>6.6</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Electric Wire &amp; Cable, Energy</td>
<td>18.7</td>
<td>13.4</td>
<td>8.9</td>
<td>7.9</td>
<td>11.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Industrial Materials</td>
<td>30.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12Vision (5 years)
Sumitomo Electric Mid-Term Management Plan

VISION 2017
Aiming to become a Glorious Excellent Company

SUMITOMO ELECTRIC
Ingenious Dynamics
New Mid-Term Management Plan “VISION 2017”
— Basic Concepts

Growth strategy based on business innovation
In order to create unique features and future potential by developing strategies which take into account the new needs of society in the future, “business innovation” is positioned as a concept underlying throughout VISION 2017.

Direction we should aim for
Our group will actively respond to new social needs with technologies and product lines in the mobility (automotive), energy, communications (ICT), and other supporting fields. We will also exploit our group’s materials and process technology and information technology in the life sciences (needs for the high longevity/aging/care-based society) and resources (needs for the resource-conserving society) fields.

Definition of “business fields” where we will make efforts toward FY2017

(1) Current Business Fields
Fields our group has been involved in thus far. In moving toward FY2017, we have selected mobility, energy, and communications (ICT) as the three fields where we will particularly exploit the strengths of our group. Current business fields also include supporting materials and products.

(2) Integrated Business Fields
Fields for developing business in areas where there will be new social needs, such as the environment and infrastructure field, by combining and integrating the technologies and product lines in current business fields.

(3) New Business Fields
Fields which our group will be challenging, such as the life sciences and resources fields.
## New Mid-Term Management Plan “VISION 2017”
— Targets

<table>
<thead>
<tr>
<th></th>
<th>FY2013 Forecast</th>
<th>FY2015 Target</th>
<th>“VISION 2017” FY2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>¥2,400 billion</td>
<td>¥2,600 billion</td>
<td>¥3,000 billion</td>
</tr>
<tr>
<td><strong>Operating Income (Operating Income/Net Sales)</strong></td>
<td>¥100 billion (4.2%)</td>
<td>¥130 billion (5.0%)</td>
<td>¥180 billion (6.0%)</td>
</tr>
<tr>
<td><strong>ROA</strong></td>
<td>5%</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>

- We will aim:
  - to raise the overseas sales ratio and overseas production ratio to the 60-70% level.
  - for a new product sales ratio of 30%.
  - for combined sales in FY2017, in integrated business fields and new business fields, of ¥150 billion.
New Mid-Term Management Plan “VISION 2017”

Sales of ¥3,000bn and OP of ¥180bn for 17Vision targets are interpreted as ¥3,300bn and ¥240bn respectively, if converted by Forex rate for 12Vision, which would exceed 12Vision targets substantially.

Forex rate in 2006
(Presuppositions for 12Vision)

¥118.1/$
¥157.3/€

Sales

OP

Presuppositions for 17Vision
¥90/$
¥120/€
New Mid-Term Management Plan “VISION 2017”
— Business Portfolio Strategy

Operating Income Portfolio in FY2017 (Planned)
(by segment)

- Automotive: 50%
- Industrial Materials: 15%
- Environment & Energy*: 15%
- Electronics: 10%
- Information & Communications: 10%

*Starting in FY2013, we will change the name of the Electric Wire & Cable, Energy Segment to the Environment & Energy Segment.
New Mid-Term Management Plan “VISION 2017” — Expansion into Integrated Business Fields

Creating Unique Solutions Based on the Overall Capabilities of the Group and Achieving Strategic Cooperation

1. Integration of fields
   We will create unique solutions, by exploiting our advantage in having technologies and products in fields which will be needed for the social infrastructure of the future, and making efforts which cut across organizational boundaries and straddle between the Production Group and R&D Group.

2. Exhibiting overall capabilities of the group
   We will exhibit our overall capabilities by integrating the technologies, products, and services of the entire group, beginning with fields such as heavy electrical machinery and engineering.

