

# **FY2017 1st Half Results and Annual Forecasts**



**SUMITOMO ELECTRIC INDUSTRIES, LTD.**

**2017/11/14**

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# 1. FY2017 1st Half Results

# 1-1. FY2017 1st Half Results (PL)

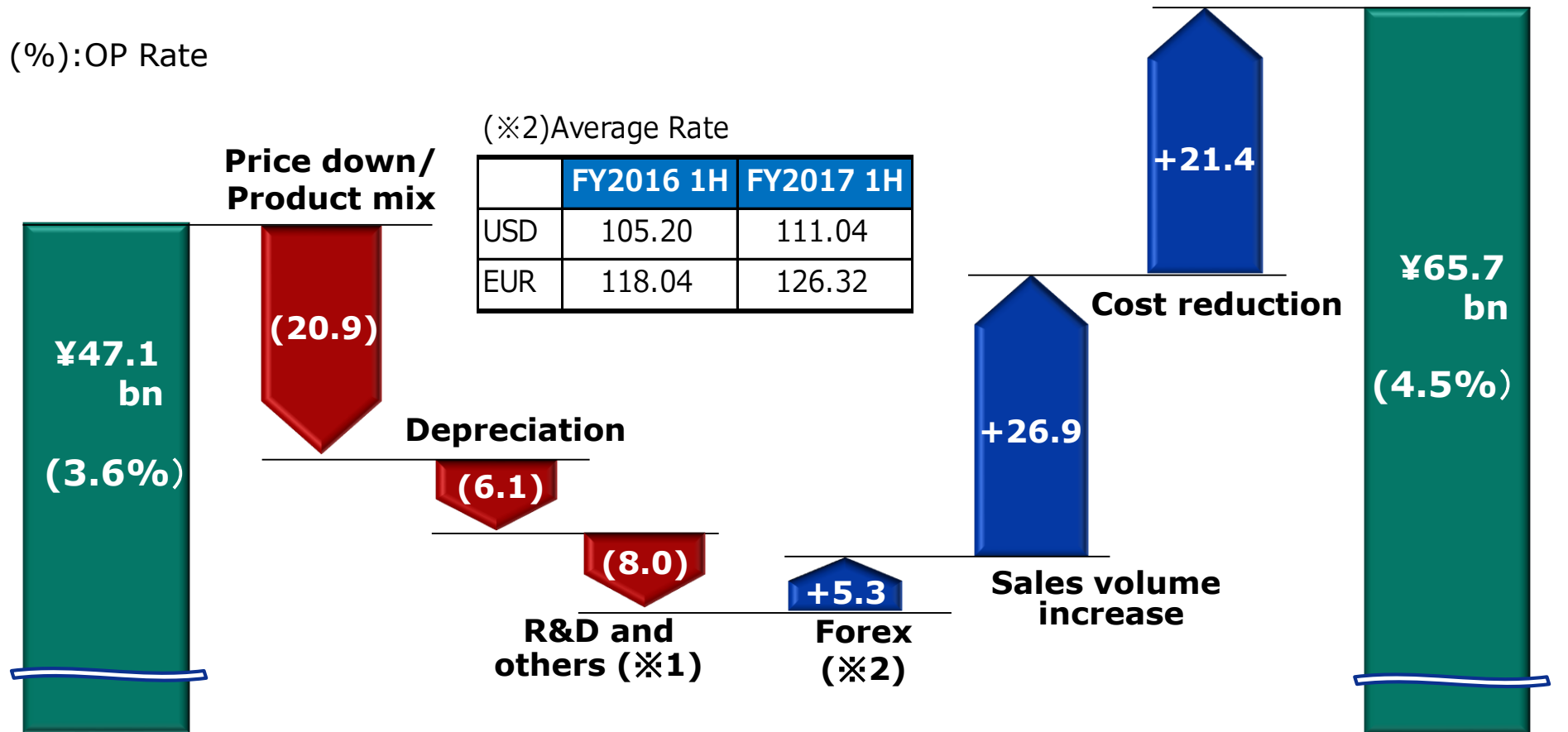
Sales, OP and ordinary income all increased as compared with the same period of the previous year and the original plan. Sales and OP achieved record-high.

	¥ bn	FY2016 1H Actual①	FY2017 1H Plan②	FY2017 1H Actual③	Growth ③-①	Difference ③-②
Net Sales		1,312.1	1,400.0	1,459.2	+147.1	+59.2
Operating Profit		47.1	65.0	65.7	+18.6	+0.7
Non-Operating Income/Expense		14.1	9.0	9.3	(4.8)	+0.3
Ordinary Income		61.2	74.0	75.0	+13.8	+1.0
Gain on Sales of Investment Securities		5.6		4.7	(0.9)	
Loss on Disposal of Fixed Assets		(1.4)		(1.1)	+0.3	
Impairment Loss of Fixed Assets		—		(1.1)	(1.1)	
Loss on overseas construction related accident		—		(4.1)	(4.1)	
Restructuring Expenses		(2.2)	(29.0)	—	+2.2	(3.6)
Settlement Package		(8.8)		—	+8.8	
Profit before Income Taxes		54.4		73.4	+19.0	
Profit Attributable to Non-Controlling Interests		(15.5)		(31.0)	(15.5)	
Profit Attributable to Owners of the Parent		38.9	45.0	42.4	+3.5	(2.6)

# 1-2. Factors of Increase or Decrease in OP

OP increased by ¥18.6bn, due to sales volume increase in wiring harnesses, anti-vibration rubber, hard metal and optical fiber cable and cost reduction in FPC, despite price down, depreciation and R&D increase and copper price hike.

