

FY2016 Results and FY2017 Forecasts

SUMITOMO ELECTRIC INDUSTRIES, LTD.

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1. FY2016 Results

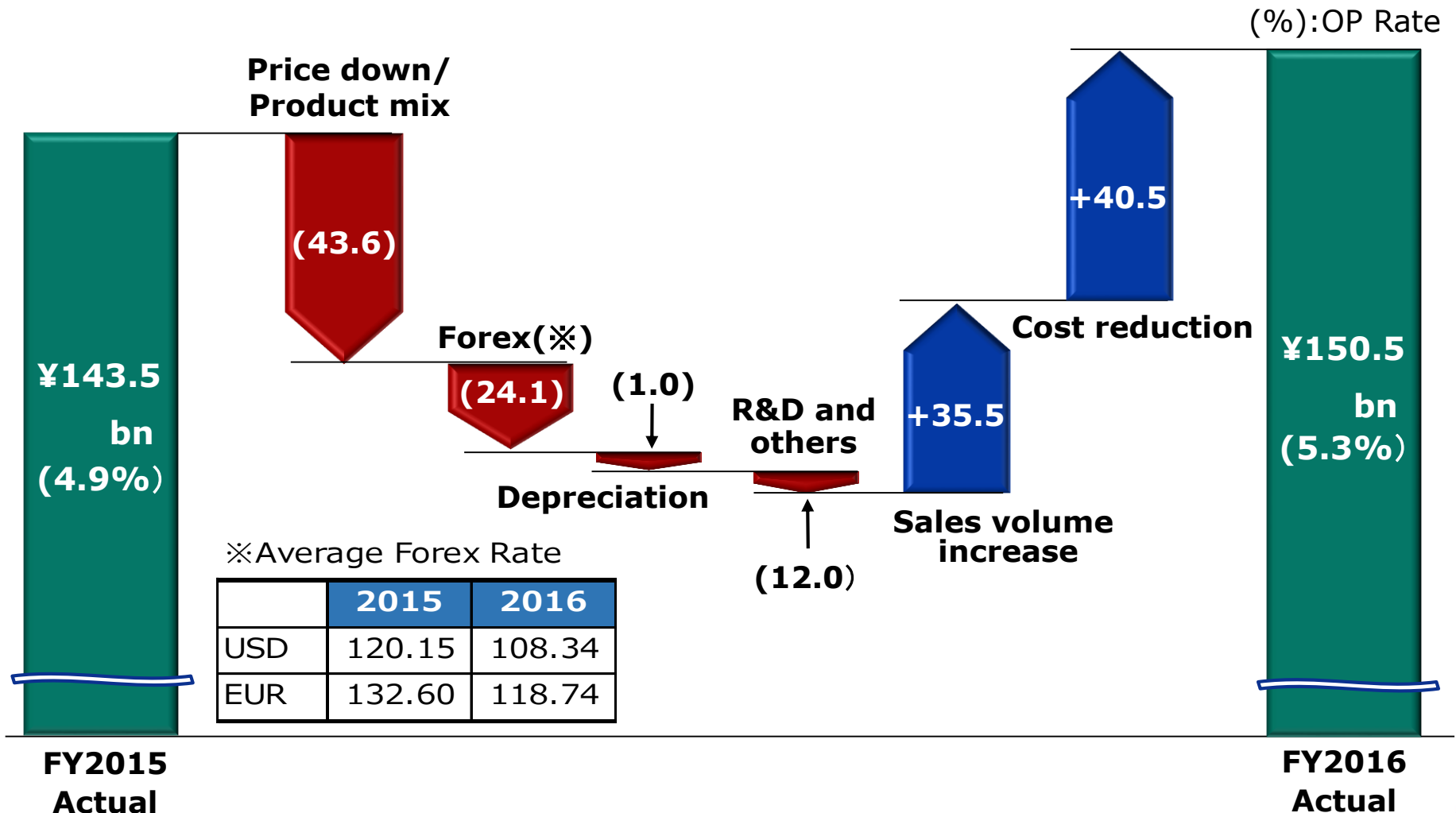
1-1. FY2016 Results

Sales decreased as compared with the previous year, mainly due to forex loss and copper price decline. Whereas, OP and ordinary income achieved record-high.

¥bn	FY2015	FY2016	FY2016	Growth	Difference
	Actual ^①	Revised Plan ^②	Actual ^③	③-①	③-②
Net Sales	2,933.1	2,800.0	2,814.5	(118.6)	+14.5
Operating Profit	143.5	135.0	150.5	+7.0	+15.5
Non-Operating Income/Expense	22.2	25.0	23.4	+1.2	(1.6)
Ordinary Income	165.7	160.0	173.9	+8.2	+13.9
Gain on Sales of Investment Securities	32.2	13.6	14.4	(17.8)	+0.8
Restructuring Expenses	(6.0)	(4.2)	(6.0)	+0.0	(1.8)
Settlement Package	(20.7)	(13.0)	(10.1)	+10.6	+2.9
Other Extraordinary Profit/Loss	(16.3)	(3.5)	(4.3)	+12.0	(0.8)
Profit before Income Taxes	154.9	152.9	167.9	+13.0	+15.0
Profit Attributable to Non-Controlling Interests	(63.9)	(60.9)	(60.3)	+3.6	+0.6
Profit Attributable to Owners of the Parent	91.0	92.0	107.6	+16.6	+15.6

1-2. Factors of Increase or Decrease in OP

OP increased by ¥7.0bn, due to sales volume increase and cost reduction in Automotive and Infocommunications, despite price down and forex loss.



