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FY2013 1st Half Results and Annual Forecast

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1. FY2013 1st Half Results



1 – 1. Executive Summary

FY2013 1st Half Result

- Business environment surrounding SEI group
 - In an automotive market domestic demand looked a little weak, but overseas demand was strong in North America and other countries
 - Electrical work by Sumitomo Densetsu and demand for hard metal / sintered parts for automotive increased

Under such circumstances as above, FY2013 1st half consolidated financial results were;

- Sales increased to ¥1,217.6bn as compared with the same period of the previous year (Sales in the same period of the previous year, ¥1,042.8bn, up 17%)
- OP also increased to ¥47.0bn due to cost reduction and yen depreciation effects, despite increase in depreciation and R&D expenses (OP in the same period of the previous year, ¥34.7bn, up 35%)
- Interim dividend for this period
 - As announced at the beginning of the year, ¥10/share as the same as the same period of the previous year



1 – 2. FY2013 1st Half PL

FY2013 1st Half Result

This 1st half sales, OP, ordinary income, income before income taxes and minority interests and net income all increased as compared with the same period of the previous year and the Plan.

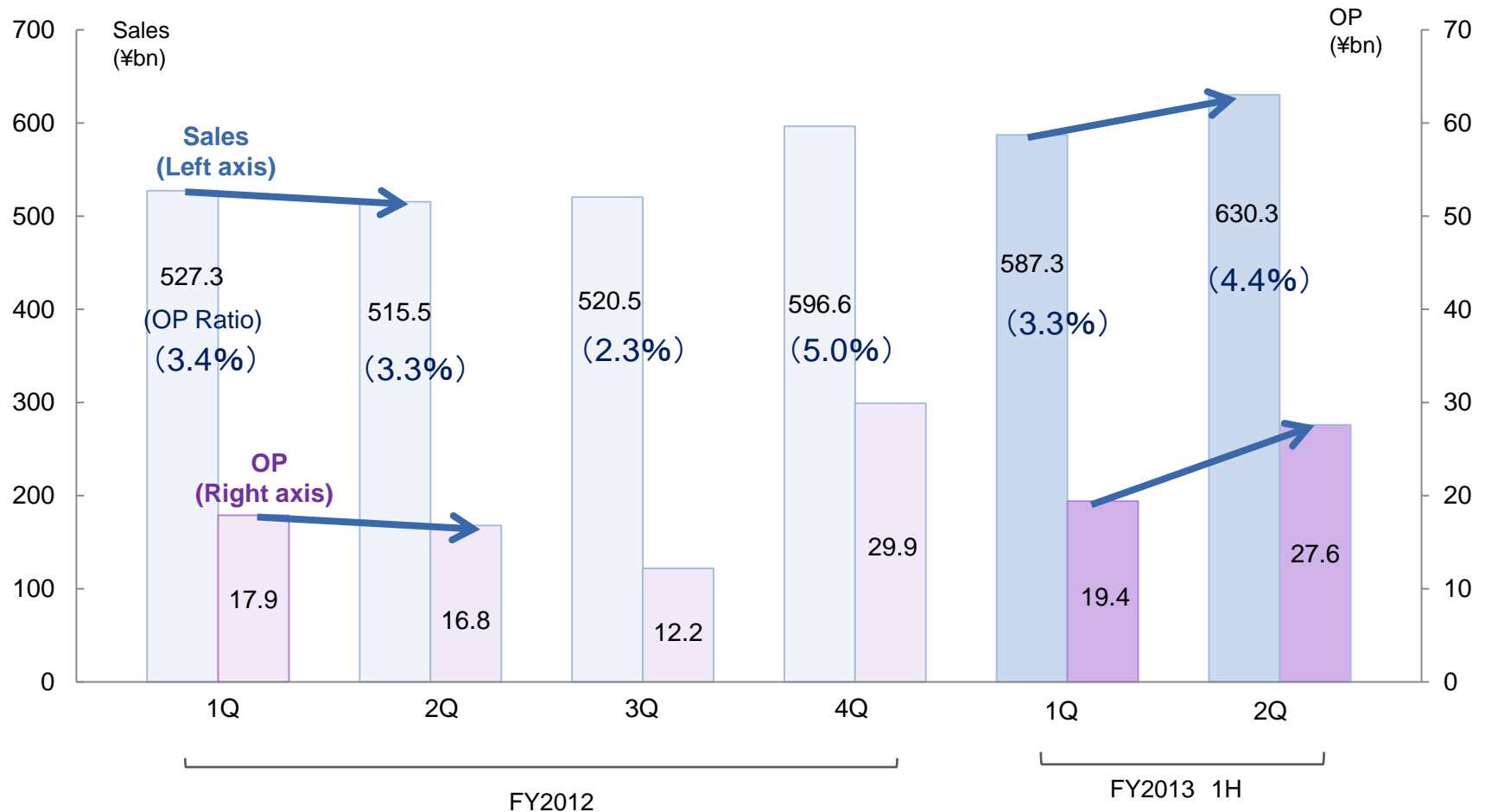
	2012 1H Actual①	2013 1H Plan②	2013 1H Actual③	Growth ③/①	Difference ③/②
Net Sales	1,042.8	1,100.0	1,217.6	+17%	+11%
Operating Profit	34.7	30.0	47.0	+35%	+57%
Equity in Net Income	10.0	10.0	10.7	+7%	+7%
Ordinary Income	41.5	40.0	57.3	+38%	+43%
Restructuring Expenses/ Impairment losses of fixed assets	(6.2)	(3.0)	(3.2)	+48%	+7%
Settlement	—	—	(5.2)	—	—
Extraordinary Others	(0.3)	(1.0)	(0.8)	△167%	+20%
Income before Income Taxes and Minority Interests	35.0	36.0	48.1	+37%	+34%
Income Taxes & Minority Interests	(19.2)	(16.0)	(22.3)	—	—
Net Income	15.8	20.0	25.8	+63%	+29%



