FY2014 Results and FY2015 Forecasts

Revision of Mid-term Business Plan “VISION2017”

SUMITOMO ELECTRIC INDUSTRIES, LTD.

2015/05/26
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1. FY2014 Results
## 1-1. FY2014 PL

This year sales, OP, ordinary income and net income all increased as compared with the same period of the previous year and the revised plan.

<table>
<thead>
<tr>
<th></th>
<th>FY2013 Actual①</th>
<th>FY2014 Revised Plan②</th>
<th>FY2014 Actual③</th>
<th>Growth ③-①</th>
<th>Difference ③-②</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥2,568.8</td>
<td>¥2,750.0</td>
<td>¥2,822.8</td>
<td>+254.0</td>
<td>+72.8</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>¥120.1</td>
<td>¥125.0</td>
<td>¥134.5</td>
<td>+14.4</td>
<td>+9.5</td>
</tr>
<tr>
<td>Equity in Net Income</td>
<td>¥29.6</td>
<td>¥25.0</td>
<td>¥27.2</td>
<td>(2.4 )</td>
<td>+2.2</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>¥145.4</td>
<td>¥145.0</td>
<td>¥160.6</td>
<td>+15.2</td>
<td>+15.6</td>
</tr>
<tr>
<td>Net Extraordinary Income/Loss</td>
<td>(¥21.5 )</td>
<td>¥24.6</td>
<td>¥6.4</td>
<td>+27.9</td>
<td>(18.2 )</td>
</tr>
<tr>
<td>Income before Income Taxes and Minority Interests</td>
<td>¥123.9</td>
<td>¥169.6</td>
<td>¥167.0</td>
<td>+43.1</td>
<td>(2.6 )</td>
</tr>
<tr>
<td>Income Taxes &amp; Minority Interests</td>
<td>(¥57.2 )</td>
<td>(¥54.6 )</td>
<td>(¥47.2 )</td>
<td>+10.0</td>
<td>+7.4</td>
</tr>
<tr>
<td>Net Income</td>
<td>¥66.7</td>
<td>¥115.0</td>
<td>¥119.8</td>
<td>+53.1</td>
<td>+4.8</td>
</tr>
</tbody>
</table>
1-2. Factors of Increase or Decrease in OP

OP increased by ¥14.4bn to ¥134.5bn, due to Forex gain, sales volume increase and cost reduction, despite intensified price competition and increase in depreciation and R&D expenses incurred by prior investment.

(%): OP Rate

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>100.17</td>
<td>109.76</td>
</tr>
<tr>
<td>EUR</td>
<td>134.21</td>
<td>138.69</td>
</tr>
</tbody>
</table>

※Average Rate

Cost reduction

- ¥134.5bn (4.8%)
- +26.3

Sales volume increase

- +14.1

Forex gain (※)

- +37.1

R&D / M&A and others

- (16.6)

Depreciation

- (13.4)

Price down

- (33.1)

¥120.1bn (4.7%)
## 1-3. Sales and OP by Segment

Both sales and OP increased as compared with the same period of the previous year in all segments except Environment and Energy. In automotive segment sales increased by ¥18.2bn and OP by ¥8.3bn as compared with revised plan to reach record high.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>1,351.0</td>
<td>71.8</td>
<td>1,470.0</td>
<td>81.0</td>
<td><strong>1,488.2</strong></td>
<td>89.3</td>
<td>+137.2</td>
<td>+18.2</td>
</tr>
<tr>
<td>Infocommunications</td>
<td>164.9</td>
<td>(1.2)</td>
<td>175.0</td>
<td>4.5</td>
<td><strong>172.0</strong></td>
<td>3.7</td>
<td>+7.1</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Electronics</td>
<td>262.6</td>
<td>5.3</td>
<td>280.0</td>
<td>2.0</td>
<td><strong>292.0</strong></td>
<td>5.5</td>
<td>+29.4</td>
<td>+12.0</td>
</tr>
<tr>
<td>Environment and Energy</td>
<td>564.2</td>
<td>24.1</td>
<td>650.0</td>
<td>15.5</td>
<td><strong>636.5</strong></td>
<td>13.5</td>
<td>+72.3</td>
<td>(13.5)</td>
</tr>
<tr>
<td>Industrial Materials and Others</td>
<td>303.3</td>
<td>20.5</td>
<td>325.0</td>
<td>22.0</td>
<td><strong>317.4</strong></td>
<td>23.0</td>
<td>+14.1</td>
<td>(7.6)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,568.8</strong></td>
<td><strong>120.1</strong></td>
<td><strong>2,750.0</strong></td>
<td><strong>125.0</strong></td>
<td><strong>2,822.8</strong></td>
<td><strong>134.5</strong></td>
<td><strong>+254.0</strong></td>
<td><strong>+72.8</strong></td>
</tr>
</tbody>
</table>