1-3. Sales and OP by Segment

Whereas Automotive achieved record-high OP, Infocommunications and Environment and Energy increased OP as compared with the previous year and the revised plan, both sales and OP of Electronics decreased due to downturn of FPC.

	FY2015		FY2016		FY2016		Growth		Difference	
	Actual ①		Revised Plan②		Actual③		③-①		③-②	
	¥bn	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales
Automotive	1,542.0	88.7	1,440.0	92.0	1,513.2	98.6	(28.8)	+9.9	+73.2	+6.6
Infocommunications	184.7	11.9	220.0	16.0	198.2	21.5	+13.5	+9.6	(21.8)	+5.5
Electronics	312.0	10.2	250.0	(14.0)	251.1	(10.9)	(60.9)	(21.1)	+1.1	+3.1
Environment and Energy	659.5	13.4	630.0	19.0	621.4	20.8	(38.1)	+7.4	(8.6)	+1.8
Industrial Materials and Others	312.2	19.2	310.0	22.0	303.9	20.5	(8.3)	+1.3	(6.1)	(1.5)
Total	2,933.1	143.5	2,800.0	135.0	2,814.5	150.5	(118.6)	+7.0	+14.5	+15.5

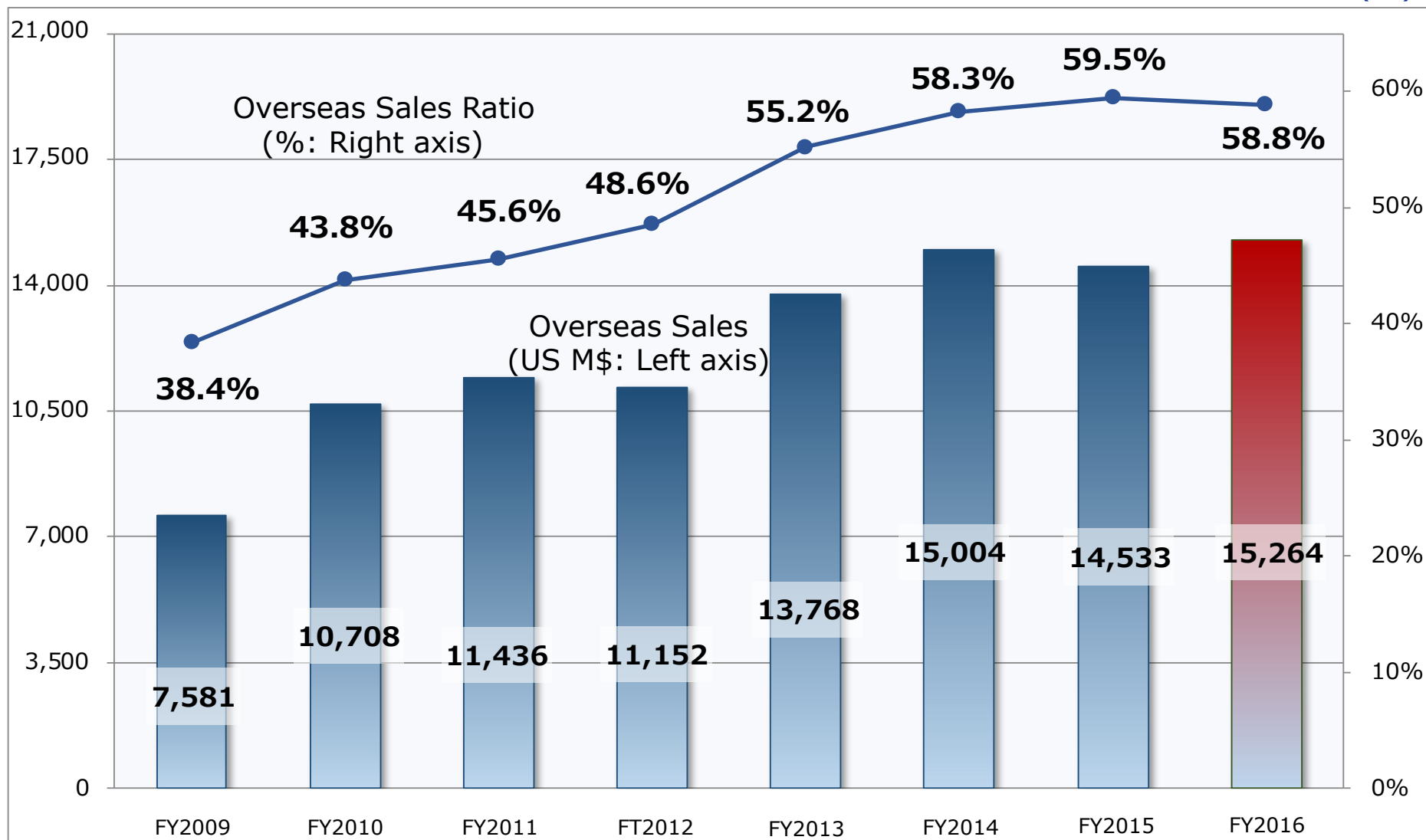
※Differences between the aggregate of all segments and Total are eliminations.