1 – 3. Transition of Quarterly Sales and OP

FY2013 1st Half Result

- FY2012 2Q sales and OP decreased as compared with 1Q, due to continued slowdown of economy in Europe/emerging countries and stagnant performance of Infocommunications.
- FY2013 2Q sales and OP increased as compared with 1Q, as a trend during 1Q continued.





1-4. Sales and OP by Segment (FY2013 1H vs FY2012 1H)

FY2013 1st Half Result

Comparison of sales and OP by segment between 2013 1H and 2012 1H or the Plan shows that only sales of Infocommunications decreased as compared with the Plan.

	FY2012 1H		FY2013 1H		FY2013 1H		Growth		Differences	
	Actual ①		Plan ②		Actual ③		③-①		③-②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	531.0	28.6	585.0	23.0	643.1	30.8	+112.1	+2.2	+58.1	+7.8
Infocommunications	73.3	(7.8)	80.0	(4.5)	74.7	(3.2)	+1.4	+4.6	(5.3)	+1.3
Electronics	99.1	1.0	110.0	0.5	126.0	2.0	+26.9	+1.0	+16.0	+1.5
Environment and Energy	236.2	5.8	250.0	4.5	263.6	9.0	+27.4	+3.2	+13.6	+4.5
Industrial Material and Others	137.5	7.3	140.0	6.5	147.2	8.5	+9.7	+1.2	+7.2	+2.0
Total	1,042.8	34.7	1,100.0	30.0	1,217.6	47.0	+174.8	+12.3	+117.6	+17.0