※Differences between the aggregate of all segments and Total are eliminations.
1-4. Overseas Sales Ratio

- Consolidated overseas sales increased steadily except around times of Lehman shock.
- FY2014 overseas sales ratio was 58.3%.
## 1-5. FY2014 BS

<table>
<thead>
<tr>
<th></th>
<th>FY2012 Actual</th>
<th>FY2013 Actual</th>
<th>FY2014 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td>1,115.8</td>
<td>1,203.6</td>
<td>1,415.6</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td>1,181.8</td>
<td>1,351.2</td>
<td>1,510.2</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>2,297.6</td>
<td>2,554.8</td>
<td>2,925.8</td>
</tr>
<tr>
<td><strong>Shareholders' Equity</strong></td>
<td>1,033.3</td>
<td>1,089.3</td>
<td>1,190.9</td>
</tr>
<tr>
<td><strong>Accumulated Other Comprehensive Income</strong></td>
<td>39.2</td>
<td>100.3</td>
<td>240.2</td>
</tr>
<tr>
<td><strong>Minority Interest</strong></td>
<td>172.2</td>
<td>190.3</td>
<td>215.7</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>657.1</td>
<td>740.4</td>
<td>809.9</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td>(485.6)</td>
<td>(534.6)</td>
<td>(550.8)</td>
</tr>
<tr>
<td><strong>(Interest Bearing Debt)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders' Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debt/Equity Ratio</strong></td>
<td>0.45</td>
<td>0.45</td>
<td>0.38</td>
</tr>
</tbody>
</table>

**Shareholders' Equity Ratio**

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income / Invested Assets(ROA)※</td>
<td>4.8%</td>
<td>6.6%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Return on Equity(ROE)</td>
<td>3.7%</td>
<td>5.9%</td>
<td>9.1%</td>
</tr>
</tbody>
</table>

※Operating Income / Invested Assets(ROA) = \frac{Operating Income}{Total Assets−Interest-Free Liabilities}
2. FY2015 Forecasts
## 2-1. FY2015 Forecasts(PL)

FY2015 annual forecasts would be ¥3,050bn sales, ¥150bn OP, ¥175bn ordinary income and ¥90bn net income. (Presuppositions ¥115/$, ¥130/€)

<table>
<thead>
<tr>
<th></th>
<th>FY2014 Actual ①</th>
<th>FY2015 1H Plan</th>
<th>FY2015 2H Plan</th>
<th>FY2015 Total ②</th>
<th>Increase/Decrease ②ー①</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>2,822.8</td>
<td>1,450.0</td>
<td>1,600.0</td>
<td><strong>3,050.0</strong></td>
<td>+227.2</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>134.5</td>
<td>55.0</td>
<td>95.0</td>
<td><strong>150.0</strong></td>
<td>+15.5</td>
</tr>
<tr>
<td><strong>Equity in Net Income</strong></td>
<td>26.1</td>
<td>8.0</td>
<td>17.0</td>
<td><strong>25.0</strong></td>
<td>(1.1)</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>160.6</td>
<td>63.0</td>
<td>112.0</td>
<td><strong>175.0</strong></td>
<td>+14.4</td>
</tr>
<tr>
<td><strong>Net Extraordinary Income/Loss</strong></td>
<td>6.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income before Income Taxes and Minority Interests</strong></td>
<td>167.0</td>
<td>(33.0)</td>
<td>(52.0)</td>
<td><strong>(85.0)</strong></td>
<td>(44.2)</td>
</tr>
<tr>
<td><strong>Income Taxes &amp; Minority Interests</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>119.8</td>
<td>30.0</td>
<td>60.0</td>
<td><strong>90.0</strong></td>
<td>(29.8)</td>
</tr>
</tbody>
</table>