※Sales of FY2016 revised plan in 3rd quarter is the same as 2nd quarter. Only OP in Automotive was revised upward from ¥82bn to ¥92bn.

1-4. Overseas Sales Ratio

Sales(M\$)

Ratio(%)



1-5. FY2016 BS

¥ bn	FY2014 Actual	FY2015 Actual	FY2016 Actual
Current Assets	1,415.6	1,357.2	1,426.6
Non-Current Assets	1,510.2	1,385.6	1,477.0
Current Liabilities	809.9	771.2	824.2
Non-Current Liabilities	469.0	410.4	452.9
(Interest Bearing Debt)	(550.8)	(457.2)	(510.9)
Shareholders' Equity	1,191.0	1,251.7	1,311.2
Accumulated Other Comprehensive Income	240.2	108.8	104.2
Non- Controlling Interests	215.7	200.7	211.1
Total Assets	2,925.8	2,742.8	1,903.6
Shareholders' Equity Ratio	48.9%	49.6%	48.7%
Debt/Equity Ratio	0.38	0.34	0.36
	FY2014 Actual	FY2015 Actual	FY2016 Actual
※Operating Income / Invested Assets(ROA)	6.5%	6.8%	7.2%
Return on Equity(ROE)	9.1%	6.5%	7.7%

FY2016
Plan as of 1H

6.2%

6.4%

$$\text{※Operating Income / Invested Assets(ROA)} = \frac{\text{Operating Income}}{\text{Total Assets} - \text{Interest-Free Liabilities}}$$

2. FY2017 Forecasts

2-1. FY2017 Forecasts(PL)

FY2017 annual forecasts would be ¥3,000bn sales, ¥175bn OP, ¥195bn ordinary income and ¥115bn net income. Sales, OP and ordinary income would reach record-high.

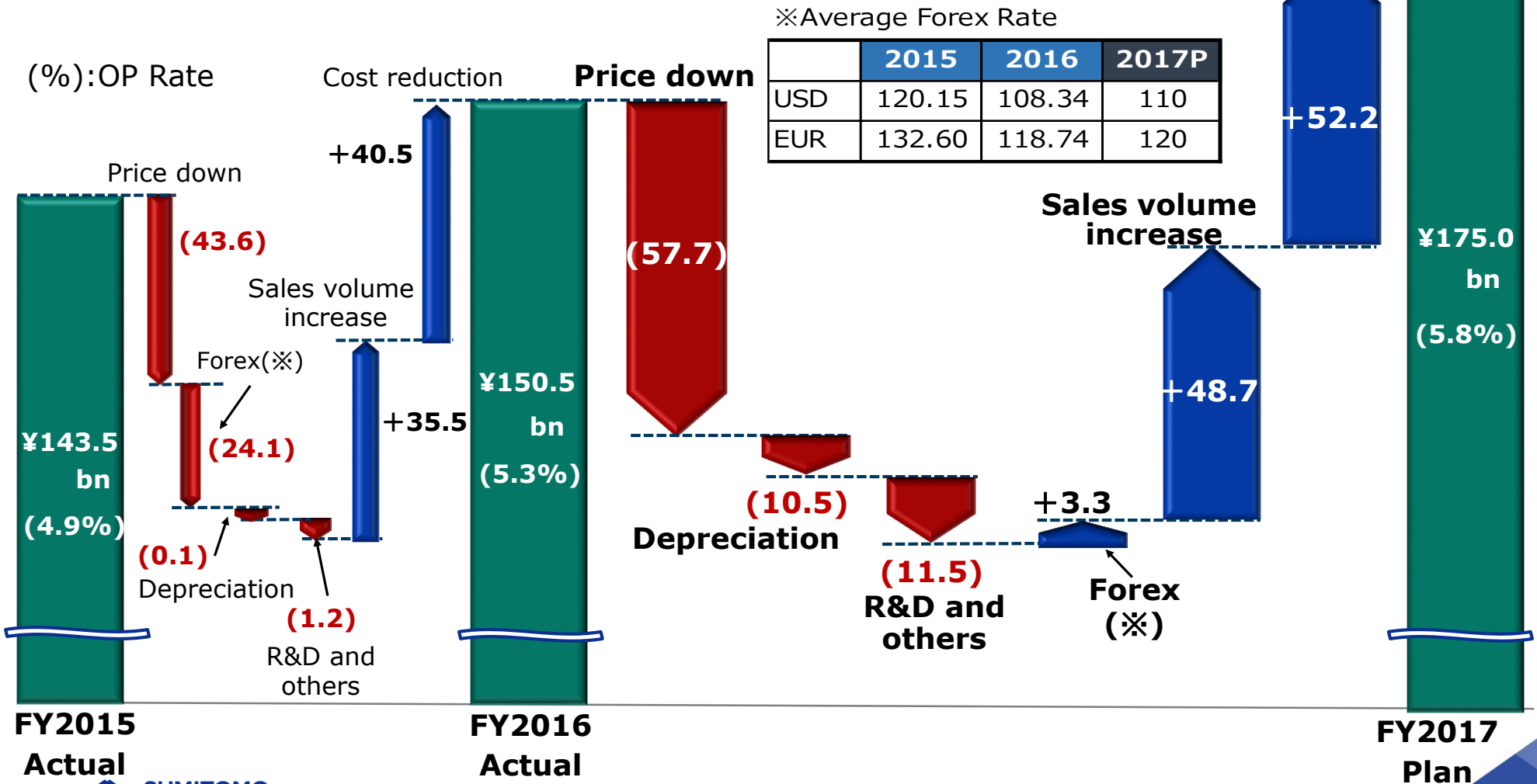
¥ bn	FY2016	FY2017			Growth ②-①	FY2017 Plan Presuppositions ¥110/USD ¥120/EUR
	Actual ①	1 H Plan	2H Plan	Annual Plan②		
Net Sales	2,814.5	1,400.0	1,600.0	3,000.0	+185.5	
Operating Profit	150.5	65.0	110.0	175.0	+24.5	
Non-Operating Income/Expense	23.4	9.0	11.0	20.0	(3.4)	
Ordinary Income	173.9	74.0	121.0	195.0	+21.1	
Net Extraordinary Profit/Loss	(6.0)					
Profit before Income Taxes	167.9	(29.0)	(51.0)	(80.0)	(13.7)	
Profit Attributable to Non-Controlling Interests	(60.3)					
Profit Attributable to Owners of the Parent	107.6	45.0	70.0	115.0	+7.4	
※Operating Income / Invested Assets(ROA)	7.2%			8.1%	+0.9%	
Return on Equity(ROE)	7.7%			7.9%	+0.2%	