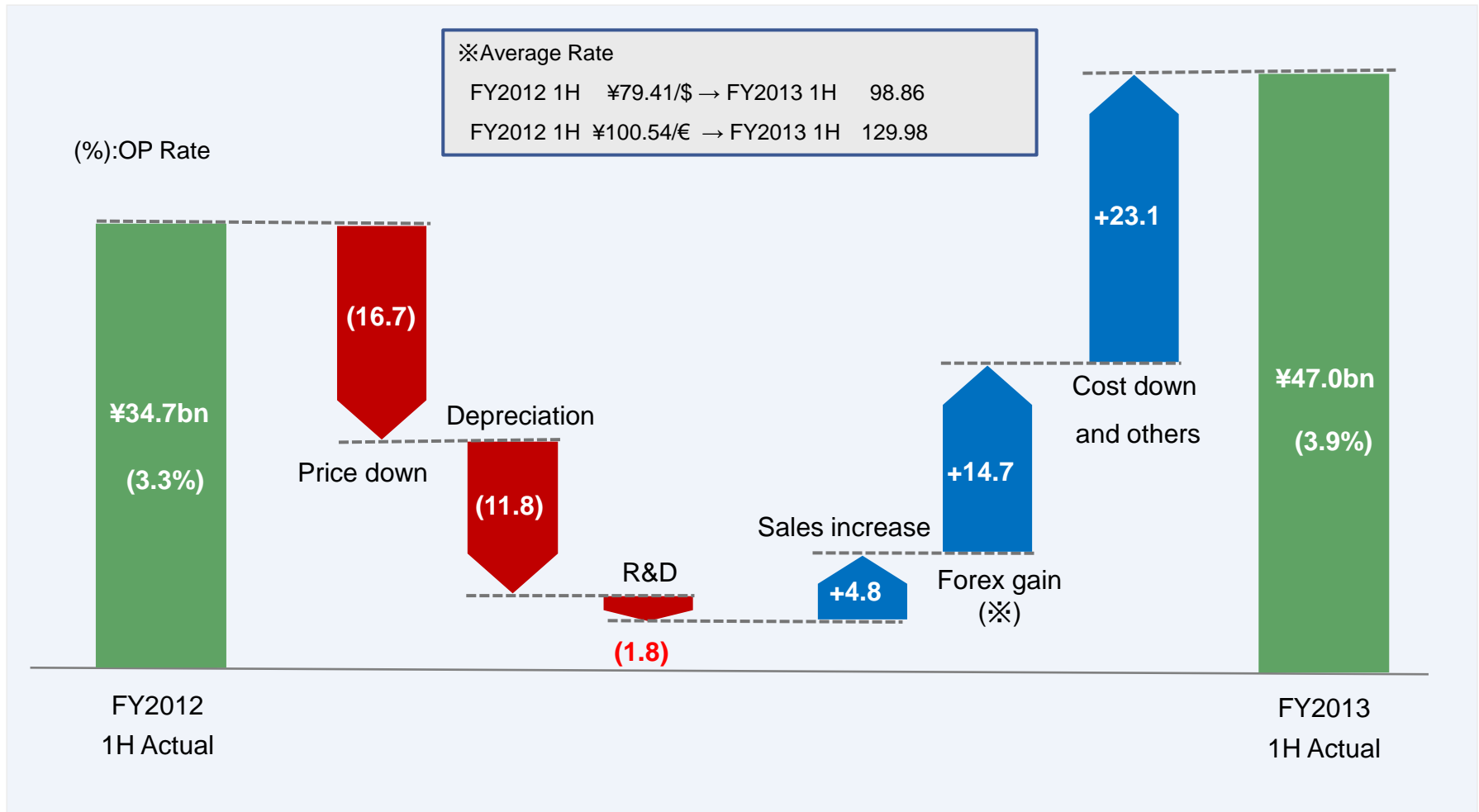
※ Differences between the aggregate of all segments and Total are eliminations.



1 – 5. Factors of Increase or Decrease in OP

FY2013 1st Half Result

OP increased by ¥12.3bn to ¥47.0bn due to sales increase, Forex gain and cost down, despite increase in depreciation and R&D expenses incurred by prior investment and intensified price competition.