(%):OP Rate



**FY2016 1H**  
Actual

(※1)Include fluctuation effect of copper and other material market price

**FY2017 1H**  
Actual

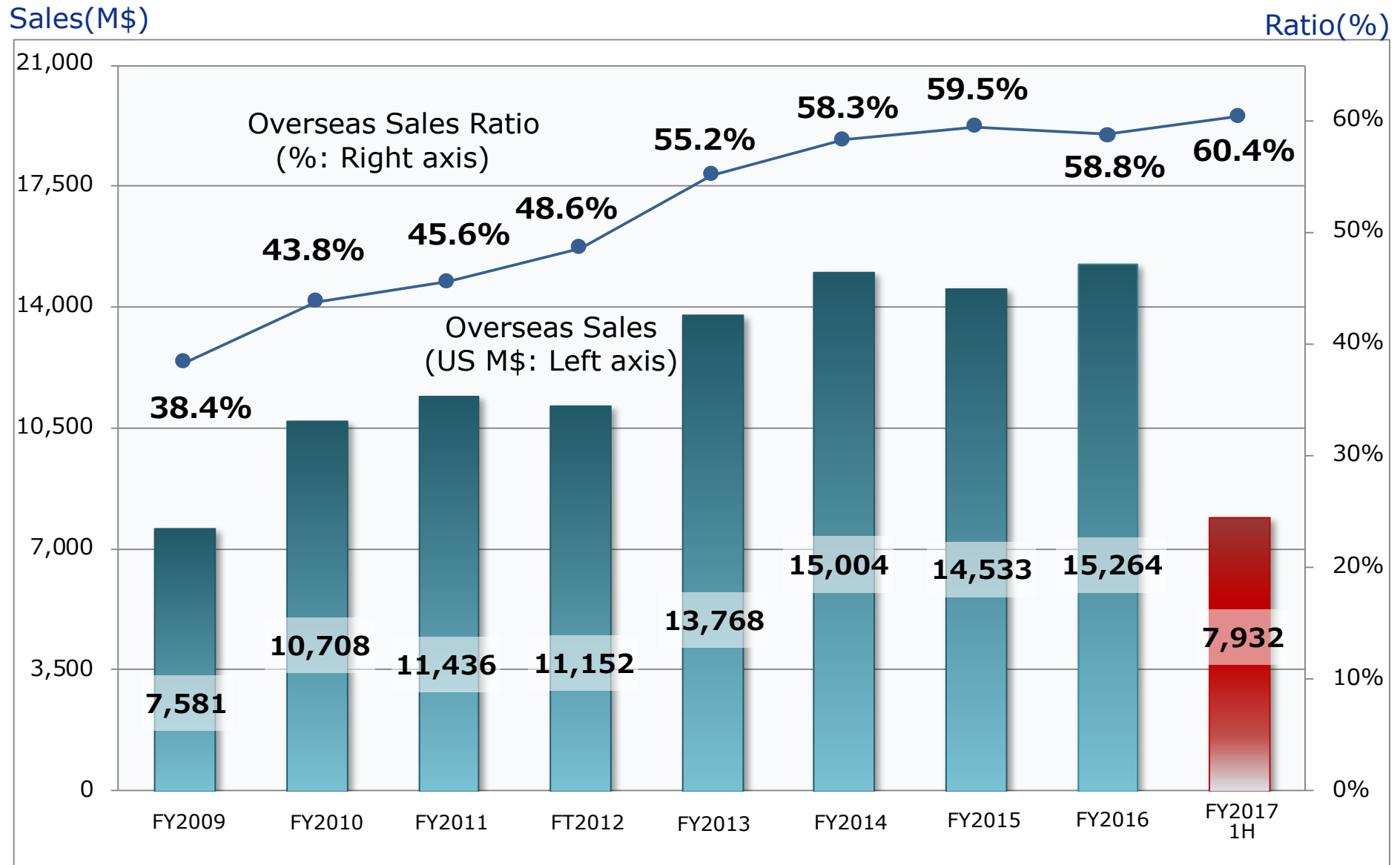
# 1-3. Sales and OP by Segment

Both sales and OP of all segment increased as compared with the same period of the previous year.