$$\text{※Operating Income / Invested Assets(ROA)} = \frac{\text{Operating Income}}{\text{Total Assets} - \text{Interest-Free Liabilities}}$$

10/24

2-2. Factors of Increase or Decrease in OP

OP is forecasted to increase by ¥24.5bn in FY2017, due to cost reduction and sales volume increase, despite price down and increase in depreciation incurred by prior investment.



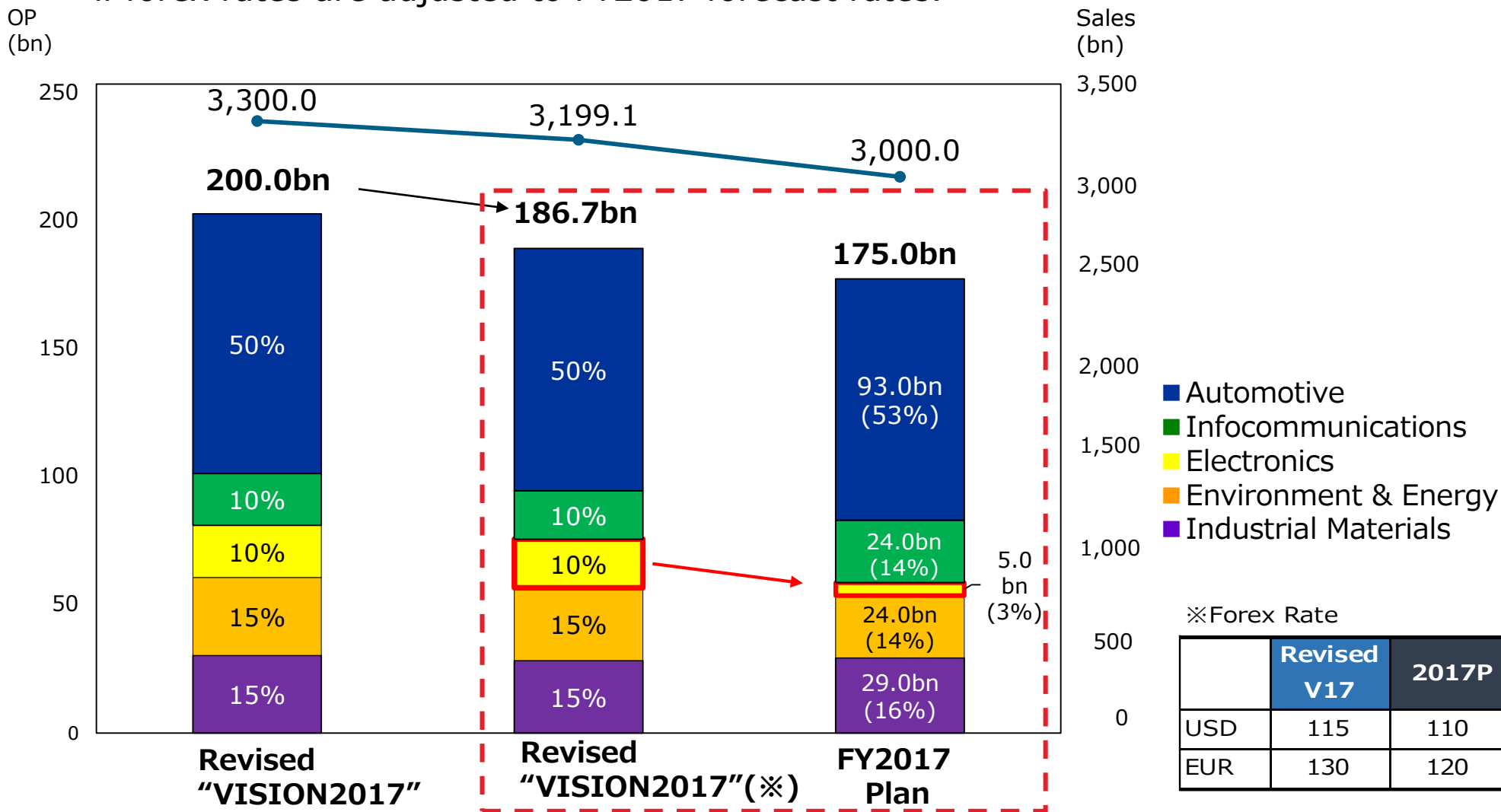
2-3. Sales and OP by Segment

¥bn	FY2016		FY2017				Growth			
	Actual ^①		1H Plan		2H Plan		Annual Plan ^②		②-①	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	1,513.2	98.6	750.0	41.0	800.0	52.0	1,550.0	93.0	+36.8	(5.6)
Infocommunications	198.2	21.5	110.0	5.0	140.0	19.0	250.0	24.0	+51.8	+2.5
Electronics	251.1	(10.9)	110.0	0.0	130.0	5.0	240.0	5.0	(11.1)	+15.9
Environment and Energy	621.4	20.8	330.0	7.0	380.0	17.0	710.0	24.0	+88.6	+3.2
Industrial Materials and Others	303.9	20.5	160.0	12.0	180.0	17.0	340.0	29.0	+36.1	+8.5
Total	2,814.5	150.5	1,400.0	65.0	1,600.0	110.0	3,000.0	175.0	+185.5	+24.5

※Differences between the aggregate of all segments and Total are eliminations.

2-4. Progress of "VISION2017"

4 segments except Electronics would almost achieve the revised "VISION2017", if forex rates are adjusted to FY2017 forecast rates.



(※) Forex rates are adjusted to FY2017 forecast rates

※Forex Rate

	Revised V17	2017P
USD	115	110
EUR	130	120

2-5. FY2017 Challenges and Strategies(1)

Automotive

¥bn	FY2016 Actual	FY2017 Plan	Growth
Operating Profit	98.6	93.0	△5.6

① Development of new products and sales promotion

(High strength aluminum harnesses, high voltage harnesses for environmental car, connectors for high speed communication and electric components for EV and automatic driving)