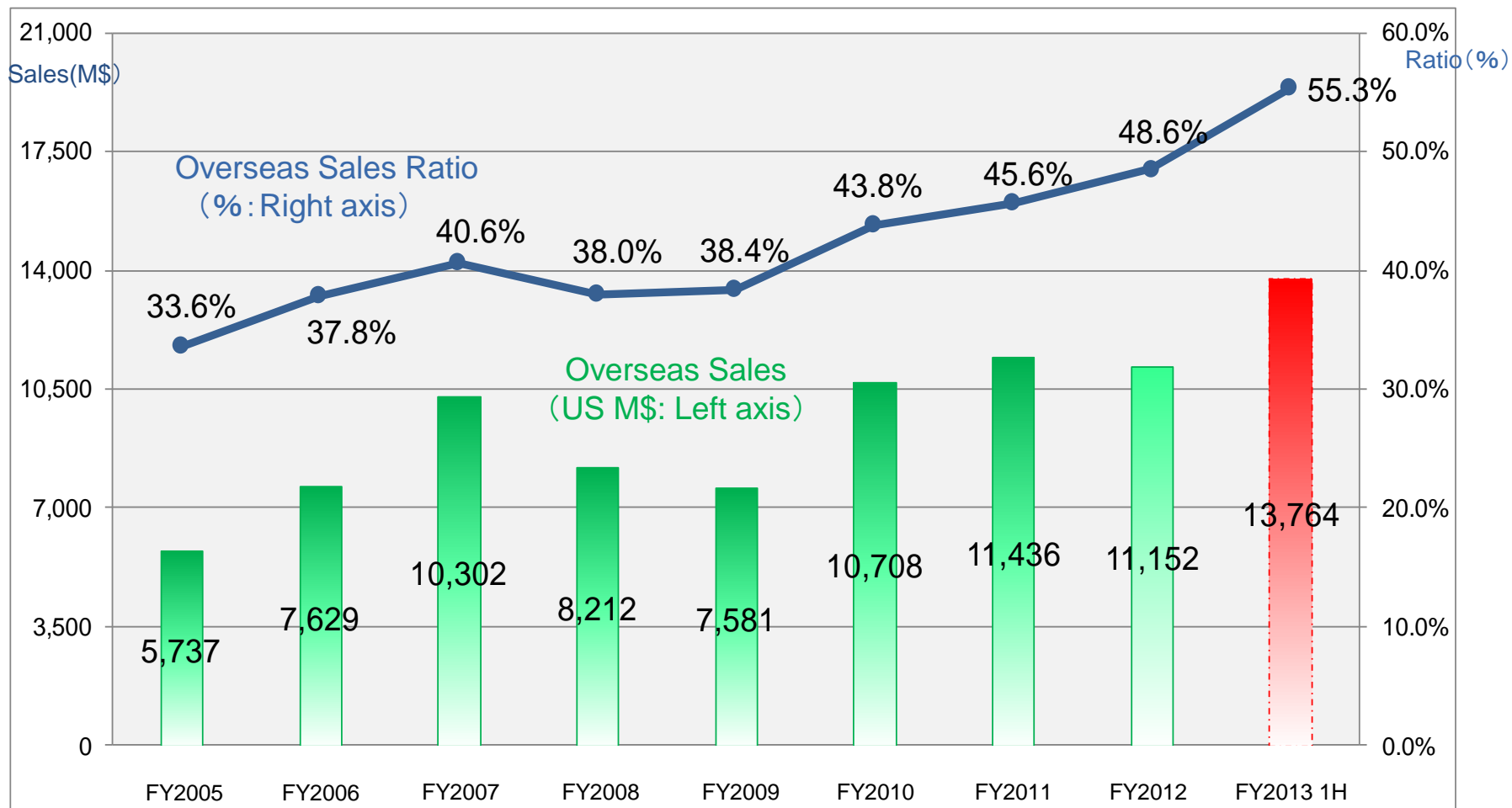




1 – 6. Overseas Sales Ratio

FY2013 1st Half Result

- Consolidated overseas sales ratio increases steadily except around times of Lehman shock.
- FY2013 1H overseas sales ratio was 55.3%.



* Sales in FY2013 1H was adjusted to annual. (doubled)

1-7. FY2013 1st Half BS

FY2013 1st Half Result

- Shareholders' equity ratio was 46.6%, down 0.1% from FY2012.
- Debt/Equity ratio was 0.46, up 0.01 point from FY2012 owing to increase in interest bearing debt.