*From FY2015 "Minority Interests" will be "Net Income(Loss) Attributable to Non-Controlling Interests", "Net Income(Loss)" will be "Net Income(Loss) Attributable to Owners of Parent".
2-2. Factors of Increase or Decrease in OP

OP is forecasted to increase by 12% to ¥150bn as compared with the same period of the previous year, due to sales volume increase and cost reduction, despite intensified price competition and increase in depreciation charges incurred by prior investment.

(%): OP Rate

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015P</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>109.76</td>
<td>115</td>
</tr>
<tr>
<td>EUR</td>
<td>138.69</td>
<td>130</td>
</tr>
</tbody>
</table>

※Average Rate

Cost reduction: +26.2

Sales volume increase: +34.3

Forex gain (※): +5.9

R&D and others: Depreciation (3.1)

Price down: (39.5)

Savings in depreciation charges incurred by prior investment: (3.1)

Sales volume increase: +5.9

Cost reduction: +26.2

Average rate:

USD: 109.76 ➔ 115

EUR: 138.69 ➔ 130

(4.9%) FY2015 Plan

(4.8%) FY2014 Actual

¥134.5bn (4.8%)

¥150.0bn (4.9%)
## 2-3. Sales and OP by Segment

Both annual sales and OP are forecasted to increase in each segment except Automotive, due to generally strong demands.

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2014 Sales (¥bn)</th>
<th>FY2014 OP</th>
<th>1H Plan Sales (¥bn)</th>
<th>1H Plan OP</th>
<th>2H Plan Sales (¥bn)</th>
<th>2H Plan OP</th>
<th>Total Sales (¥bn)</th>
<th>Total OP</th>
<th>Increase/Decrease (¥bn) Sales/OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>1,488.2</td>
<td>89.3</td>
<td>750.0</td>
<td>35.5</td>
<td>790.0</td>
<td>52.5</td>
<td>1,540.0</td>
<td>88.0</td>
<td>+51.8 (-1.3)</td>
</tr>
<tr>
<td>Infocommunications</td>
<td>172.0</td>
<td>3.7</td>
<td>90.0</td>
<td>(1.0)</td>
<td>110.0</td>
<td>6.5</td>
<td>200.0</td>
<td>5.5</td>
<td>+28.0 (+1.8)</td>
</tr>
<tr>
<td>Electronics</td>
<td>292.0</td>
<td>5.5</td>
<td>170.0</td>
<td>6.5</td>
<td>170.0</td>
<td>6.0</td>
<td>340.0</td>
<td>12.5</td>
<td>+48.0 (+7.0)</td>
</tr>
<tr>
<td>Environment and Energy</td>
<td>636.5</td>
<td>13.5</td>
<td>340.0</td>
<td>1.5</td>
<td>420.0</td>
<td>15.0</td>
<td>760.0</td>
<td>16.5</td>
<td>+123.5 (+3.0)</td>
</tr>
<tr>
<td>Industrial Materials and Others</td>
<td>317.4</td>
<td>23.0</td>
<td>170.0</td>
<td>12.5</td>
<td>180.0</td>
<td>15.0</td>
<td>350.0</td>
<td>27.5</td>
<td>+32.6 (+4.5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,822.8</td>
<td>134.5</td>
<td>1,450.0</td>
<td>55.0</td>
<td>1,600.0</td>
<td>95.0</td>
<td><strong>3,050.0</strong></td>
<td>150.0</td>
<td>+227.2 (+15.5)</td>
</tr>
</tbody>
</table>

※Differences between the aggregate of all segments and Total are eliminations.
## 2-4. FY2015 Challenges and Strategies