	FY2016 1H		FY2017 1H		FY2017 1H		Growth		Difference	
	Actual ①		Plan ②		Actual ③		③-①		③-②	
¥ bn	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	719.2	38.3	750.0	41.0	<b>776.4</b>	<b>40.6</b>	+57.2	+2.3	+26.4	(0.4)
Infocommunications	90.0	4.5	110.0	5.0	<b>103.3</b>	<b>6.3</b>	+13.3	+1.8	(6.7)	+1.3
Electronics	118.0	(7.3)	110.0	0.0	<b>119.5</b>	<b>1.0</b>	+1.5	+8.3	+9.5	+1.0
Environment and Energy	277.9	1.8	330.0	7.0	<b>333.9</b>	<b>6.1</b>	+56.0	+4.3	+3.9	(0.9)
Industrial Materials and Others	143.0	9.8	160.0	12.0	<b>163.6</b>	<b>11.5</b>	+20.6	+1.7	+3.6	(0.5)
Total	1,312.1	47.1	1,400.0	65.0	<b>1,459.2</b>	<b>65.7</b>	+147.1	+18.6	+59.2	+0.7

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

# 1-4. Overseas Sales Ratio



## 2. FY2017 Forecasts



## 2-1. FY2017 Forecasts(PL)

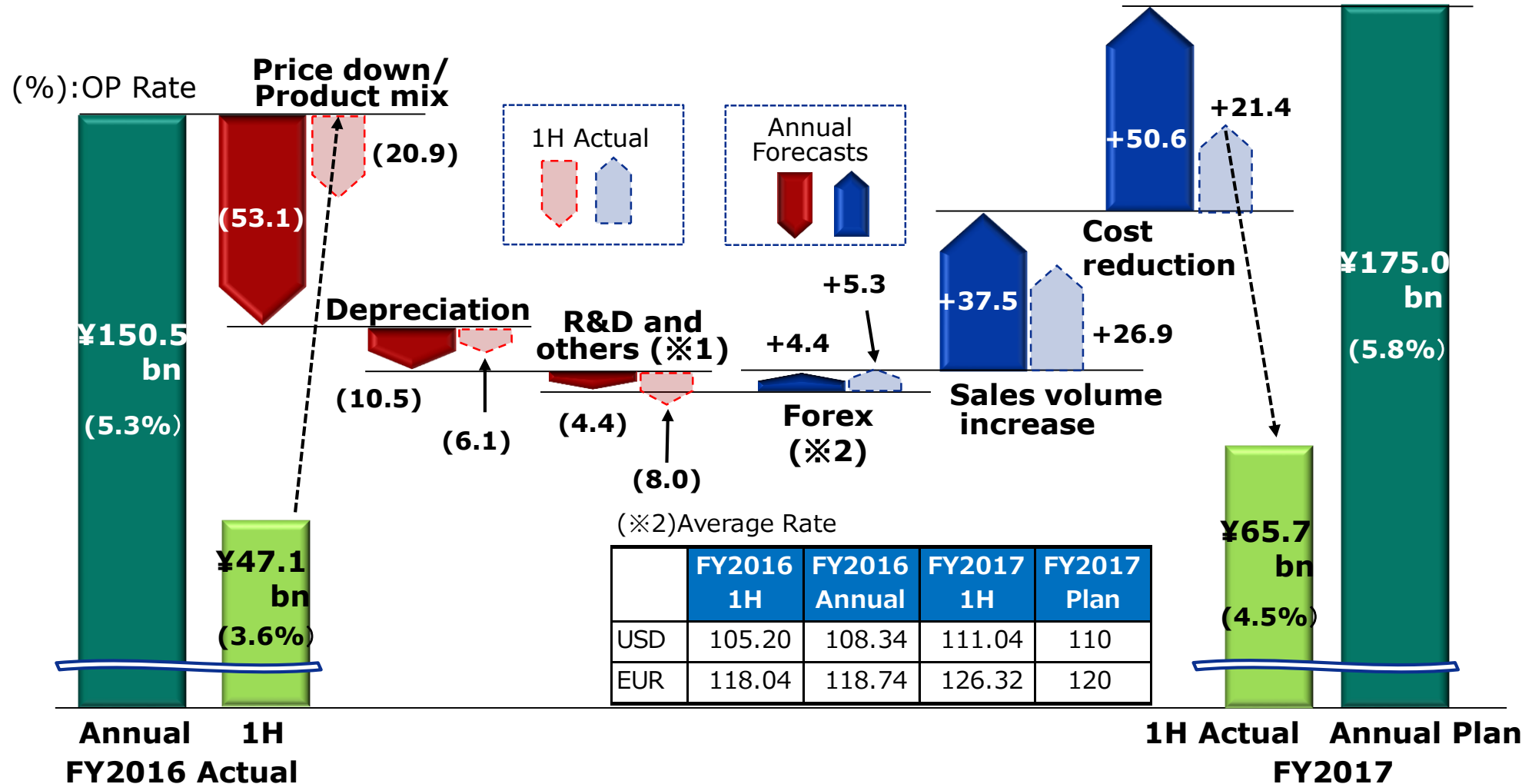
FY2017 annual forecasts remain unchanged as ¥3,000bn sales, ¥175bn OP, ¥195bn ordinary income and ¥115bn net income.