② Further sales promotion to overseas customers and cost reduction

③ Global sales promotion by acceleration of synergistic effect of the companies purchased by Sumitomo Riko

Infocommunications

¥bn	FY2016 Actual	FY2017 Plan	Growth
Operating Profit	21.5	24.0	+2.5

① Capture of steady demand in overseas markets

(Optical fiber cable, 100G optical device and GaN device for mobile base station)

② Sales promotion of high value added new products

(Optical fiber for submarine cable, ultra high count fiber cable for data center, etc.)

Electronics

¥bn	FY2016 Actual	FY2017 Plan	Growth
Operating Profit	△10.9	5.0	+15.9

① Further global quality improvement and cost reduction for FPC by utilizing all SEI resources

② Development of new products and expansion of automotive business (Ultra-thin, fine pitch and high heat resistant FPC)

2-5. FY2017 Challenges and Strategies(2)

Environment and Energy

	FY2016	FY2017	
¥bn	Actual	Plan	Growth
Operating Profit	20.8	24.0	+3.2

- ① Acceleration of **strengthening constitution of Power cable business**
 - **Sales promotion** to meet high demand in overseas **submarine power cable market** and **sure execution of large projects** already on hand without delay
 - Establishment of production system to **increase production capacity** and **enhance competitiveness in cost and quality**
- ② Business expansion in new energy and smart grid markets **in coordination with Sumitomo Densetsu and Nissin Electric**
- ③ **Speed up of development and demonstration in both domestic and overseas markets** for new energy system related products (Redox flow battery, sCPV system, etc.)