	FY2011	FY2012	FY2013 1H
¥bn	Actual	Actual	Actual
Current Assets	1,047.4	1,115.8	1,145.1
Non-Current Assets	1,024.7	1,181.8	1,279.8
Current Liabilities	635.9	657.1	678.2
Non-Current Liabilities	297.3	395.7	434.8
(Interest Bearing Debt)	(364.1)	(485.6)	(519.8)
Shareholders' Equity	1,011.3	1,033.3	1,051.1
Accumulated Other Comprehensive Income	(23.3)	39.2	78.9
Minority Interest/Share Warrants	150.9	172.2	181.9
Total Assets	2,072.1	2,297.6	2,424.9
Shareholders' Equity Ratio	47.7%	46.7%	46.6%
Debt/Equity Ratio	0.37	0.45	0.46



2. FY2013 2nd Half Efforts and Forecast



2-1. Revised Forecast and Executive Summary

FY2013 1st Half Result

- As from this fiscal year our group has started mid-term management plan “VISION 2017” targeting ¥3,000bn sales, ¥180bn OP and ROA at 9% in FY2017, by growing in current business fields, of course, by expanding into integrated business fields and by challenging new business fields, aiming to be a glorious excellent company, under a key word of business innovation, on business bases of Sumitomo Spirit and Sumitomo Electric Group Corporate Principles.
- FY2013 1H sales, OP, ordinary income and net income all exceeded the plan due to increase in demand for wiring harnesses and hard metal, cost reduction and yen depreciation effects. Based on this situation, FY2013 consolidated forecast was revised on October 31, 2013, because it was foreseen that all sales, OP, ordinary income and net income would exceed the original plan.

(Presuppositions in FY2013 2H) ¥90/\$, ¥120/€



2-2. FY2013 Forecast (PL)

FY2013 1st Half Result

FY2013 forecast was revised to ¥2,500.0bn sales, ¥110.0bn OP, ¥135.0bn ordinary income and ¥65.0bn net income. (Presuppositions in FY2013 2H ¥90/\$, ¥120/€)

¥ bn	FY2012 Actual①	FY2013 Forecast			FY2013 Revised Forecast			Increase/ Decrease ③-①	Difference ③-②
		1H Plan	2H Plan	Total②	1H Actual	2H Plan	Total③		
Net Sales	2,159.9	1,100.0	1,300.0	2,400.0	1,217.6	1,282.4	2,500.0	+340.1	+100.0
Operating Profit	76.8	30.0	70.0	100.0	47.0	63.0	110.0	+33.2	+10.0
Equity in Net Income	22.1	10.0	14.0	24.0	10.7	18.3	29.0	+6.9	+5.0
Ordinary Income	94.1	40.0	80.0	120.0	57.3	77.7	135.0	+40.9	+15.0
Net Extraordinary Loss	(10.0)	(4.0)	(4.0)	(8.0)	(9.2)	(4.3)	(13.5)	(3.5)	(5.5)
Income before Income Taxes and Minority Interests	84.1	36.0	76.0	112.0	48.1	73.4	121.5	+37.4	+9.5
Income Taxes & Minority Interests	(46.1)	(16.0)	(36.0)	(52.0)	(22.3)	(34.2)	(56.5)	(10.4)	(4.5)
Net Income	38.0	20.0	40.0	60.0	25.8	39.2	65.0	+27.0	+5.0

※ Revised forecast was announced on October 31.



2-3. Sales and OP by Segment

FY2013 1st Half Result

It is foreseen that demand for Automotive will be strong in overseas market like North America and that demand for Environment and Energy such as wire rod will be positive tone.

¥bn	FY2013 Forecast				FY2013 Revised Forecast				Differences			
	1H				1H Actual				1H			
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	585.0	23.0	1,255.0	58.5	643.1	30.8	1,310.0	64.0	+58.1	+7.8	+55.0	+5.5
Infocommunications	80.0	(4.5)	180.0	1.0	74.7	(3.2)	180.0	1.0	(5.3)	+1.3	+0.0	+0.0
Electronics	110.0	0.5	240.0	5.5	126.0	2.0	250.0	6.0	+16.0	+1.5	+10.0	+0.5
Environment and Energy	250.0	4.5	530.0	18.0	263.6	9.0	550.0	21.0	+13.6	+4.5	+20.0	+3.0
Industrial Material and Others	140.0	6.5	300.0	17.0	147.2	8.5	300.0	18.0	+7.2	+2.0	+0.0	+1.0
Total	1,100.0	30.0	2,400.0	100.0	1,217.6	47.0	2,500.0	110.0	+117.6	+17.0	+100.0	+10.0