Presuppositions of forex rates are the same as the original plan.

¥ bn	FY2016 Actual ①	Forex Rate (FY2017 Plan) ¥110/USD ¥120/EUR			Forex Rate (1H Actual) ¥111.04/USD ¥126.32/EUR			Growth ③-①	Difference ③-②
		FY2017 Original Plan			FY2017 Revised Plan				
		1H Plan	2H Plan	Annual Plan②	1H Actual	2H Plan	Annual Plan③		
Net Sales	2,814.5	1,400.0	1,600.0	<b>3,000.0</b>	1,459.2	1,540.8	<b>3,000.0</b>	+185.5	+0.0
Operating Profit	150.5	65.0	110.0	<b>175.0</b>	65.7	109.3	<b>175.0</b>	+24.5	+0.0
Non-Operating Income/Expense	23.4	9.0	11.0	<b>20.0</b>	9.3	10.7	<b>20.0</b>	(3.4)	+0.0
Ordinary Income	173.9	74.0	121.0	<b>195.0</b>	75.0	120.0	<b>195.0</b>	+21.1	+0.0
Net Extraordinary Income/Loss	(6.0)				(1.6)				
Profit before Income Taxes	167.9	(29.0)	(51.0)	<b>(80.0)</b>	73.4	(47.4)	<b>(80.0)</b>	(13.7)	+0.0
Profit Attributable to Non-Controlling Interests	(60.3)				(31.0)				
Profit Attributable to Owners of the Parent	107.6	45.0	70.0	<b>115.0</b>	42.4	72.6	<b>115.0</b>	+7.4	+0.0

# 2-2. Forecasts of Increase or Decrease in OP

OP is forecasted to increase by ¥24.5bn in FY2017 with efforts for global sales volume increase and cost reduction, despite price down.



(※1) Include fluctuation effect of copper and other material market price

## 2-3. Sales and OP by Segment

While FY2017 OP are revised upward for Automotive and Electronics, FY2017 OP are revised downward for Infocommunications and Environment and Energy.

¥ bn	FY2017 Original Plan				FY2017 Revised Plan				Difference	
	1H Plan		Annual Plan		1H Actual		Annual Plan		Sales	OP
	Sales	OP	Sales	OP	Sales	OP	Sales	OP		
Automotive	750.0	41.0	<b>1,550.0</b>	<b>93.0</b>	776.4	40.6	<b>1,580.0</b>	<b>96.0</b>	+30.0	+3.0
Infocommunications	110.0	5.0	<b>250.0</b>	<b>24.0</b>	103.3	6.3	<b>220.0</b>	<b>23.0</b>	(30.0)	(1.0)
Electronics	110.0	0.0	<b>240.0</b>	<b>5.0</b>	119.5	1.0	<b>240.0</b>	<b>6.0</b>	+0.0	+1.0
Environment and Energy	330.0	7.0	<b>710.0</b>	<b>24.0</b>	333.9	6.1	<b>710.0</b>	<b>21.0</b>	+0.0	(3.0)
Industrial Materials and Others	160.0	12.0	<b>340.0</b>	<b>29.0</b>	163.6	11.5	<b>340.0</b>	<b>29.0</b>	+0.0	+0.0
<b>Total</b>	<b>1,400.0</b>	<b>65.0</b>	<b>3,000.0</b>	<b>175.0</b>	<b>1,459.2</b>	<b>65.7</b>	<b>3,000.0</b>	<b>175.0</b>	<b>+0.0</b>	<b>+0.0</b>