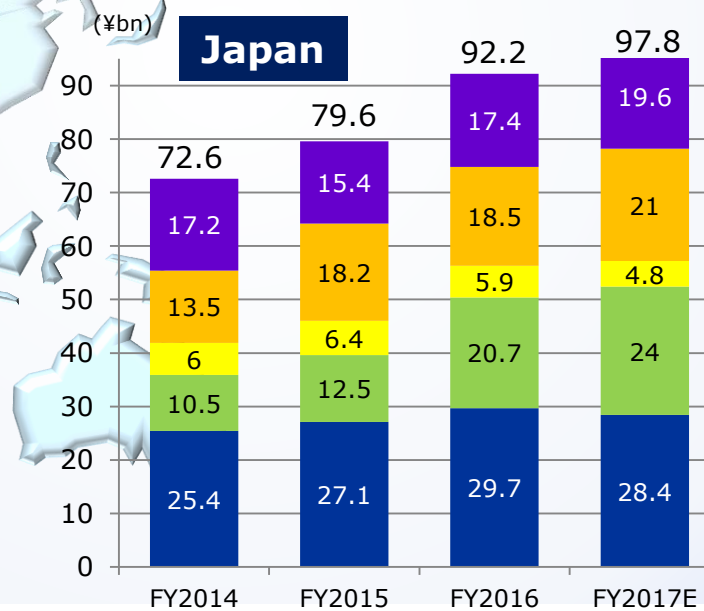
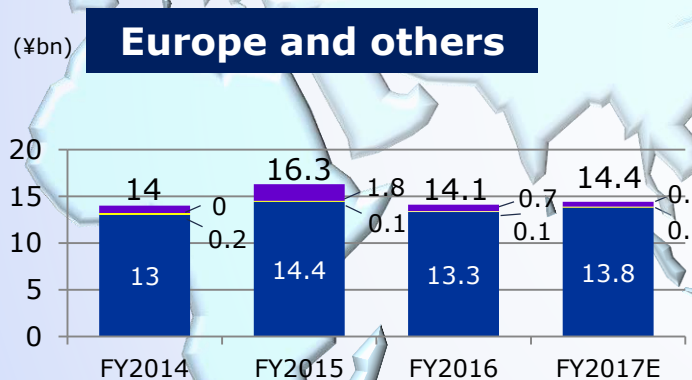
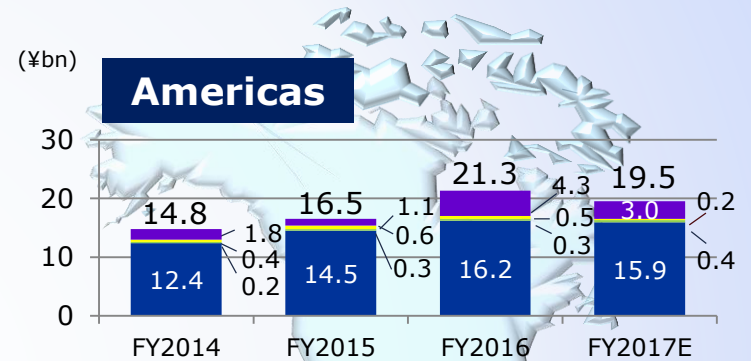
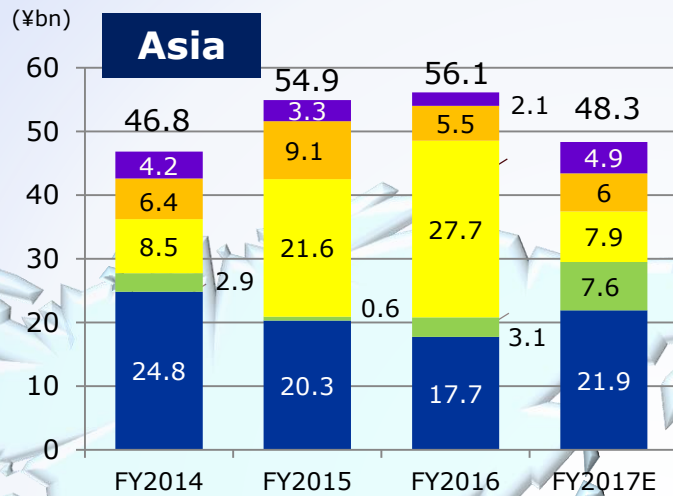
Industrial Materials and Others

	FY2016	FY2017	
¥bn	Actual	Plan	Growth
Operating Profit	20.5	29.0	+8.5

- ① **Acceleration of global deployment** for Sintered parts (Utilization of purchased US company, Keystone)
- ② **Establishment of new business model** in which material is core
 (**Hard metal** : Sales promotion to **aircraft, precision processing** and **emerging markets** such as China, Taiwan, India, etc.
A.L.M.T. : Intensive cost reduction, **concentration of resources in growing area**
Prestressed concrete steel wires, Steel wires for spring : Production expansion in US, Indonesia and global sales promotion)

