

May 23, 2013

# FY2012 Results and FY2013 Forecast

## Mid-Term Management Plan "Vision2017"

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President and CEO



# 1. FY2012 (1) Consolidated PL

FY2012Result ,FY2013Forecast & 2017Vision

•<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.

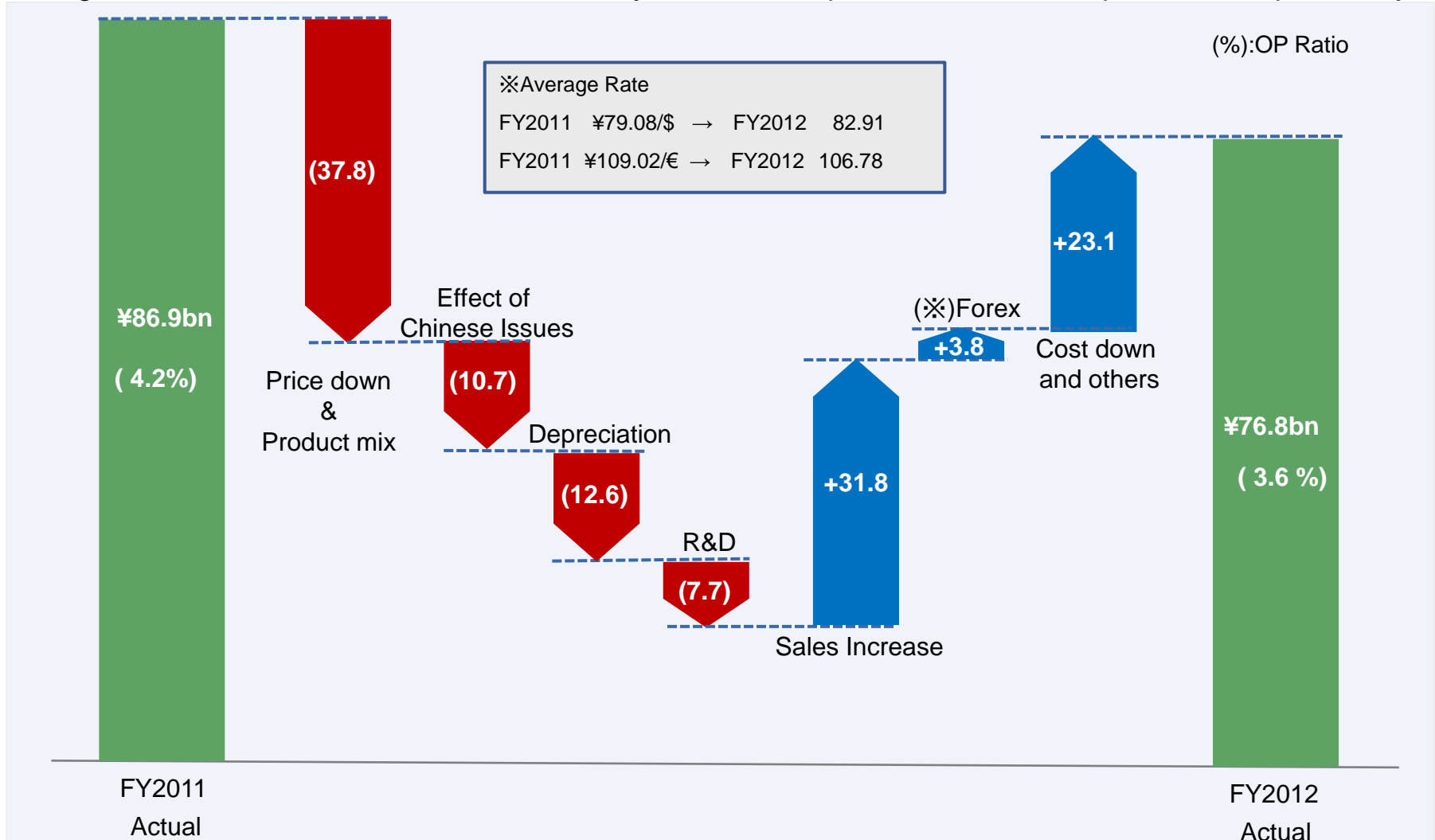
¥bn	FY2011	FY2012	FY2012	Increase/Decrease	Difference
	Actual①	Plan②	Actual③	③-①	③-②
Net Sales	2,059.3	2,100.0	2,159.9	100.6	59.9
Operating Profit	86.9	87.0	76.8	(10.1)	(10.2)
Equity in Net Income	20.5	20.0	22.1	1.6	2.1
Ordinary, Others	(0.7)	(7.0)	(4.8)	(4.1)	2.2
Ordinary Income	106.7	100.0	94.1	(12.6)	(5.9)
Loss on Disaster	(7.3)	0.0	0.0	7.3	0.0
Restructuring Expenses	0.0	(9.2)	(9.1)	(9.1)	0.1
Extraordinary, Others	0.6	1.2	(0.9)	(1.5)	(2.1)
Income before Income Taxes and Minority Interests	100.0	92.0	84.1	(15.9)	(7.9)
Income Taxes and Minority Interests	(41.1)	(47.0)	(46.1)	(5.0)	0.9
Net Income	58.9	45.0	38.0	(20.9)	(7.0)



# 1. FY2012 (2) Factors of Increase or Decrease in OP (FY2012vs. FY2011)

FY2012Result ,FY2013Forecast & 2017Vision

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

FY2012Result ,FY2013Forecast & 2017Vision

• < 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.

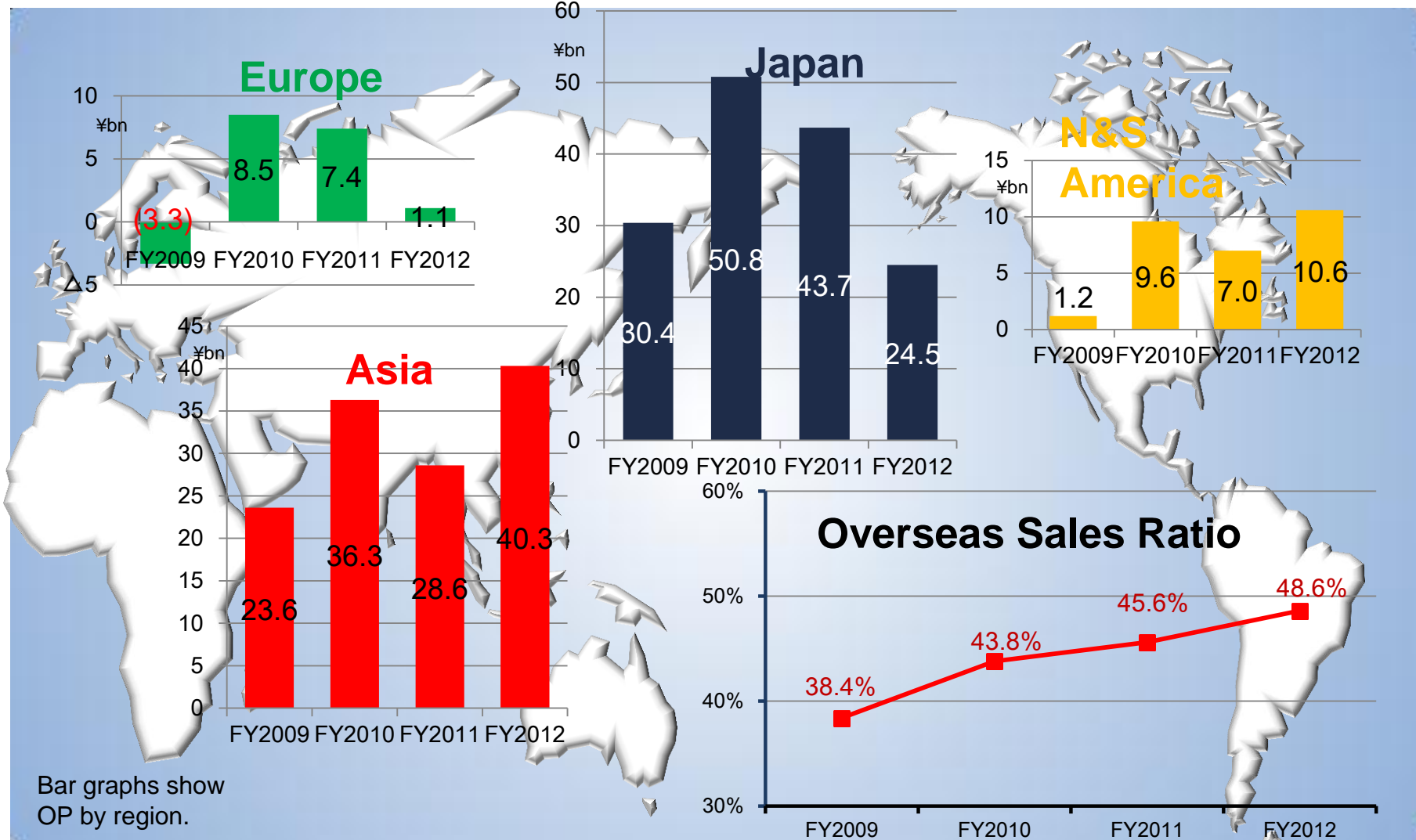
¥bn	FY2011		FY2012		FY2012		Increase/Decrease		Difference	
	Actual ①		Plan ②		Actual ③		③-①		③-②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	991.7	54.3	1,040.0	53.5	1,071.2	53.1	79.5	(1.2)	31.2	(0.4)
Information & Communications	162.0	(5.9)	170.0	(4.0)	155.1	(10.3)	(6.9)	(4.4)	(14.9)	(6.3)
Electronics	185.8	3.3	220.0	5.5	217.6	0.0	31.8	(3.3)	(2.4)	(5.5)
Electric Wire & Cable, Energy	508.6	16.9	480.0	16.0	511.2	19.1	2.6	2.2	31.2	3.1
Industrial Materials	277.9	18.5	280.0	16.0	272.5	15.1	(5.4)	(3.4)	(7.5)	(0.9)
Eliminations	(66.7)	(0.2)	(90.0)	0.0	(67.7)	(0.2)	(1.0)	0.0	22.3	(0.2)
Total	2,059.3	86.9	2,100.0	87.0	2,159.9	76.8	100.6	(10.1)	59.9	(10.2)



# 1. FY2012 (4) Overseas Sales Ratio / OP by Region

FY2012Result ,FY2013Forecast & 2017Vision

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.