### Automotive
- Start up and sales promotion of new products, such as aluminum harnesses, electric components enabling electronic control of cars
- Further sales promotion to non-Japanese customers (such as Big 3)
- Early development of dynamic force and acceleration of synergistic effect of the company purchased by Sumitomo Riko

### Infocommunications
- Sales promotion of high value added products, such as GaN device for mobile base station, optical fiber for submarine cable
- Acceleration of sales promotion of access network equipment in domestic and overseas markets

### Electronics
- Further reinforcement of global production system for FPC
- Frontage expansion and profitability improvement by accelerated development of new products

### Environment and Energy
- Profitability improvement of power cable business
- Industrialization promotion by accelerated development and demonstration of Redox Flow Battery

### Industrial Materials and Others
- Reinforcement of global production and procurement systems for Hard Metal and Sintered Parts
- Reinforcement of core technology and sales promotion of new products by innovation
2-5. Capital Investment by Region

Capital investment in FY2015 is planned to be ¥170bn in total.
R&D expenses in FY2015 are estimated to be ¥100bn, which are at continuously high level, though they will decrease slightly from the last year’s record high.
2-7. Dividend
FY2014 annual dividend is planned to be ¥30/share, increased by ¥8/share from the last year, taking account of financial results of this year. FY2015 annual dividend is estimated to be ¥35/share, increased further by ¥5/share from the previous year.
3. Progress of VISION2017
3-1. Progress as of FY2015 (Compared with original VISION 2017)

- Sales will be over the original plan
- OP will be in line with the original plan
- OP ratio and ROA will be on planned line

Sales

- Industrial Materials & Others
- Environment & Energy
- Electronics
- Infocommunications
- Automotive

Original V17 FY2015
OP%: 5%
ROA: 7%

Exchange Rate:
USD ¥90/$
EUR ¥120/€

FY2015 Forecast
OP%: 5%
ROA: 7%

Exchange Rate:
USD ¥115/$
EUR ¥130/€

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3-2. Progress by Segment

◆ In Automotive wire harnesses business will be a driving force, despite slow down of Sumitomo Riko.
◆ Industrial Materials and Others will grow steadily.
◆ Opto・Electronic Devices in Infocommunications and FPC in Electronics are enjoying benefits of structural reform.
◆ Access network equipment in Infocommunications and power cable business in Environment & Energy are focusing on profitability.

OP Portfolio Transition by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2012</th>
<th>FY2014</th>
<th>FY2015 Forecast</th>
<th>FY2017 V17 Portfolio Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics</td>
<td>69%</td>
<td>66%</td>
<td>59%</td>
<td>50%</td>
</tr>
<tr>
<td>Automotive</td>
<td>-13%</td>
<td>-13%</td>
<td>-13%</td>
<td>-13%</td>
</tr>
<tr>
<td>Environment &amp; Energy</td>
<td>20%</td>
<td>17%</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Electronics</td>
<td>25%</td>
<td>10%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Industrial Materials &amp; Others</td>
<td>10%</td>
<td>4%</td>
<td>8%</td>
<td>10%</td>
</tr>
</tbody>
</table>
4. Revision of "VISION2017"
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
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} - \text{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

**Capital Investment Expenditures**

*Bumped up to further expand capabilities and invest in efficiency*

- **VISION 2017**
  - Initial Plan: ¥750 billion
- **VISION 2017**
  - Interim Revision: ¥800 billion

**Research and Development Expenditures**

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

- **VISION 2017**
  - Initial Plan: ¥450 billion
- **VISION 2017**
  - Interim Revision: ¥480 billion

**Visual Elements**

Bar charts showing the cumulative totals for capital investment and research and development expenditures, with labels indicating the initial plans and interim revisions.
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.
5. Strategies by Segment
5-1. Automotive

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.)
5-2. Infocommunications

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)
5-3. Electronics

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
5-4. Environment and Energy

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
5-5. Industrial Materials and Others

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
5-6. Integrated Business Fields and New Business Fields

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

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

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, noninflammable alloys and wide sheet material is underway for expansion into the field of transportation equipment in the future

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.
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.

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