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

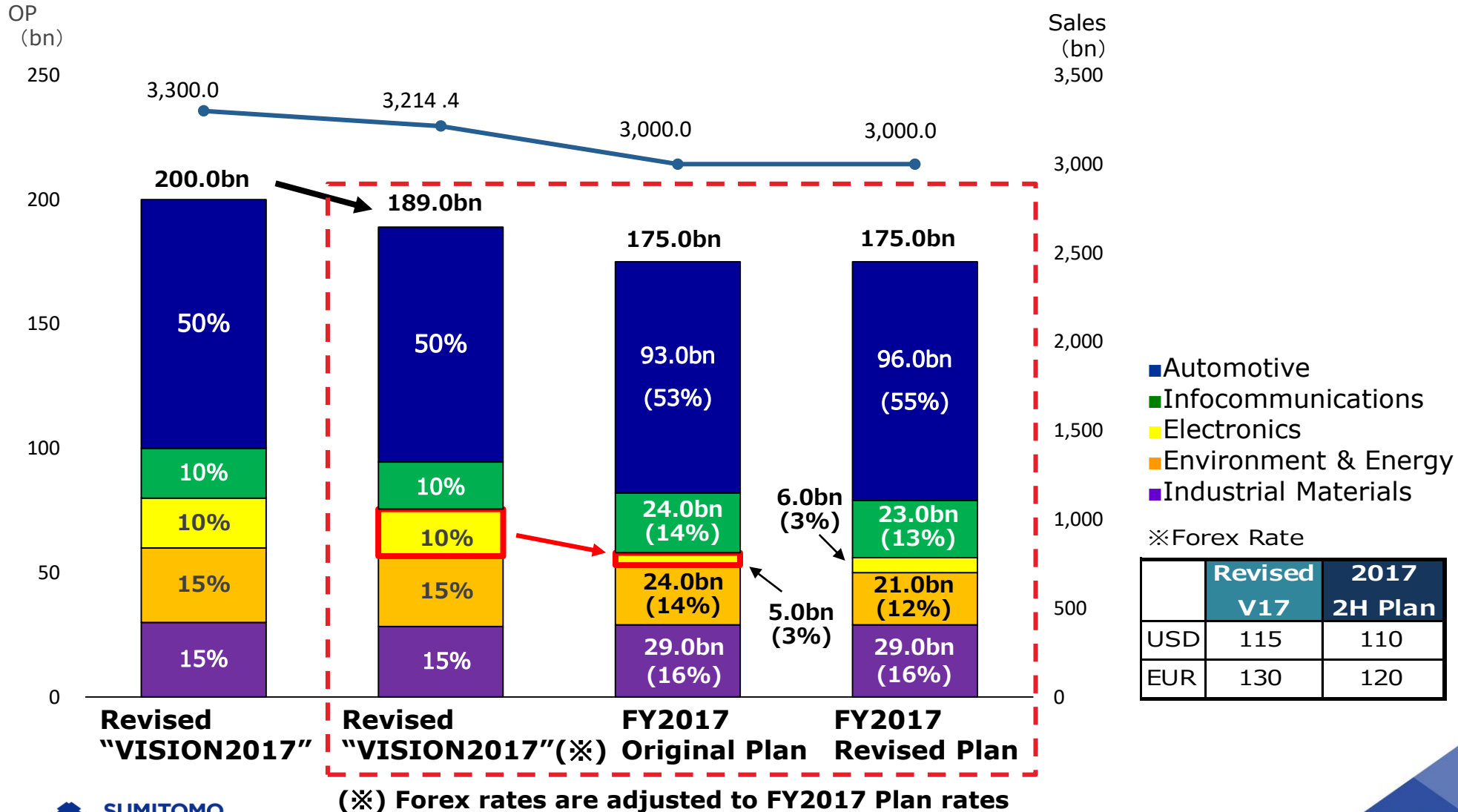
## 2-4. FY2017 1st Half BS

¥ bn	FY2015 Actual	FY2016 Actual	FY2017 1H Actual
Current Assets	1,357.2	1,426.6	<b>1,446.6</b>
Non-Current Assets	1,385.6	1,480.7	<b>1,544.0</b>
Current Liabilities	771.2	824.2	<b>840.8</b>
Non-Current Liabilities	410.4	454.5	<b>463.6</b>
(Interest Bearing Debt)	(457.2 )	(510.9 )	<b>(526.5 )</b>
Shareholders' Equity	1,251.7	1,324.6	<b>1,349.0</b>
Accumulated Other Comprehensive Income	108.8	91.1	<b>119.4</b>
Non- Controlling Interests	200.7	212.9	<b>217.7</b>
Total Assets	2,742.8	2,907.3	<b>2,990.6</b>
Shareholders' Equity Ratio	49.6%	48.7%	<b>49.1%</b>
Debt/Equity Ratio	0.34	0.36	<b>0.36</b>
	FY2015 Actual	FY2016 Actual	<b>FY2017 Revised Plan</b>
※Operating Income / Invested Assets(ROIC)	6.8%	7.2%	<b>8.0%</b>
Return on Equity(ROE)	6.5%	7.7%	<b>7.9%</b>

※Operating Income / Invested Assets(ROIC) =  $\frac{\text{Operating Income}}{\text{Total Assets} - \text{Interest-Free Liabilities}}$   
 "ROIC" shall be used instead of previous "ROA"

# 2-5. Progress of "VISION2017"

FY2017 Revised Plan except Electronics decrease would almost achieve the revised "VISION2017", when forex rates are adjusted to FY2017 Plan rates.



## 2-6. FY2017 Challenges and Strategies(1)

	¥bn	FY2017 Original Plan		FY2017 Revised Plan		Difference	
		1H	Annual	1H Actual	Annual	1H	Annual
Operating Profit		41.0	93.0	40.6	96.0	(0.4)	+3.0

### Automotive

① **Development of new products, sales promotion and strengthening cooperation with other divisions**

(High voltage harnesses and battery-related products for environmental car such as EV, high strength aluminum harnesses, electric components for automatic driving, connectors for high speed communication)

② **Further sales promotion to overseas customers** and cost reduction

③ **Strengthening environmental technology and global constitution of the group** by acceleration of synergistic effect of the companies purchased by Sumitomo Riko

	¥bn	FY2017 Original Plan		FY2017 Revised Plan		Difference	
		1H	Annual	1H Actual	Annual	1H	Annual
Operating Profit		5.0	24.0	6.3	23.0	+1.3	(1.0)

### Infocommunications

① **Firmly capturing demand in global markets**

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

② **Development and sales promotion of high value added new products**

(Optical fiber for submarine cable, ultra high count fiber cable for data center, optical and wireless device for 5G, etc.)