Bar graphs show OP by region.



# 1. FY2012 (5) Consolidated BS

FY2012Result ,FY2013Forecast & 2017Vision

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.

¥bn	FY2010	FY2011	FY2012
Current Assets	988.8	1,047.4	1,115.8
Non- current Assets	967.5	1,024.7	1,181.8
Current Liabilities	531.0	635.9	657.2
Non-current Liabilities	332.7	297.3	395.7
(Interest bearing Debt)	341.9	364.1	485.7
Shareholders' Equity	966.9	1,011.3	1,033.3
Accumulated Other Comprehensive Income	(17.8)	(23.3)	39.2
Minority Interest/Share Warrants	143.5	150.9	172.2
Total Assets	1,956.3	2,072.1	2,297.6
Shareholders' Equity Ratio	48.5%	47.7%	46.7%
Debt / Equity Ratio	0.36	0.37	0.45



## 2. FY2013 Forecast (1) Consolidated PL

FY2012Result ,FY2013Forecast & 2017Vision

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%.

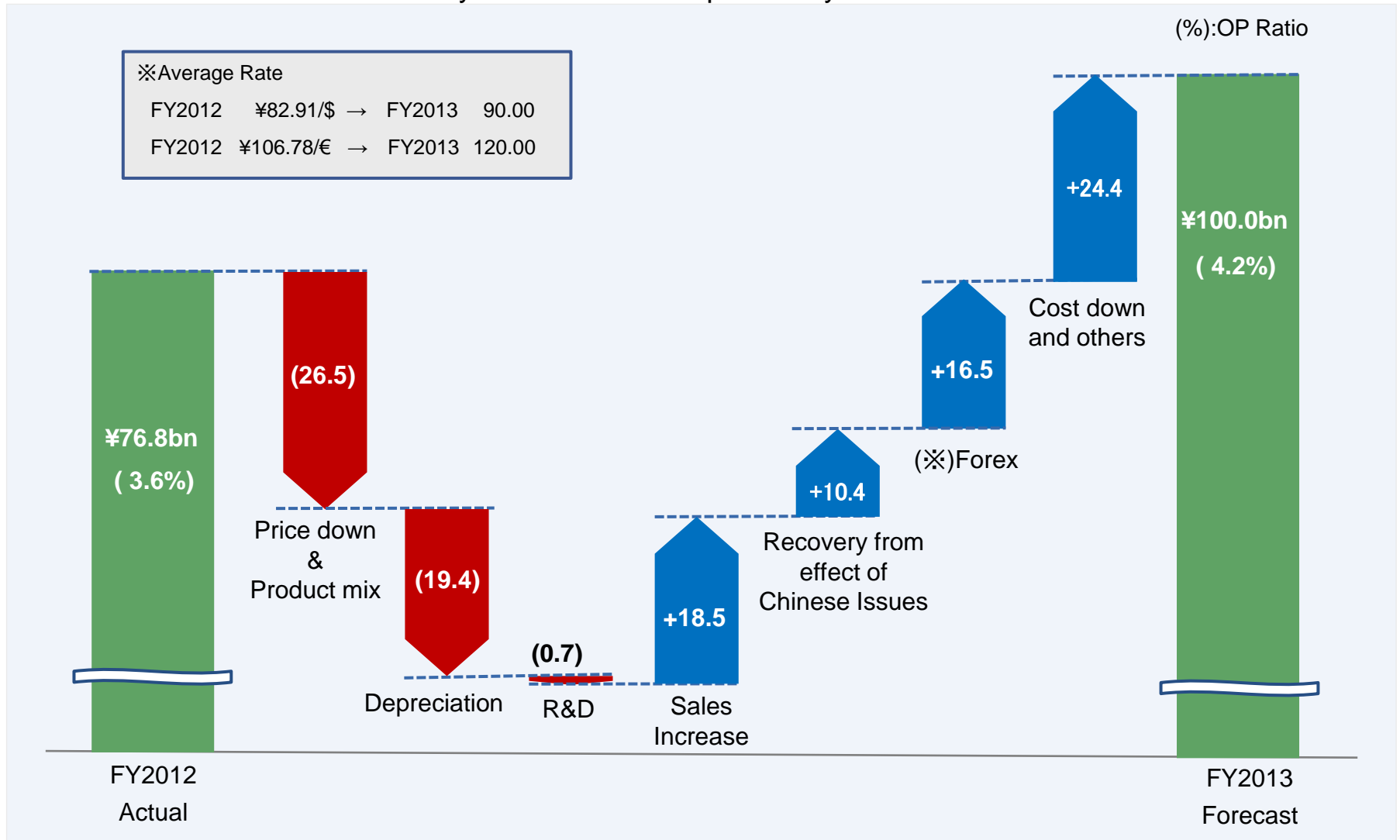
Presuppositions for the forecast    Forex:    ¥90/\$    ¥120/€  
Copper:    ¥0.75million/t (LME US\$8000/t)

	FY2012 Actual①	FY2013 Forecast			Difference ②-①	Growth
		1H	2H	Total ②		
Net Sales	2,159.9	1,100.0	1,300.0	<b>2,400.0</b>	+240.1	+ 11%
Operating Profit	76.8	30.0	70.0	<b>100.0</b>	+23.2	+ 30%
Equity in Net Income	22.1	10.0	14.0	<b>24.0</b>	+1.9	
Ordinary Income	94.1	40.0	80.0	<b>120.0</b>	+25.9	+ 28%
Net Extraordinary Loss	(10.0)	(4.0)	(4.0)	<b>(8.0)</b>	+2.0	
Income before Income Taxes and Minority Interests	84.1	36.0	76.0	<b>112.0</b>	+27.9	+ 33%
Income Taxes and Minority interests	(46.1)	(16.0)	(36.0)	<b>(52.0)</b>	(5.9)	
Net Income	38.0	20.0	40.0	<b>60.0</b>	+22.0	+ 58%

## 2. FY2013 Forecast (2) Factors of Increase or Decrease in OP (FY2013vs. FY2012)

FY2012Result ,FY2013Forecast & 2017Vision

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.





## 2. FY2013 Forecast (3) Sales and OP by Segment

FY2012Result ,FY2013Forecast & 2017Vision

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.