2-6. Capital Investment by Region/Segment

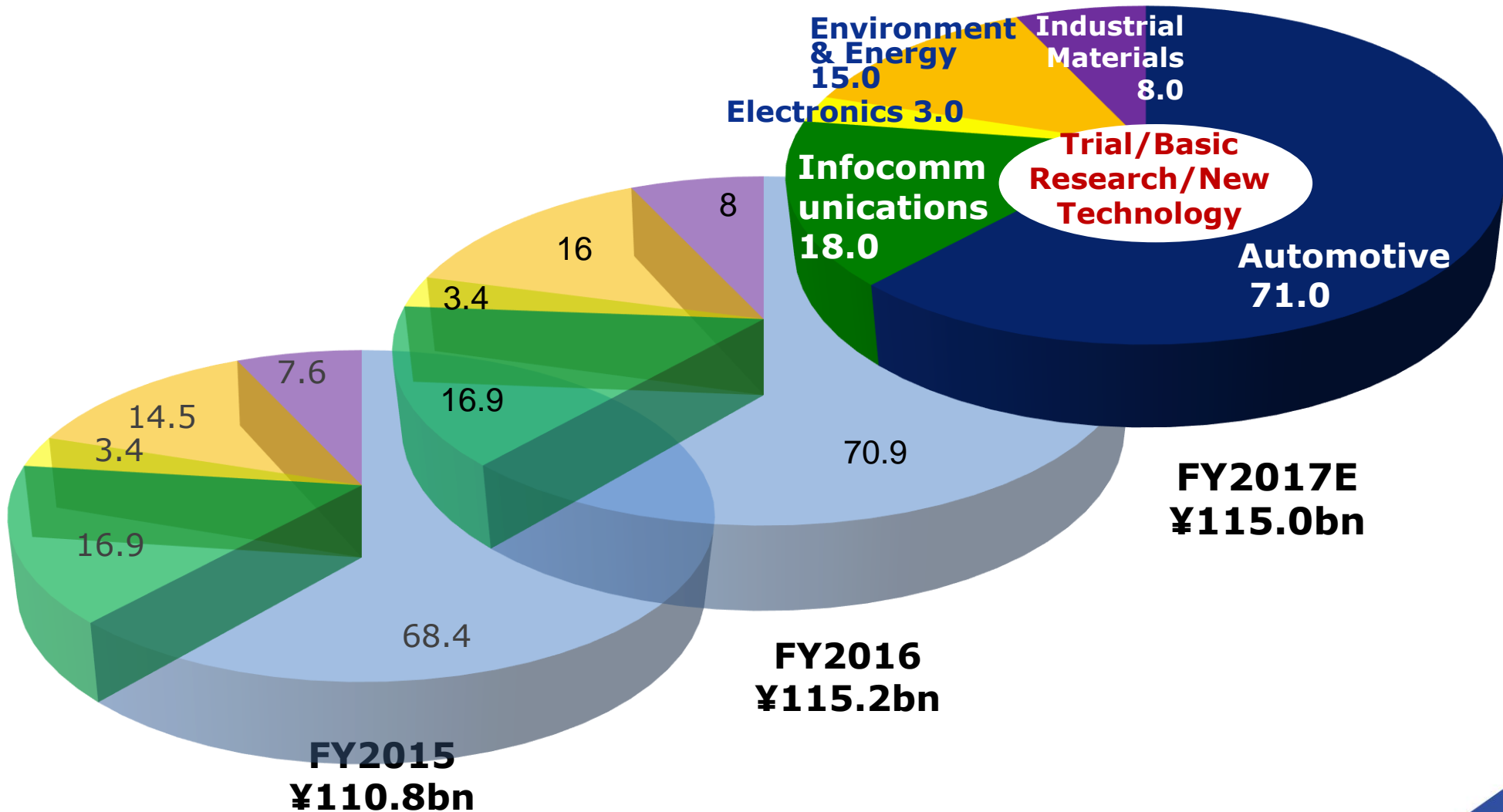
Capital investment in FY2017 is planned to be ¥180.0bn in total



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

2-7. R&D by Segment

R&D expenses in FY2017 are estimated to be ¥115.0bn, which is the same level as the previous year



3. Overseas Expansion of Power Cable Business

3-1. Expansion of High-Voltage Direct Current (HVDC) Transmission Business

Entered into Cooperation Agreement with Siemens in HVDC Transmission field

Combination of innovative technologies of both parties

- Siemens AG : Converter technology
- SEI : HVDC cable technology

➔ Increase in overseas orders by differentiating among competitors

- Provision of optimal solution to customers
- Comprehensive services including construction and maintenance

Joint Acceptance of order for HVDC Transmission System in India (Total 60bn yen, Completion in 2020)

Production & construction of $\pm 320\text{kV}$ direct current XLPE cable: 128km (32kmX4)

Trichur Converter Station

Transition station

Kerala

Tamil Nadu

Pugalur Converter Station

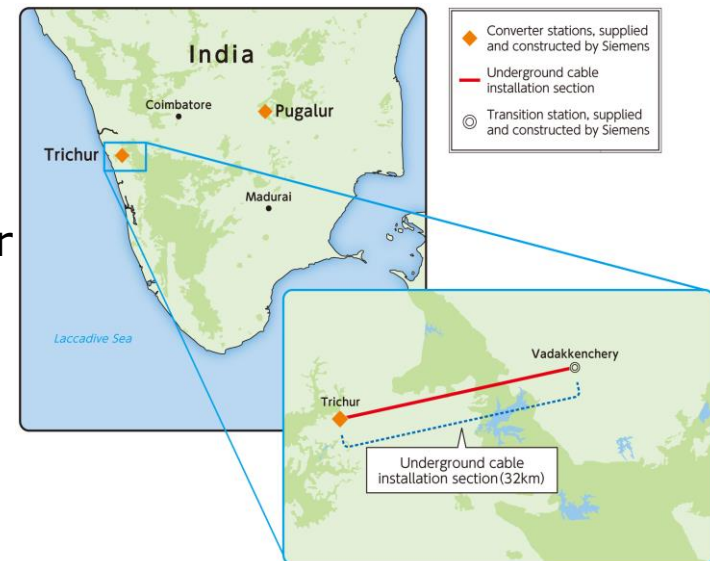
Underground cable (32km/cct, 2cct)

Overhead Line (187km)



219km

19/24



3-1. Expansion of High-Voltage Direct Current (HVDC) Transmission Business

Progress of HVDC Projects Awarded

NEMO Project (Submarine cable between UK & Belgium)

- Approx. **140km** (Submarine portion 130km)
- **Highest voltage** (400kV) **DC XLPE** (Cross-linked polyethylene) insulated cable in operation in the world
- Production of cable started in Apr 2016, to complete installation in 2019 (Start of construction in this summer)

Italy-Montenegro Submarine Cable

- 500kV **DC MI** cable, 115km Shipment completed in Nov 2016

HVDC Project creation activities in Southeast Asia

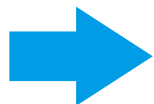
- "FY2016 overseas high quality energy infrastructure system promotion activities" was entrusted by METI and under feasibility study of ASEAN power grid business

Summary

- (1) Provision of total solution through reinforced collaboration with Siemens
- (2) Accumulation of construction records of HVDC projects
- (3) Advantage of high technologies of both direct current **XLPE** and **MI** cable
- (4) Project creation in Southeast Asia