3. Strategic cooperation
   We will strategically cooperate with other corporations which complement our strengths.

Transformation of Our Profit Structure

- Energy
- Communications (ICT)
- Mobility

New Society

- Energy
- Environment & Infrastructure
- Mobility
- Communications (ICT)

These integrated fields will respond to new social needs.
New Mid-Term Management Plan “VISION 2017”
— Expansion into Integrated Business Fields

Examples of energy solutions in the environment and infrastructure field
New Mid-Term Management Plan “VISION 2017”
— Expansion into Integrated Business Fields

Product lines in the energy field

Achieving a New Electric Power and Energy Society
- Reducing Environmental Impact
- Maintaining/Improving Power Quality
- Ensuring Security

- Decentralization/Diversification of Power Sources
- Power Storage
- Bidirectional Communications and Control
- Customer Participation, Use of Markets

Overall Capability of Group
- Solution Proposal Capability
- Engineering Capability

Power Generation
- Photovoltaic Systems
- Wind Power
- Onshore/Offshore
- Concentrator Photovoltaics (CPV)

Electricity Transmission/Distribution
- Power Cable (Onshore/Submarine) [AC/DC]
- Superconducting Cable
- Transformers
- Substation Systems
- Condensers
- Reactive Power Compensation Equipment
- Large Inverters
- Islanding Phenomenon Detection Systems
- Automated Distribution Systems

Electricity Storage
- Vanadium Redox Flow Batteries
- Molten Salt Electrolysis Batteries
- Small Distributed Generators
- SiC Power Devices
- EDLC/LIC

Customers
- Smart Meters (Communication Modules)
- HGW
- Demand Response
- PLC
- EMS
- EV Charging Systems
- V2G
- V2H
- Reactors

Energy
Communications (ICT)
Wide Range of Materials and Products

Mobility
Creating New Business by Adapting Diverse Types of “Seeds” to a Wide Range of “Needs”

1. Discovering new fields based on our proprietary technology
2. Accurately grasping market and customer needs and creating business models at the development stage
3. Actively using open innovation, mergers and acquisitions, and other approaches to accelerate commercialization, while conducting product development based on our core technology

To New Business Fields

Life Sciences Field
Medical Devices, etc.

Resources Field
Water Treatment, Agriculture, etc.

New Business Frontier R&D Laboratories
Life Science Business Development Department
- Medical device business
- Factory inspection equipment business
- Applied bio business

Water Processing Division
- New water treatment processes

New Business Frontier R&D Laboratories
Water Business Development Department
- Ballast water management systems

New Business Frontier R&D Laboratories
Agriculture Business Development Department
- Sandcultural system systems
Aiming to be an all-round supplier of automotive parts

Market Status

- Solid growth is expected in the automotive market, particularly in emerging nations.
- Hybrid electric vehicles (HEVs), plug-in hybrid electric vehicles (PHEVs), electric vehicles (EVs), and other eco vehicles will become more common. We also expect progress in fuel efficiency technology for internal combustion vehicles (gasoline-fueled cars, etc.) and growth in idling stop systems (ISS).

Strategies

In addition to further growth in wiring harnesses/connectors and anti-vibration rubber products as our core businesses, we will expand in the following areas.

Growth in Non-Japanese Share

- Growth in share of wiring harnesses/connectors and anti-vibration rubber products for non-Japanese automotive companies

Acceleration of New Product Development

- Pursuing lighter weight (aluminum wiring harnesses, etc.) and responding to modularization
- Broadening range of electronics products (central gateways, etc.)
- Introducing products for next-generation/eco vehicles (ISS related products, etc.)

Cost Reduction

- Striving for optimally located production
- Development of automation technology
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

**Market Status**
- Growth is expected in development of high-speed, high-capacity communication infrastructure due to the worldwide increase in communication traffic.
- The global shift to FTTH, including the CATV markets, should gain momentum, and growth is also expected in ITS business.