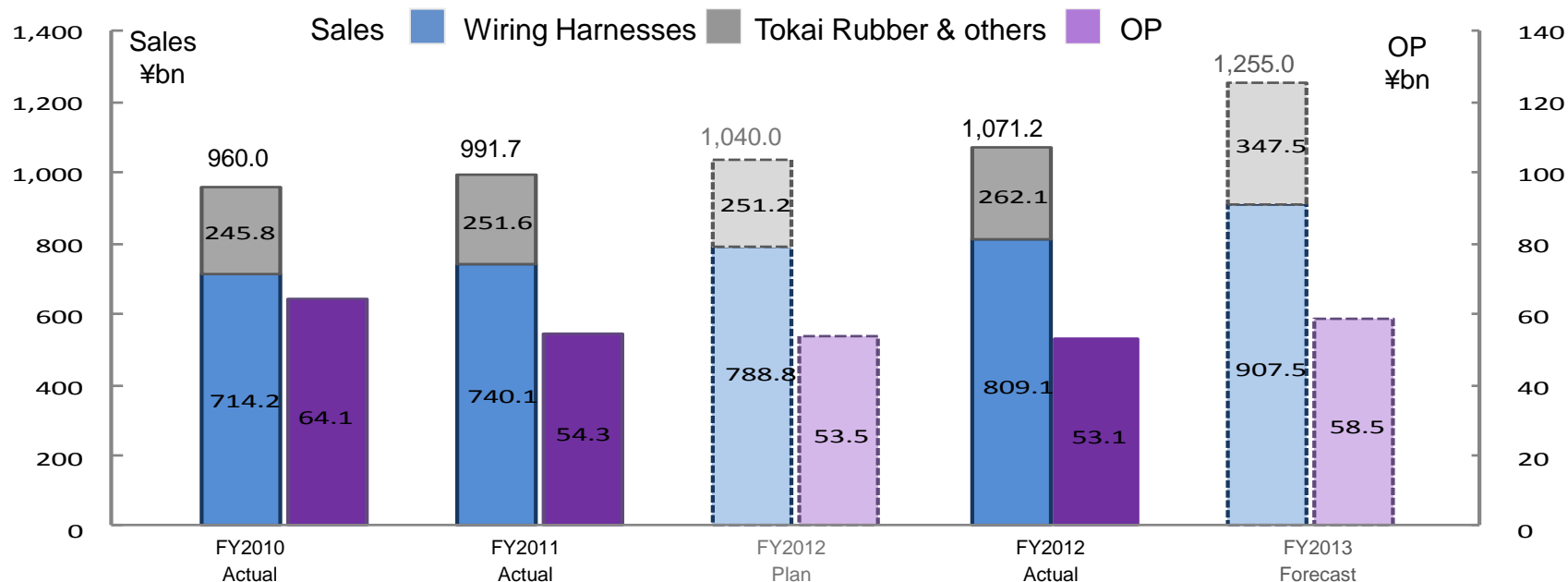
¥bn	FY2012		FY2013 Forecast						Difference	
	Actual①		1H		2H		Total②		②-①	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	1,071.2	53.1	585.0	23.0	670.0	35.5	1,255.0	58.5	+183.8	+5.4
Information & Communications	155.1	(10.3)	80.0	(4.5)	100.0	5.5	180.0	1.0	+24.9	+11.3
Electronics	217.6	0.0	110.0	0.5	130.0	5.0	240.0	5.5	+22.4	+5.5
Electric Wire & Cable, Energy	511.2	19.1	250.0	4.5	280.0	13.5	530.0	18.0	+18.8	(1.1)
Industrial Materials	272.5	15.1	140.0	6.5	160.0	10.5	300.0	17.0	+27.5	+1.9
Eliminations	(67.7)	(0.2)	(65.0)	0.0	(40.0)	0.0	(105.0)	0.0	(37.3)	+0.2
Total	2,159.9	76.8	1,100.0	30.0	1,300.0	70.0	2,400.0	100.0	+240.1	+23.2



### 3. Achievements and Efforts by Segment

# (1) Automotive

FY2012Result ,FY2013Forecast & 2017Vision



## FY2012

- <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)

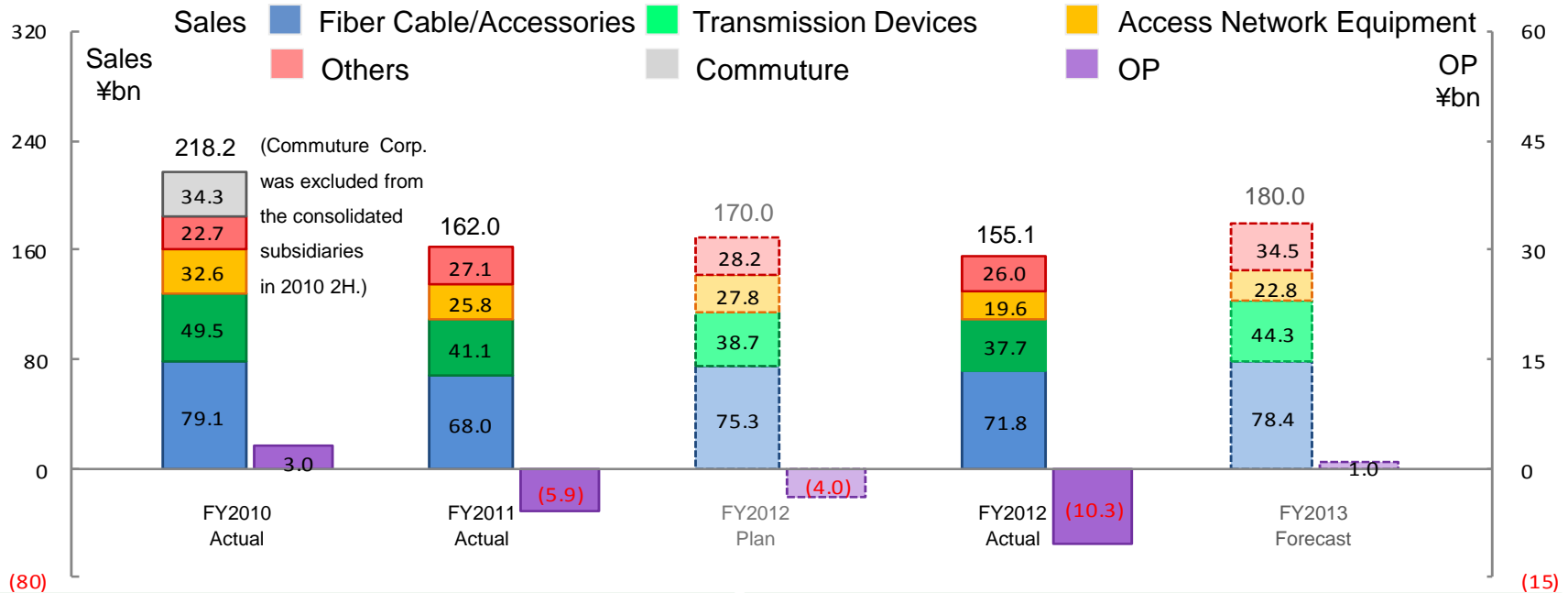
## FY2013

- 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).



# (2) Information & Communications

FY2012Result ,FY2013Forecast & 2017Vision



## FY2012

- <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.