## 2-6. FY2017 Challenges and Strategies(2)

### Electronics

	¥bn	FY2017 Original Plan		FY2017 Revised Plan		Difference	
		1H	Annual	1H Actual	Annual	1H	Annual
Operating Profit		0.0	5.0	1.0	6.0	+1.0	+1.0

- ① **FPC** :
- **Further global quality improvement and cost reduction** by utilizing all SEI resources
  - **Development of new products and expansion of automotive business** (Ultra-thin, fine pitch and high heat resistant FPC)
- ② **Electronic wire** :
- **Capturing various needs in global markets for Electronic wire** (for Automotive and electronic business etc.)

### Environment and Energy

	¥bn	FY2017 Original Plan		FY2017 Revised Plan		Difference	
		1H	Annual	1H Actual	Annual	1H	Annual
Operating Profit		7.0	24.0	6.1	21.0	(0.9)	(3.0)

- ① Acceleration of **strengthening constitution of power cable business**
- Capturing demand in overseas **High-Voltage Direct Current submarine cable market** and domestic demand for **power cable renewal**
  - Further strengthening **production system** and **enhancing 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 infrastructure related products (Redox flow battery, sCPV system, etc.)

## 2-6. FY2017 Challenges and Strategies(3)

### Industrial Materials and Others

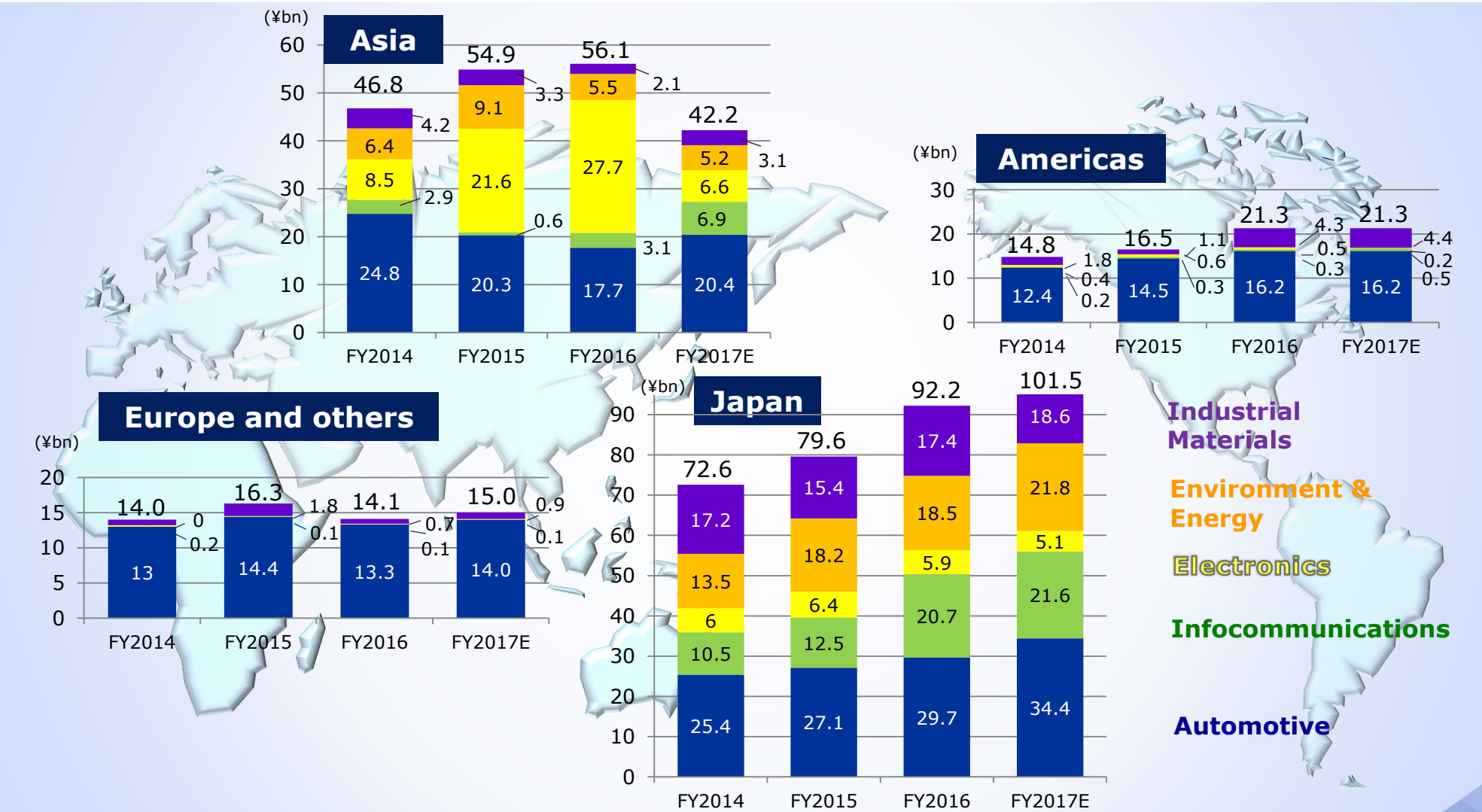
¥bn	FY2017 Original Plan		FY2017 Revised Plan		Difference	
	1H	Annual	1H Actual	Annual	1H	Annual
Operating Profit	12.0	29.0	11.5	29.0	(0.5)	+0.0