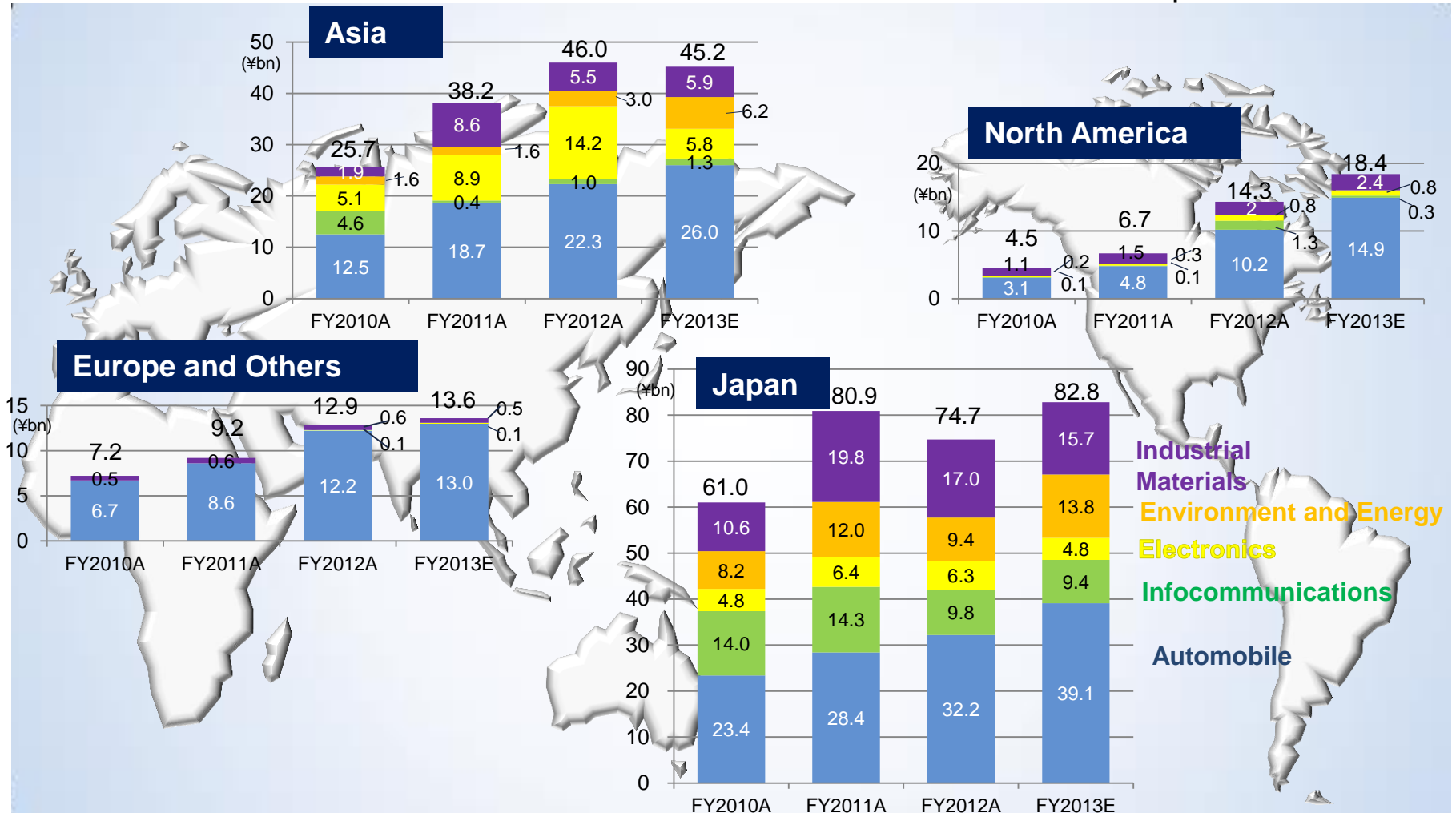
※Differences between the aggregate of all segments and Total are eliminations.