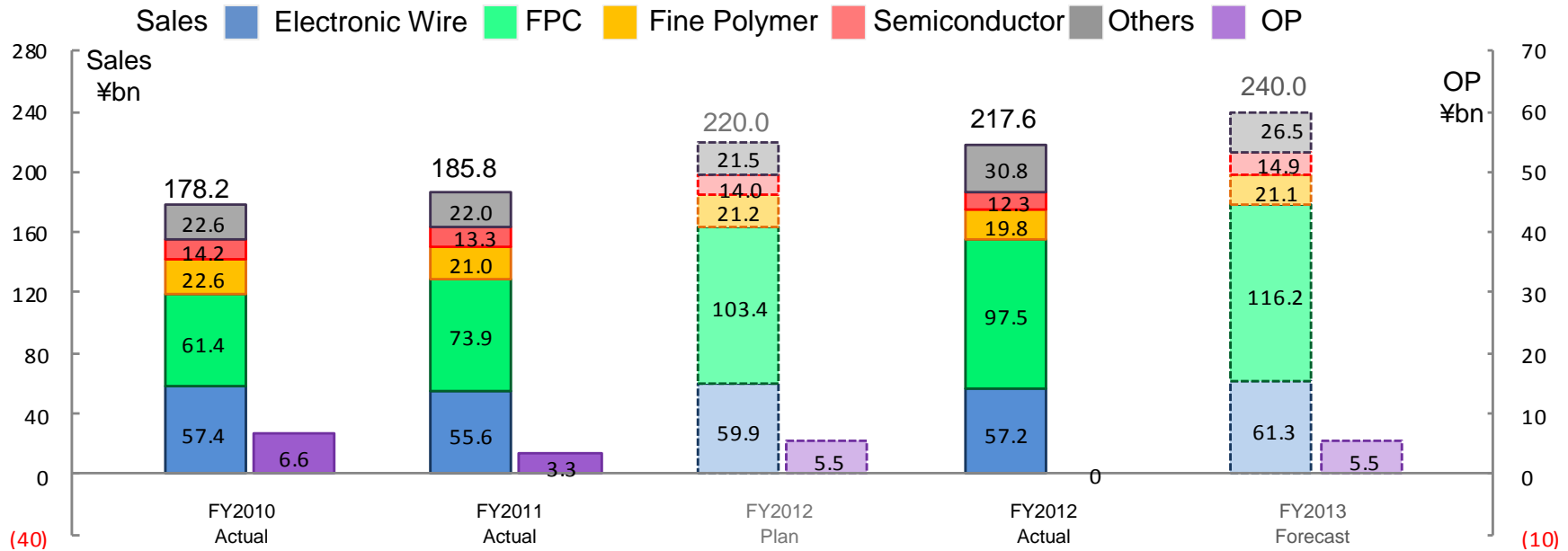
## FY2013

- 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

FY2012Result ,FY2013Forecast & 2017Vision



#### 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 water-proof tube for automotive, water treatment module

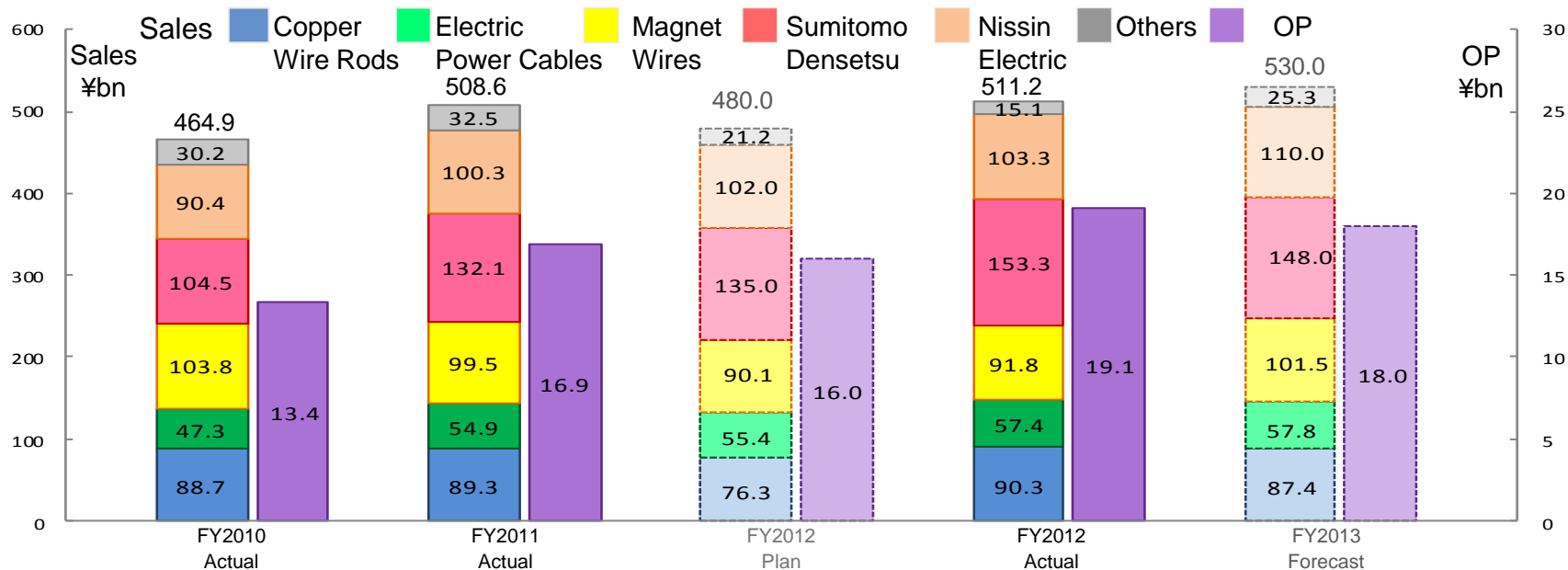
●Semiconductor : Sales promotion of GaN substrate for white LED and GaAs substrate for wireless communication



### 3. Achievements and Efforts by Segment

## (4) Electric Wire & Cables, Energy

FY2012Result ,FY2013Forecast & 2017Vision



### FY2012

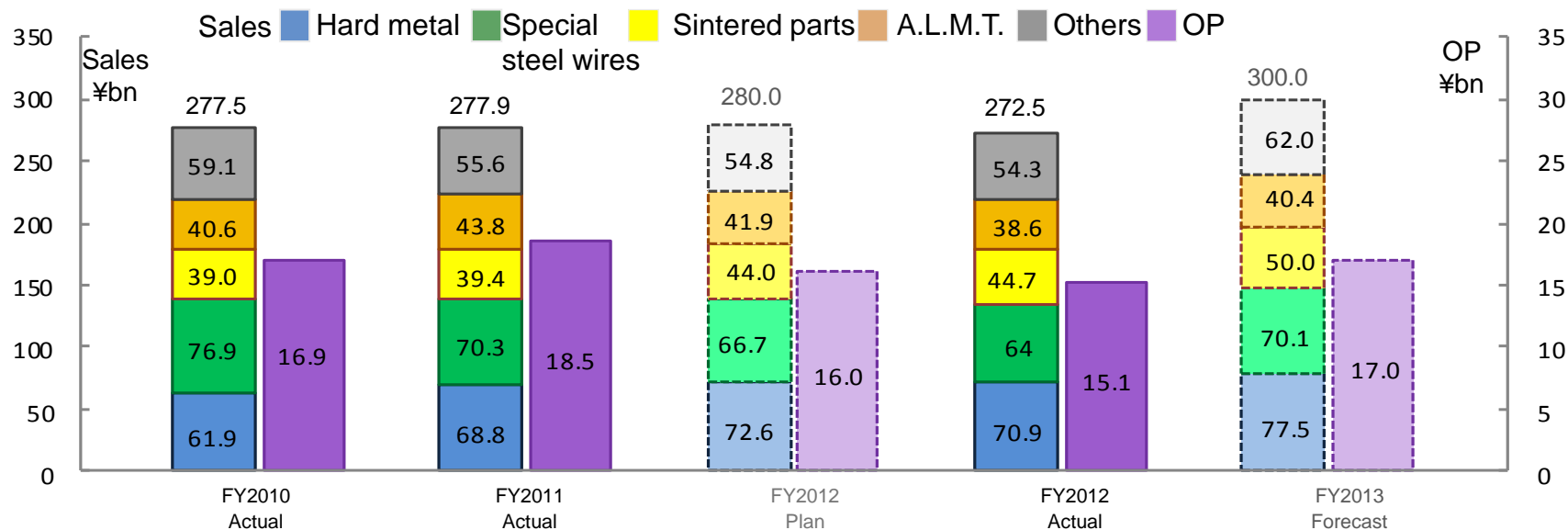
- <Compared with FY2011>Sales increased due to demands increases in overseas electrification construction by Sumitomo Densetsu and celmet for HEV. OP hits record high for the segment at ¥19.1bn.
- <Compared with FY2012 Plan>OP increased to ¥19.1bn by ¥3.1bn owing to OP increase at Sumitomo Densetsu and 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



# (5) Industrial Materials



## 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)
- Operation of manufacturing base for steel cord started in Thailand in Sept.

## FY2013

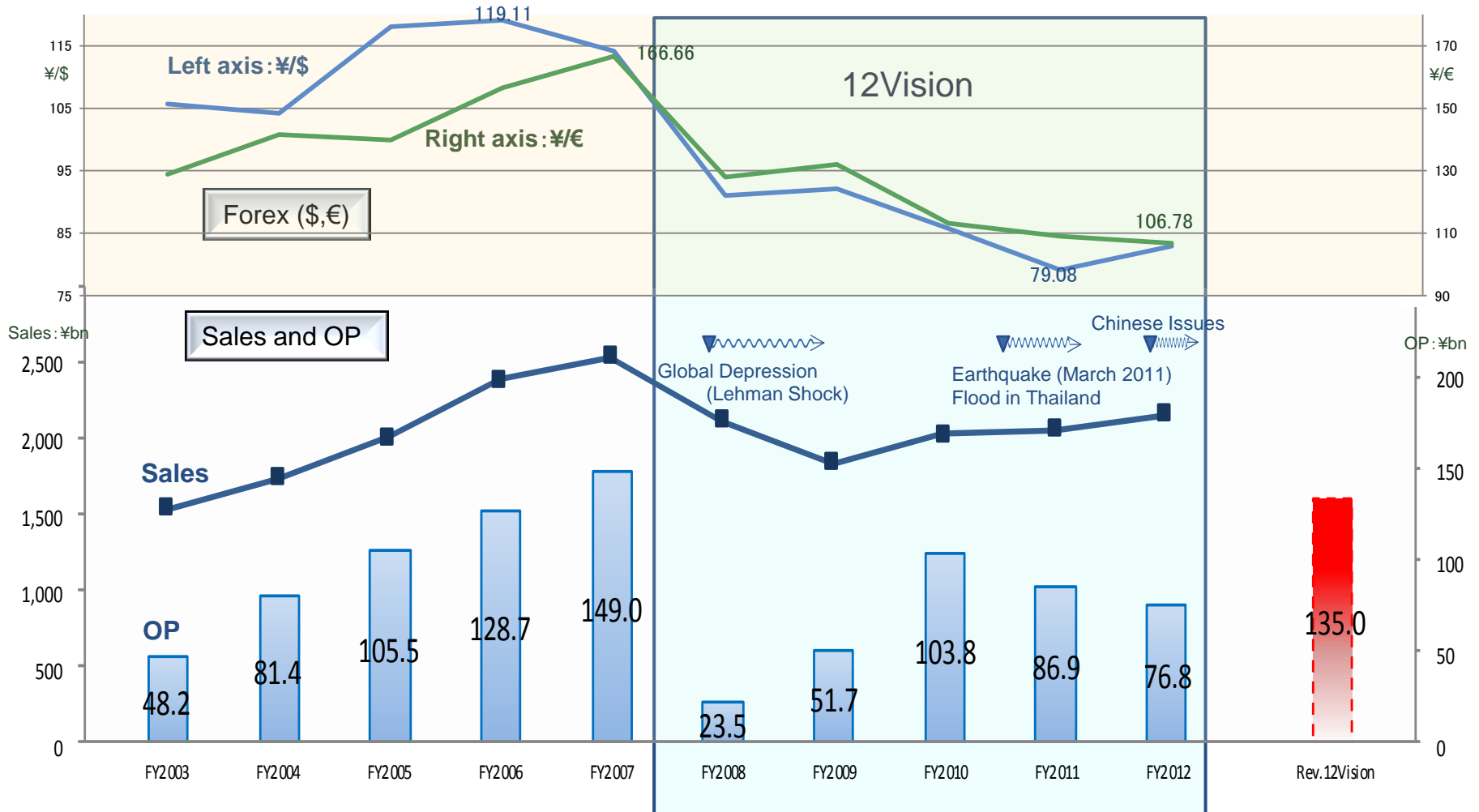
- Smooth start of Manufacturing bases of Sintered parts and Hard metal in Indonesia
- Hard metal : diversified sourcing and speed up of recycle of tungsten
- Special steel wire : Securing orders for PC in recovering Japanese market
- Securing orders and strengthening production of automotive parts like 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

FY2012Result ,FY2013Forecast & 2017Vision

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.