- ① **Sintered parts** : Strengthening **global supply system**  
(Utilization of purchased US company, Keystone)
- ② **Hard metal** :
  - Capturing demand in domestic, Europe, America and **emerging markets** such as China, Taiwan, India, etc.
  - **Development of new products** to process **hard-to-cut material** and sales promotion to **aircraft and energy market**
- ③ **A.L.M.T.** : Intensive cost reduction, **concentration of resources in growing area**
- ④ **Prestressed concrete steel wires, Steel wires for spring** :  
Production expansion in US, Indonesia and global sales promotion



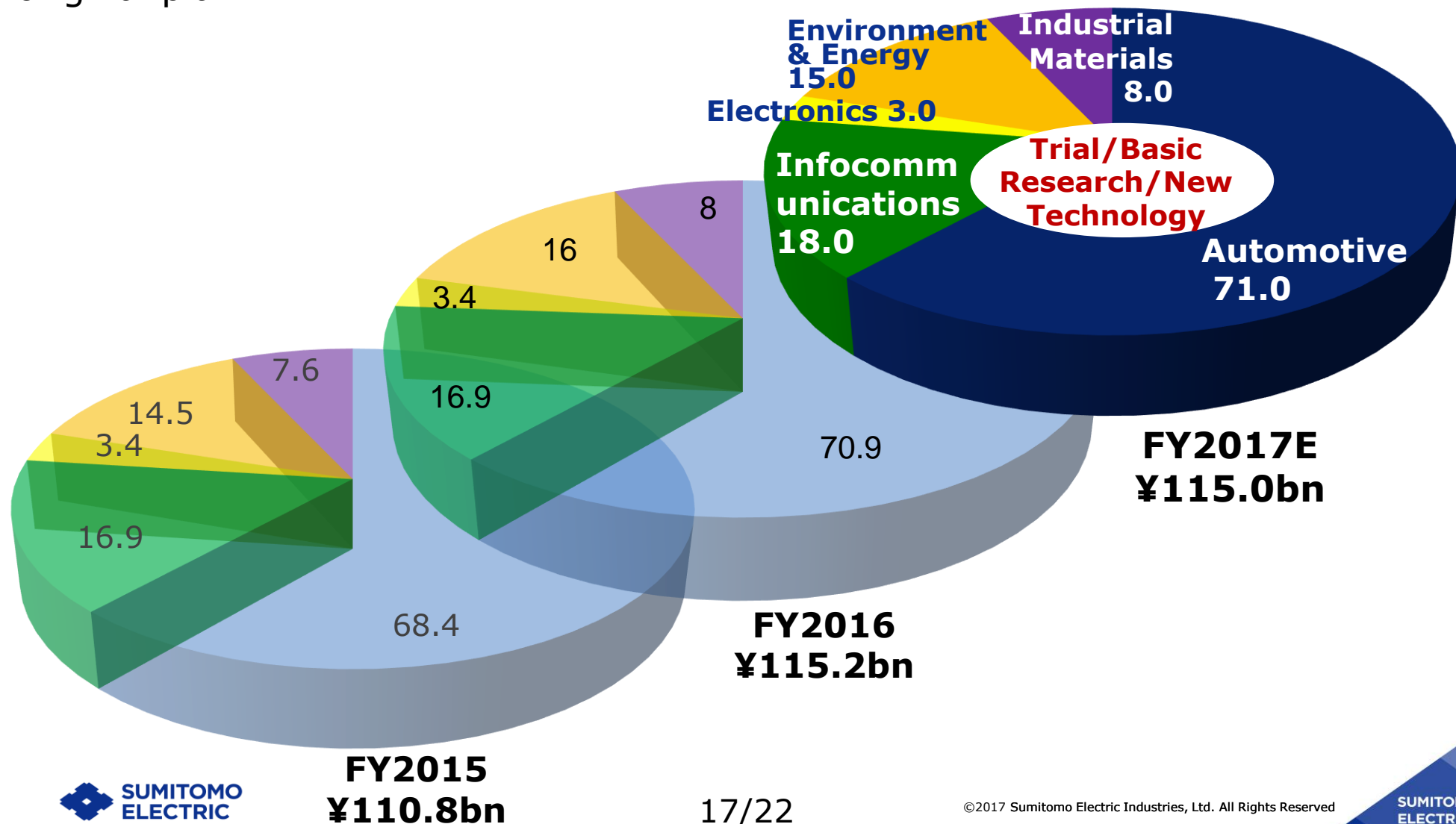
# 2-6. Capital Investment by Region/Segment

Capital investment in FY2017 is planned to be ¥180.0bn in total, which is the same amount as the original plan.