**Strategies**

**Acceleration of Overseas Expansion**
- Expansion of overseas production (local production for local consumption of optical fiber, etc.) and improving participation in overseas markets (CATV, ITS, etc.)
- Building a system for global procurement and quality control

**Cost Reduction and Improvement of Product Profitability**
- Continuing/Promoting business restructuring
- Striving for optimally located production
- Strengthening manufacturing and development capabilities (laser diodes, optical transceivers, etc.)
- Shifting to high-margin products (low-loss fibers, etc.)

**Expanding Products for Smart Functionality**
- Providing optimal product solutions for each overseas region (HEMS, telematics, etc.)
New Mid-Term Management Plan “VISION 2017”
— New Growth in Current Business Fields

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

**Market Status**

- There should be steady growth in the consumer product market, centered on mobile phones, and growth of the automotive market is also expected to continue.
- Further progress is expected in areas such as product modularization, acceleration of commoditization, and diversification of customer needs.

**Strategies**

**Strengthening of Global Manufacturing and Sales System**
- Responding to diversification of customer needs through efforts such as establishing specifications customization centers, and ensuring a flexible production response

**Strengthening of New Product Development**
- Focusing on developing new products that integrate core technologies, such as FPC for smartphones and tablets, high-speed wiring harnesses, and automotive tab leads
- Accelerating development of key device products

**Expansion of Customers and Business Fields**
- Expansion to systems/units/modules and strengthening solution proposals
- Acceleration of strategy for broadening user base
Helping to raise the level of social infrastructure by globally supplying highly functional, high-quality environmental and energy products and systems

**Market Status**

- We expect to see growth, both inside and outside of Japan, in markets relating to new energy systems to cope with increased sophistication of electric power infrastructure, energy conservation, and demand restraint, etc.
- Growth is also expected in infrastructure demand, primarily in emerging nations.

**Strategies**

**Strengthening Development of Products Relating to Next-Generation Energy Systems**
- Accelerating and launching development and commercialization of products and new materials relating to next-generation energy systems such as renewable energy, storage batteries, superconducting cable, and other key areas of integrated fields

**Strengthening Ability to Propose Solutions**
- Strengthening solution business for new social infrastructure and electric power infrastructure

**Strengthening Global Supply System**
- We will improve our production and sales organization on a global basis, starting with areas such as supply of copper and aluminum
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.

**Market Status**
- Steady growth is expected in the automotive market.
- We should also see growth in infrastructure demand, primarily in emerging nations.
- Problems related to rare metals, such as procurement difficulties and high prices, are expected to become more severe.

**Strategies**

**Core Technology Improvement and Innovation**
- Strengthening ability to deal with structural change in products (switching to EVs, etc.)
- Strengthening core technologies and improving processing technologies, etc.
- Challenging healthcare and other new fields

**Strengthening Raw Material Procurement**
- Promoting global procurement and recycling

**Accelerating Overseas Expansion**
- Expanding overseas production and strengthening participation in overseas markets
- Building a global sales and development system
New Mid-Term Management Plan “VISION 2017”
— Three High-Priority Efforts

Strengthen “Strategic Marketing” (Creating New Markets)

Strengthening Response for Existing Customers, Acquiring New Customers, and Creating New Markets

1. In current business fields, we will strengthen our response for non-Japanese customers and markets in emerging nations
2. In integrated business fields, we will strengthen our solution proposals for emerging new markets
3. In new business fields, we will strengthen the creation and opening of new markets

Increase Our “Global Presence” (Promoting Diversity of Personnel)

Promotion of Globalization and Diversity

1. Promotion of diversity
2. Strengthening development in close collaboration with markets and customers
3. Improving marketing functions and corporate support capabilities

Enhance Our “Leading Technology” (Accelerating Commercialization)