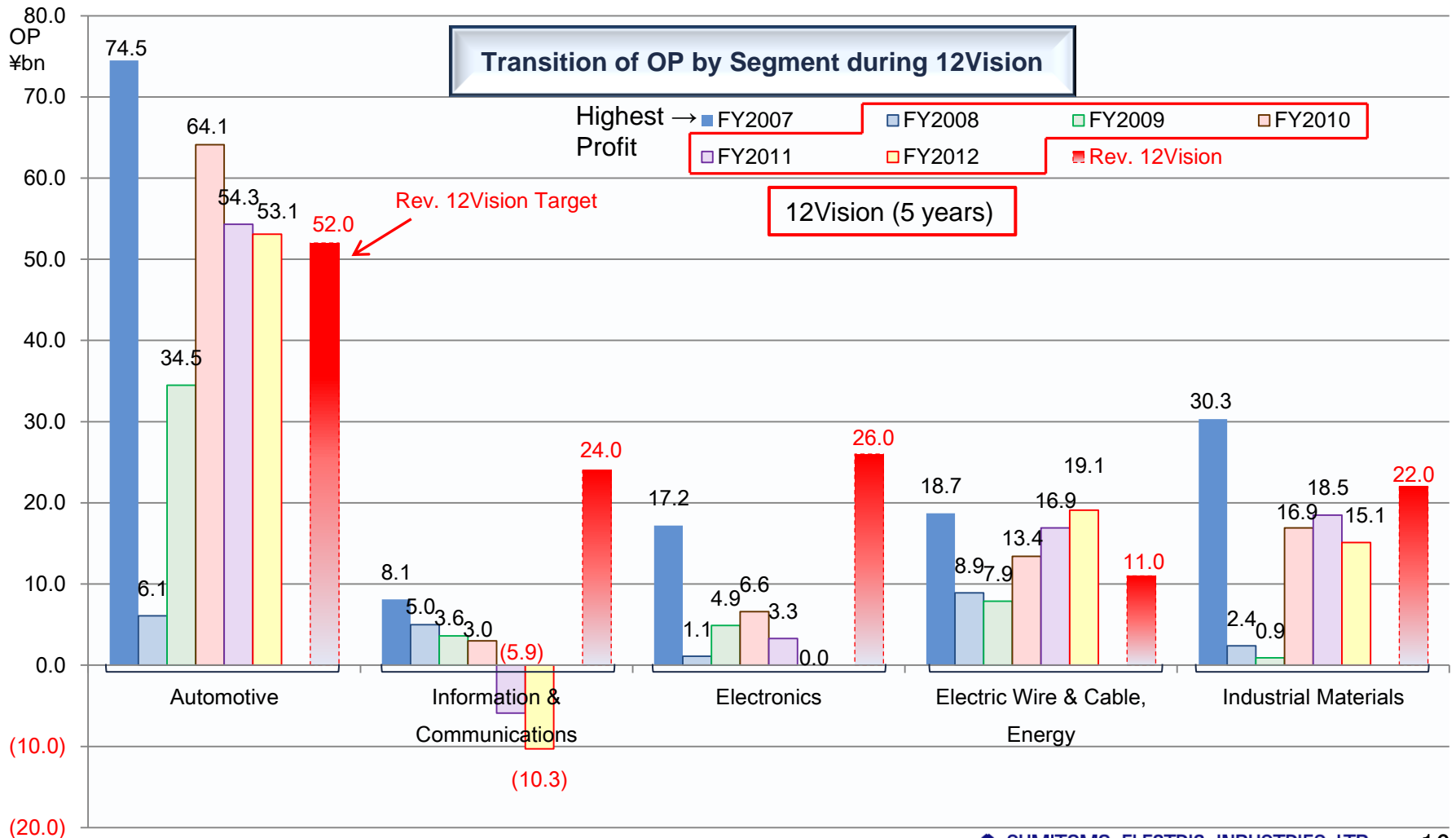




# 4. 12Vision (2) Transition of OP by Segment

FY2012Result ,FY2013Forecast & 2017Vision

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.