# 2-7. R&D by Segment

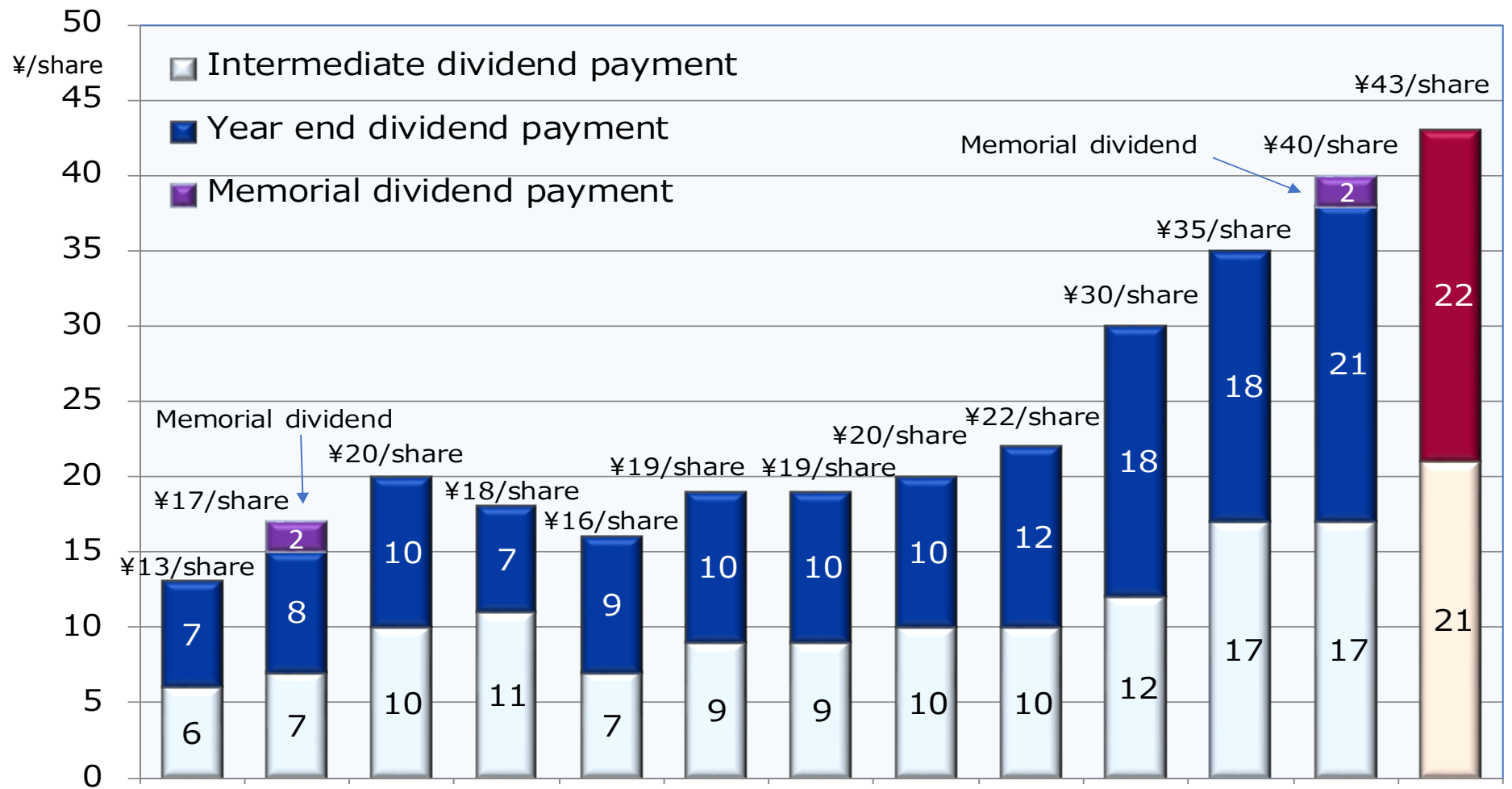
Due to increase in Automotive, FY2017 1H increased as compared with the same period of the previous year. FY2017 forecast remains the same as the original plan.



# 3 . Dividend

# 3. Dividend

FY2017 annual dividend is planned to be ¥43/share, which is the same amount as the original plan.



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	<b>147.46</b>
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%	<b>29.2%</b>



# 4. Management Policy going forward

## 4. Management Policy going forward

### 1. Automotive and Non-automotive Growth Balance

- Working on **EV and automatic driving related products** by utilizing **all SEI resources**
- **Improving profitability** of infrastructure business
- **Growth in high value added products**

### 2. Emphasis on Efficiency

- **Improvement of Profitability, Asset efficiency and Management efficiency**

# Notes on Perspective Information

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