Renewal & expansion of equipment in Hitachi area
→ Increase in production capacity



- Increase in orders in Europe
- Ensuring top market share in Asia

3-2. Expansion of Power Cable business in the Middle East

Long Term Supply Agreement with Saudi Arabian Oil Company (Saudi Aramco) for Submarine Power Cables (Nov 2016)

Through the operation of cable plant in Saudi Arabia, contributions shall be made to development plan led by Saudi Aramco towards its long-term corporate value increase by localization, supply chain establishment, job creation, human resources development

⇒ Concluded long term supply agreement (LTA) for submarine power cables for offshore platforms

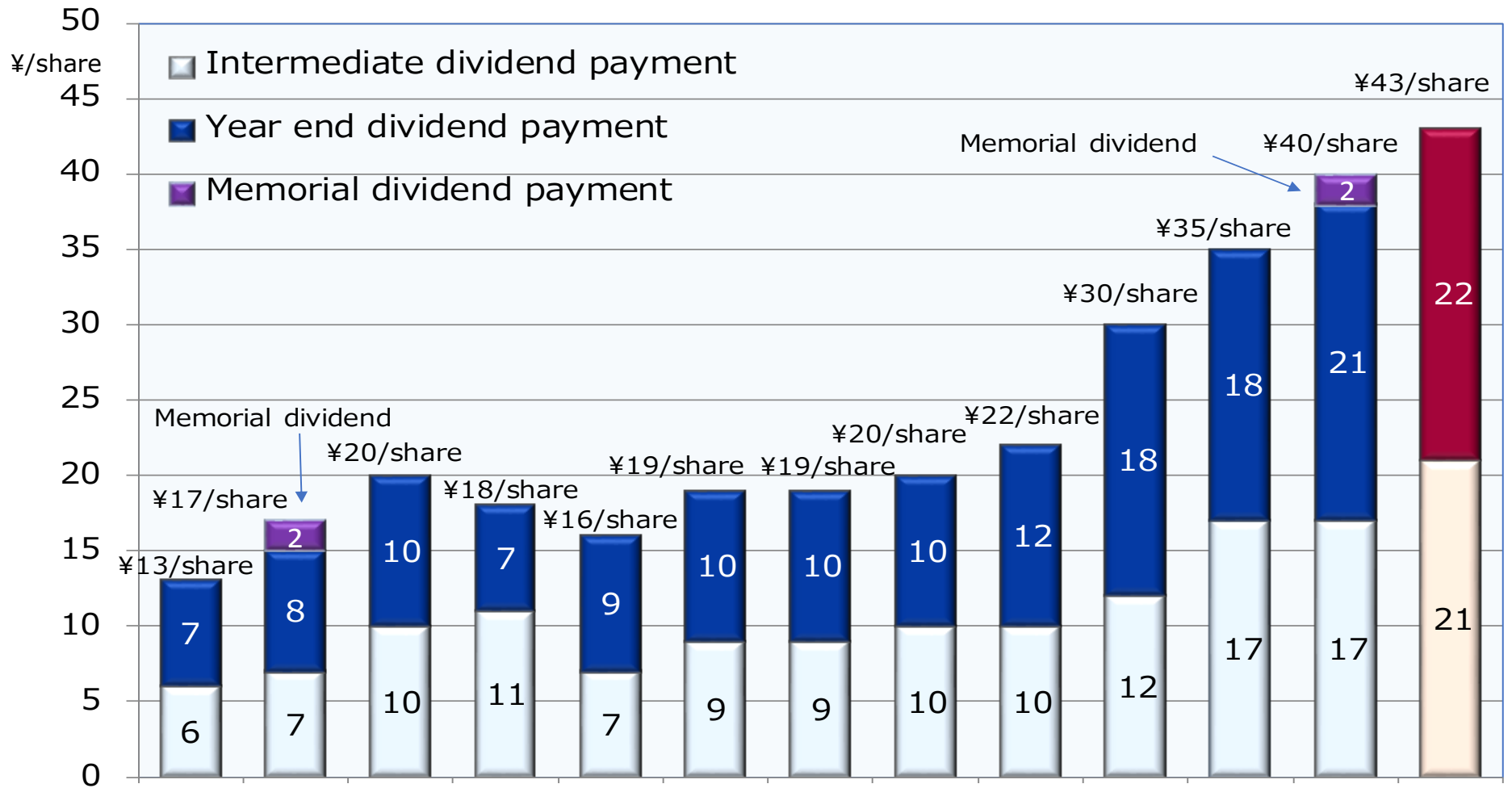
- Increase in sales in the middle east by strengthening relationship with local contractor through Saudi Aramco's projects and by cooperating with our Dubai & other offices



4. Dividend

4-1. Dividend

FY2017 annual dividend is planned to be ¥43/share.



Net Income per Share (Yen)
Dividend Payout Ratio

Fiscal Year	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017E
Net Income per Share (Yen)	76.43	100.22	112.74	21.78	36.19	89.02	74.21	47.85	84.15	151.00	114.73	137.61	147.46
Dividend Payout Ratio	17.0%	17.0%	17.7%	82.6%	44.2%	21.3%	25.6%	41.8%	26.1%	19.9%	30.5%	29.1%	29.2%



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