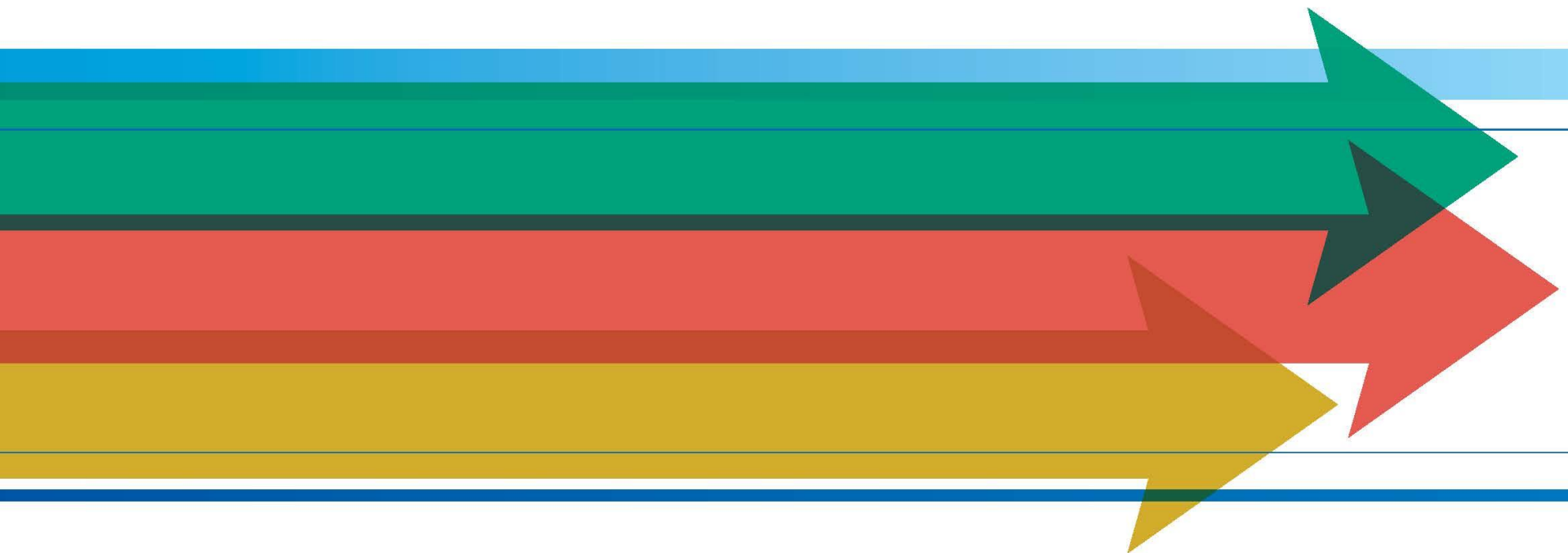




Sumitomo Electric Mid-Term Management Plan

# VISION 2017

Aiming to become a Glorious Excellent Company



# New Mid-Term Management Plan "VISION 2017" — Overall Concept



# 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

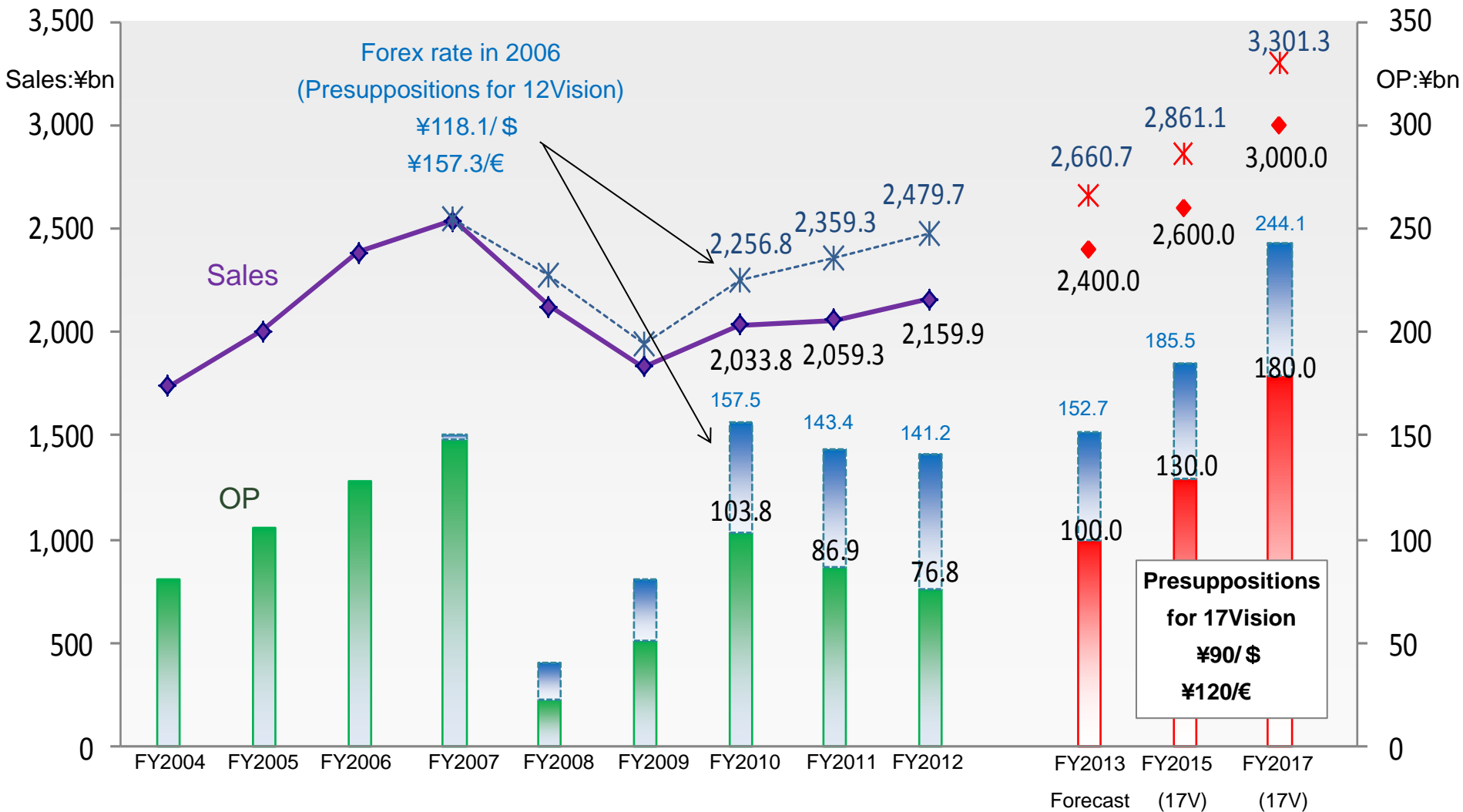
	FY2013 Forecast	FY2015 Target	“VISION 2017” FY2017 Target
Net Sales	¥2,400 billion	¥2,600 billion	¥3,000 billion
Operating Income (Operating Income/Net Sales)	¥100 billion (4.2%)	¥130 billion (5.0%)	¥180 billion (6.0%)
ROA	5%	7%	9%

■ We will aim:

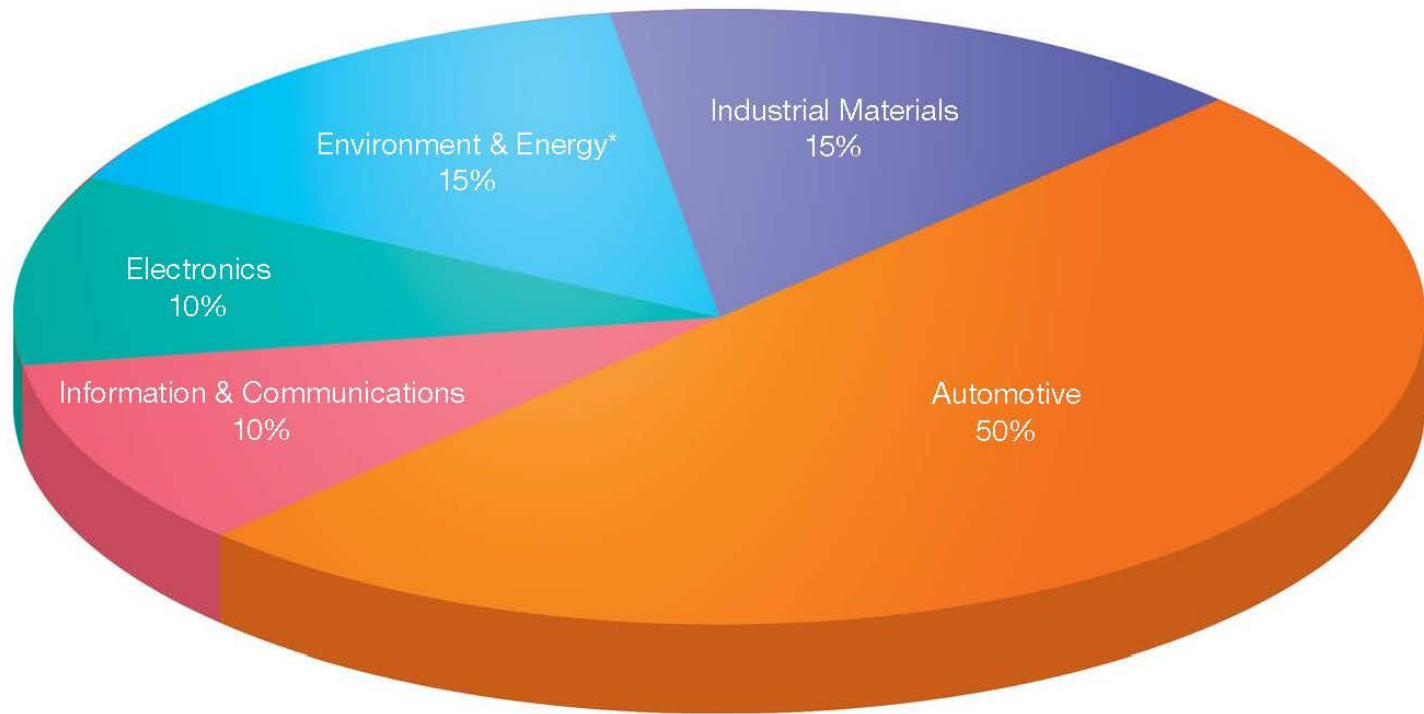
- to raise the overseas sales ratio and overseas production ratio to the 60-70% level.
- for a new product sales ratio of 30%.
- for combined sales in FY2017, in integrated business fields and new business fields, of ¥150 billion.

# 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.



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



\*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.

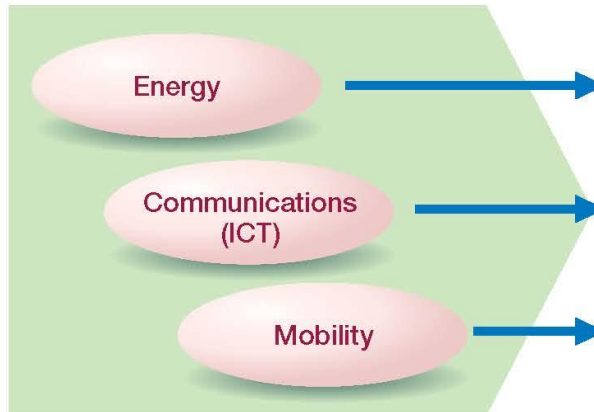
### 2. Exhibiting overall capabilities of the group

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.

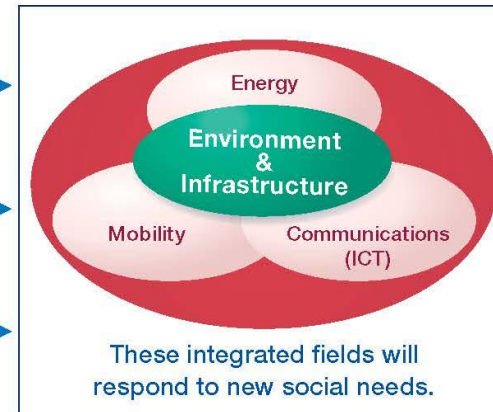
### 3. Strategic cooperation

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

## Transformation of Our Profit Structure



## New Society



# New Mid-Term Management Plan "VISION 2017" — Expansion into Integrated Business Fields

## Examples of energy solutions in the environment and infrastructure field

**Smart Energy System Proposed by the Sumitomo Electric Group**

Providing high-quality electricity and energy that is safe, secure, stable, and environmentally friendly