Promoting R&D and Strengthening Efforts to Accelerate Commercialization

1. Promoting R&D with awareness of outcomes and timelines, and accelerating commercialization
2. Strengthening consideration of market/customer needs when formulating research topics
3. Selecting research topics with awareness of our future business portfolio
New Mid-Term Management Plan “VISION 2017”
— Research and Development Themes for the Next Generation
New Mid-Term Management Plan “VISION 2017”
— Three Bases for Our Business

Three Bases

Human Resources Base
- Carrying out recruitment, evaluation/treatment, assignment/promotion and human resources development based on our Global HRM Policy
- Promoting diversity
  *HRM: Human Resource Management

Financial Base
- Strengthening our corporate structure, and striving for robust, solid financial footing
  - Shareholder’s equity ratio: 50%
  - Dividend payout ratio: 30%

Manufacturing Base
- Strengthening Competitiveness
  Strengthening C&D, accelerating mass production and commercialization, and developing technology
- Base Development/ Strengthening Position
  Building secure, safe, clean, stable and reliable production systems
- Developing personnel with practical capabilities
New Mid-Term Management Plan “VISION 2017”
— Capital Investment and Research & Development Expenditures

**Capital Investment Expenditures**
Continue level of capital investment from latter half of 12V
- Commercialization of new products
- Global expansion our group
- Strengthening QCD of existing businesses

12V total: Approx. ¥600 billion (approx. ¥120 billion/year)

17V total: ¥750 billion (¥150 billion/year)

**Research and Development Expenditures**
Continue investment in integrated/new business fields, in addition to current business fields

12V total: Approx. ¥400 billion (approx. ¥80 billion/year)

17V total: ¥450 billion (¥90 billion/year)

Note: “12V” = VISION 2012, Mid-Term Management Plan for FY2008-2012
FY2017, the final year of VISION 2017, will mark the 120th anniversary of the establishment of the Sumitomo Electric Group. The Sumitomo Spirit values the trust of society and corporate ethics above all else, and this spirit is alive and well in the activities of our group. In carrying out VISION 2017, our basic core values will be the Sumitomo Spirit and Sumitomo Electric Group Corporate Principles. The foundation of CSR in our group is contributing to society through business activities based on compliance.

### The Sumitomo Spirit

**Business Principles**

From the original Sumitomo Company rules (1891)

- **Article 1** Sumitomo shall achieve prosperity based on solid foundation by placing prime importance on integrity and sound management in the conduct of its business.
- **Article 2** Sumitomo’s business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

Our legacy also includes a spirit of attaching importance to technology, respect for human resources, long-range planning, and mutual prosperity and respect for the public good.

### Sumitomo Spirit, Sumitomo Electric Group Corporate Principles

Each company of the Sumitomo Electric Group shall:

- Offer the very best goods and services to satisfy customer needs.
- Build technical expertise, realize changes and strive for consistent growth.
- Contribute to creating a better society and environment, with a firm awareness of our social responsibility.
- Maintain high corporate ethics and strive to become a company worthy of society’s trust.
- Nurture a lively corporate culture that enables employee self-improvement.
Notes on Perspective Information

This presentation material contains various outlook and perspective information derived from our own presumptions and judgments based on currently available information on conditions and prospects of each market and economic circumstances such as currency exchange rate fluctuations. All figures and statements with respect to the future performances, projections, and business plans of Sumitomo Electric and its affiliated companies are constituted by those outlook and perspective information. Factors that could cause actual results to differ materially include, but not limited to:

1. Market and economic conditions in the United States, Europe, Japan and other Asian countries, especially increases and decreases in personal consumption and capital expenditures.
2. Fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar, the euro and Asian currencies.
3. The ability of Sumitomo Electric and its affiliated companies to cope with rapid technological development.
4. Changes in financial, management, environmental and other presumptions.
5. Current and future laws and regulations in foreign countries involving trade and other activities.

There are possibilities that actual sales and profits may be different materially from those described in this material. Sumitomo Electric and its affiliated companies are not obliged to update or make public any future performances, projections or business plans after releasing this material.