Safe and convenient, anytime and anywhere

Better life with effortless energy-saving

Eliminating voltage drops and power outages with advanced energy systems

High-quality electricity delivered more efficiently

New types of electricity friendly to the earth, society, and all inhabitants

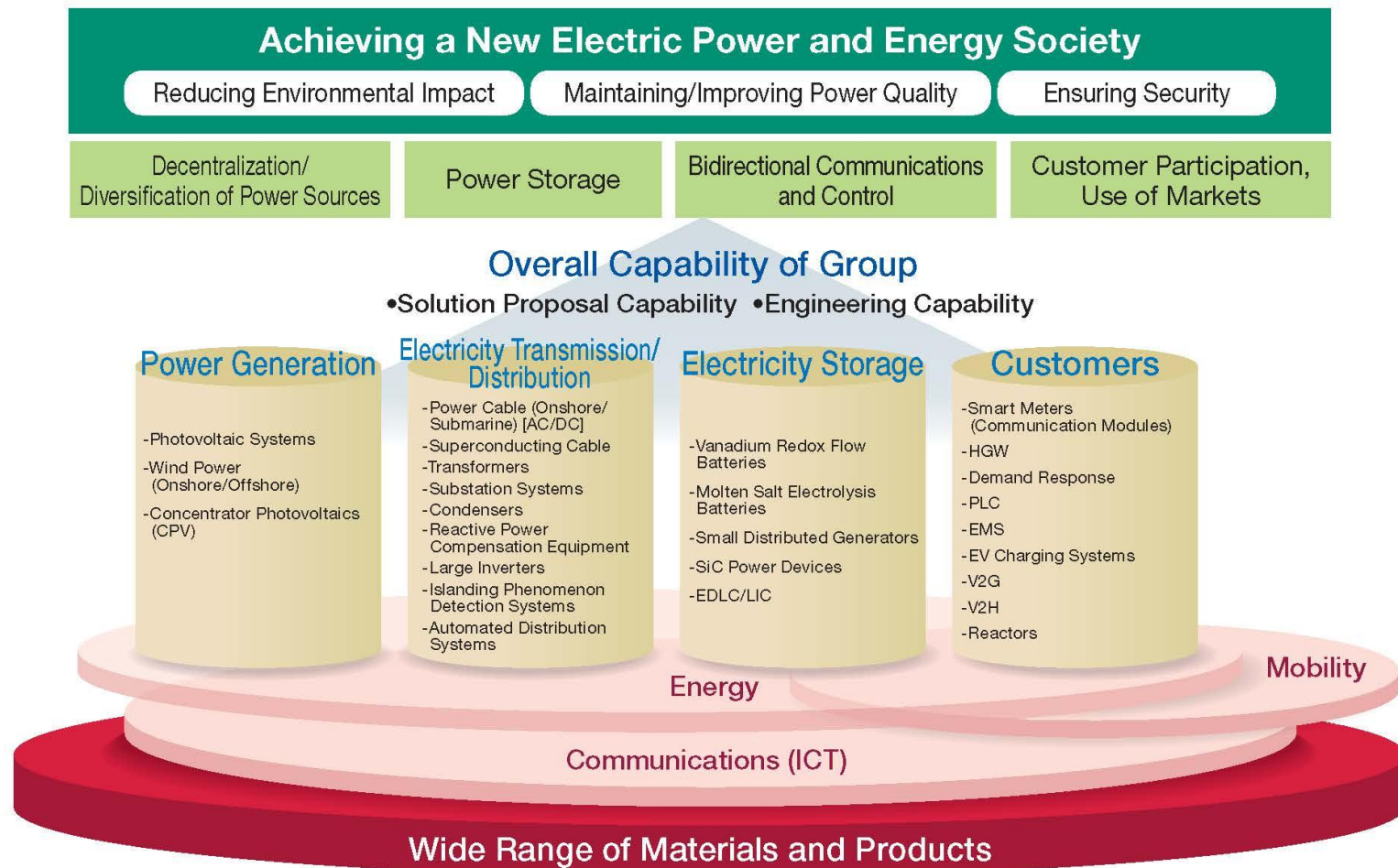
Safe, secure, and stable electricity every day

The illustration depicts a futuristic smart city with a central river, modern buildings, and green spaces. Various energy solutions are highlighted with callout boxes: 1. A top-left inset shows a smart grid with wind turbines and solar panels. 2. A top-right inset shows a smart home with a power company, electrical appliances, and a smart car. 3. A middle-left inset shows a smart hospital with a power company and a smart car. 4. A middle-right inset shows a smart office with a power company and a smart car. 5. A bottom-left inset shows a smart port with a power company and a smart car. 6. A bottom-right inset shows a smart factory with a power company and a smart car. The central city scene includes a power plant, a smart car, a smart home, a smart office, and a smart port.



# New Mid-Term Management Plan “VISION 2017” — Expansion into Integrated Business Fields

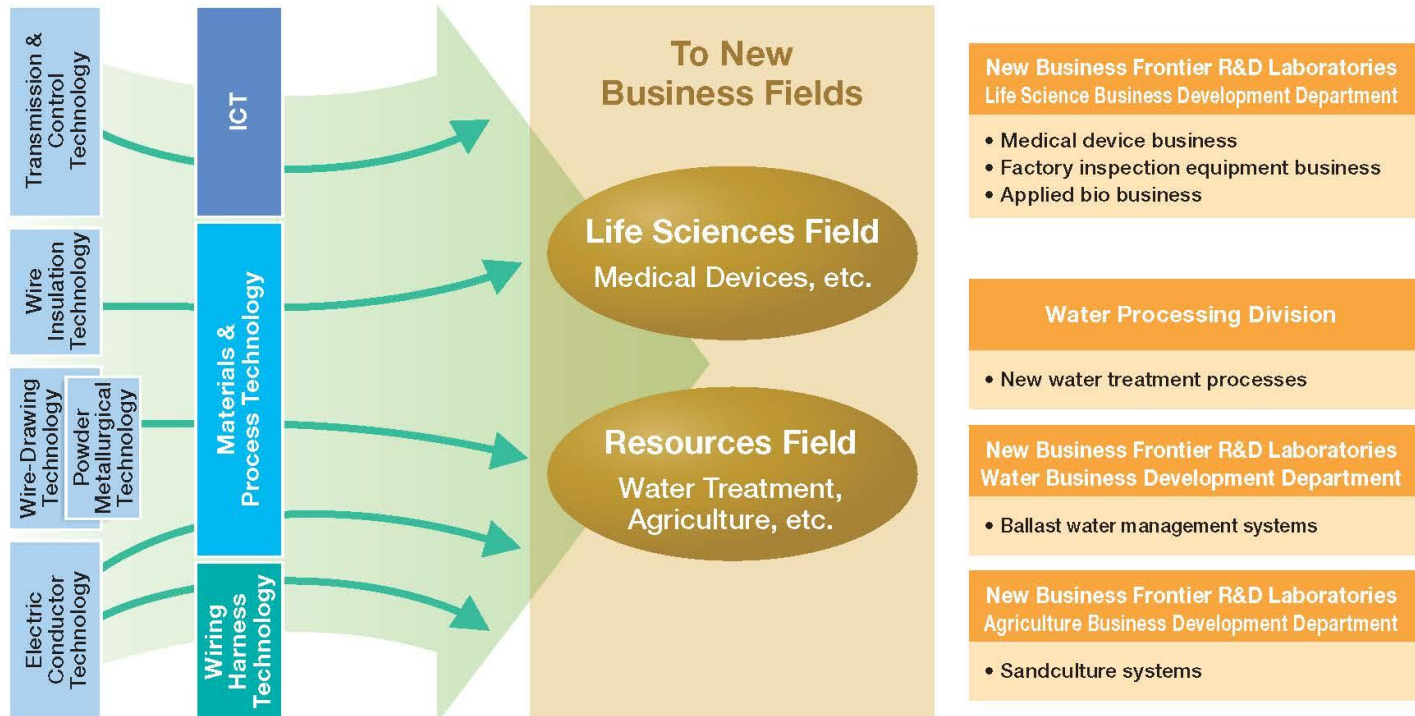
## Product lines in the energy field



# New Mid-Term Management Plan “VISION 2017” – Challenging New Business Fields

## 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



### 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.)



## 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)

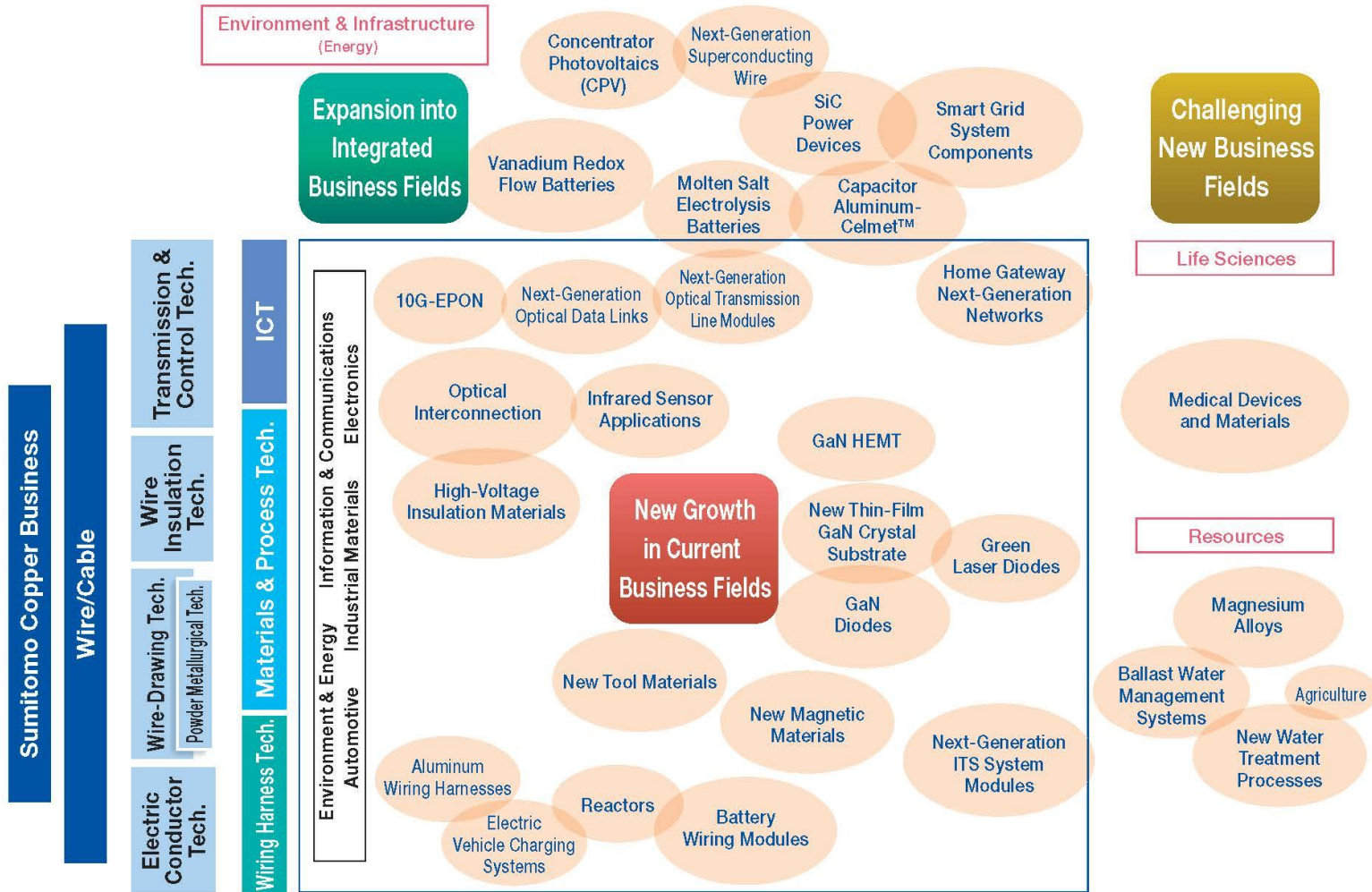
#### Promoting R&D and Strengthening Efforts to Accelerate Commercialization

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

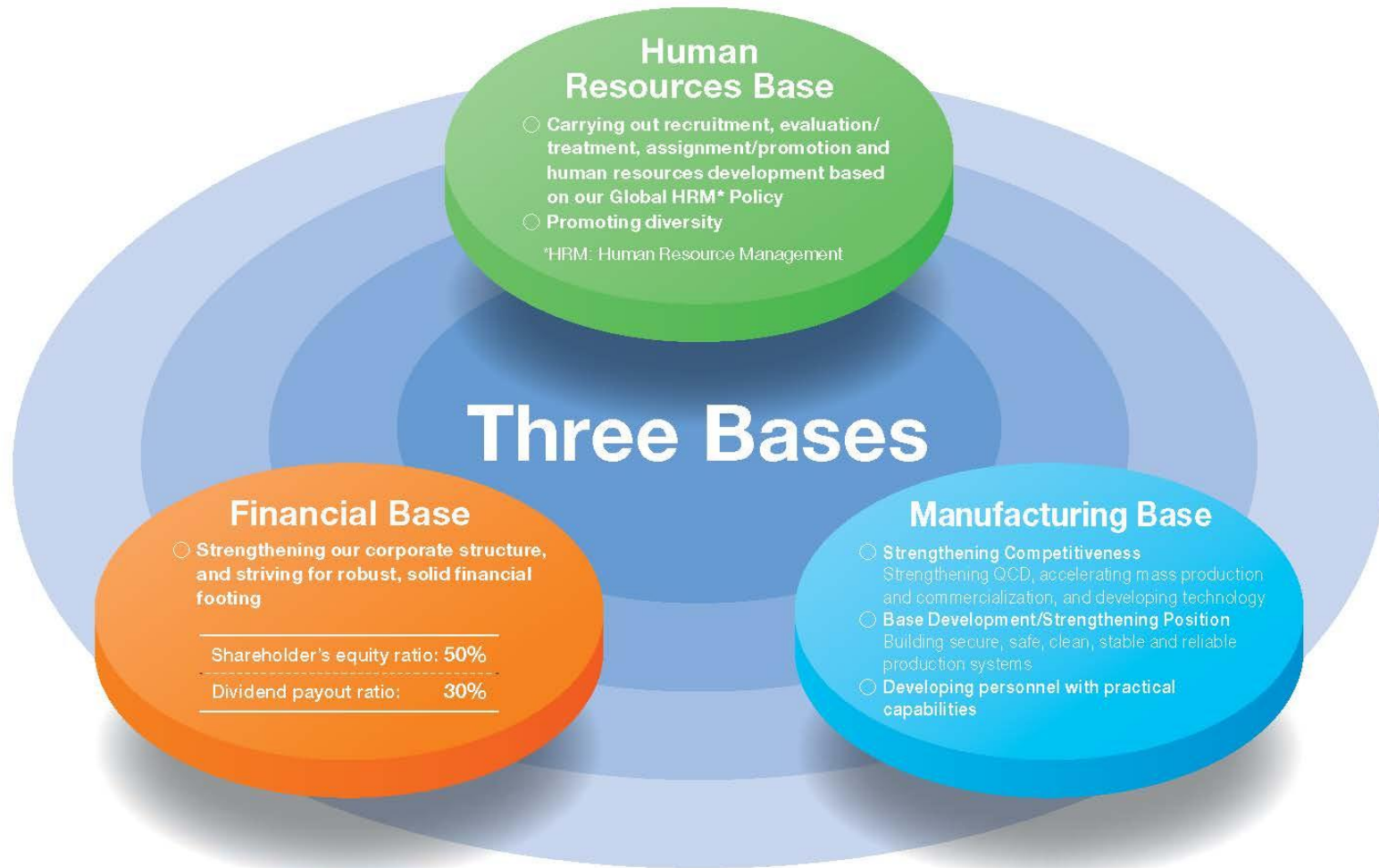


# New Mid-Term Management Plan "VISION 2017"

## – Research and Development Themes for the Next Generation



# New Mid-Term Management Plan “VISION 2017” — Three Bases for Our Business



# New Mid-Term Management Plan “VISION 2017”

## – Capital Investment and Research & Development Expenditures

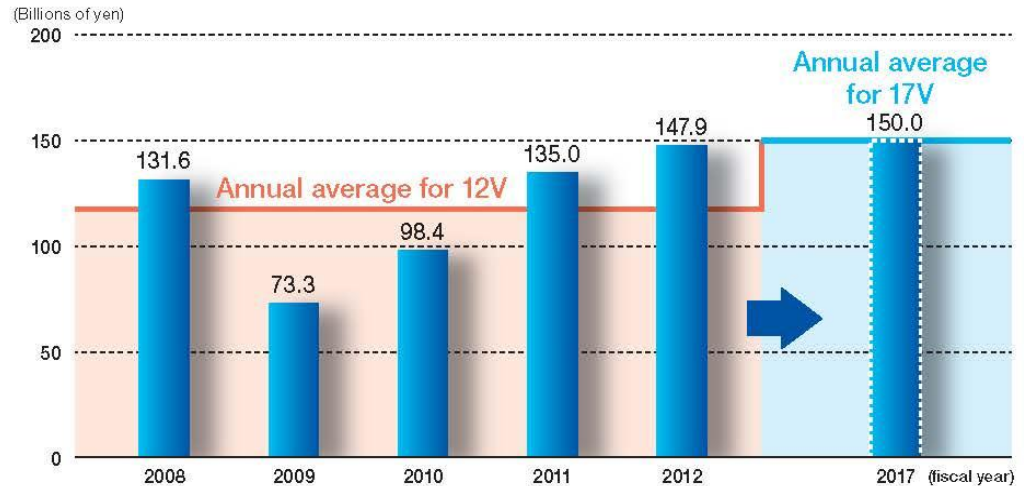
### Capital Investment Expenditures

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)

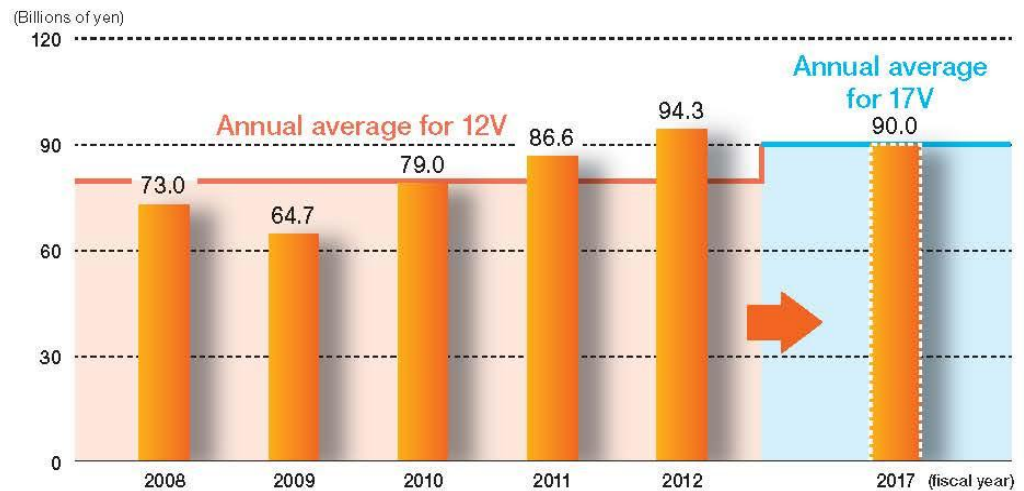


### Research and Development Expenditures

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

# New Mid-Term Management Plan “VISION 2017” – Sumitomo Spirit, CSR, 120th Anniversary

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.



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.
6. Changes in the market value of securities owned by Sumitomo Electric and its affiliated companies.

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