2-4. Capital Investment by Region

FY2013 1st Half Result

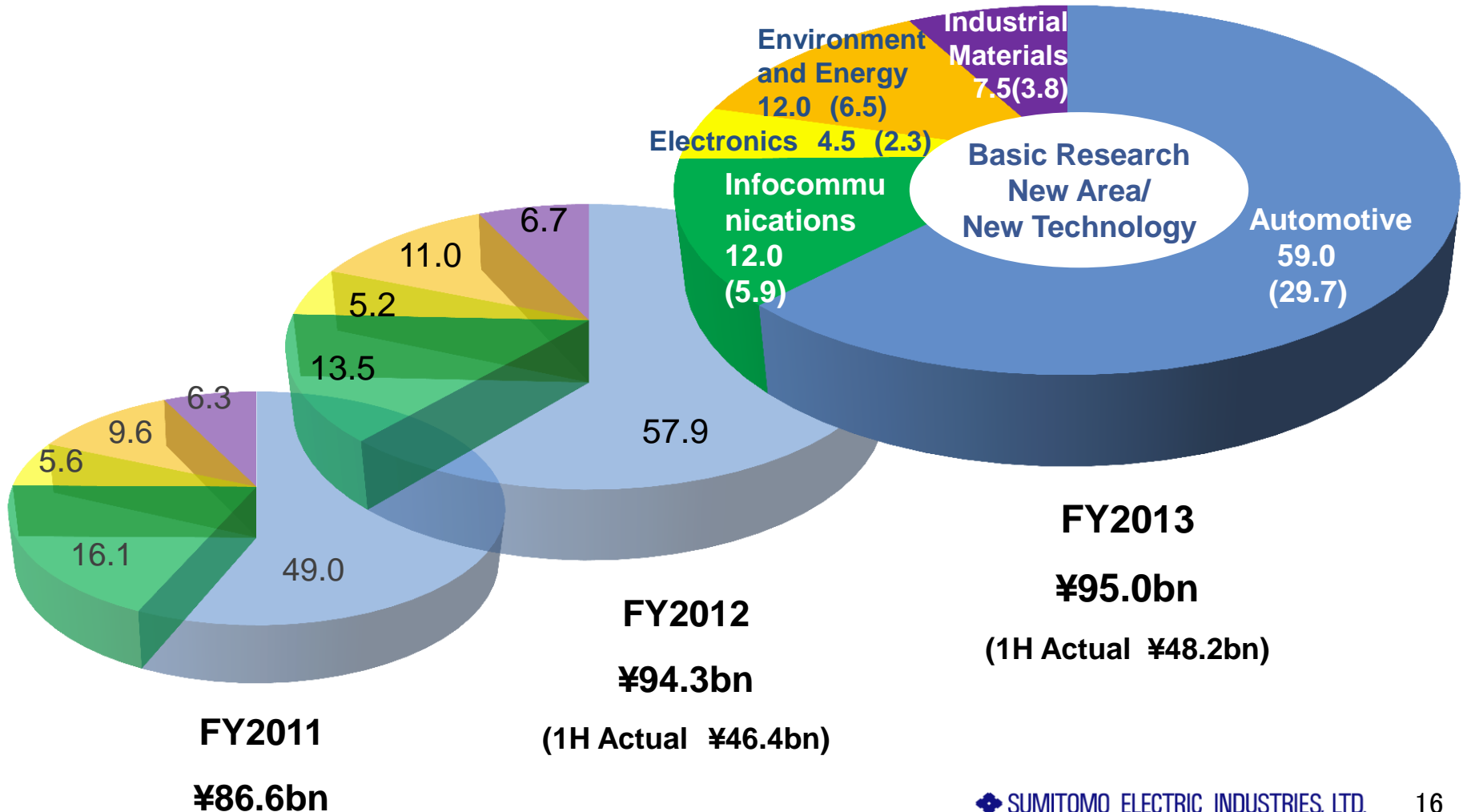
Capital investment in FY2013 is planned to be ¥160.0bn same as the original plan. By region it will increase in Japan and North America, increase slightly in Europe and stay the same in Asia with a breakdown of decrease in China and increase in other Asian countries than Japan and China.





2-5. R&D

R&D expenses in FY2013 are planned to be ¥95.0bn same as the original plan. There will be increase in Automotive, Environment and Energy, Industrial Material and Others, and decrease in Infocommunications and Electronics as compared with the previous year.



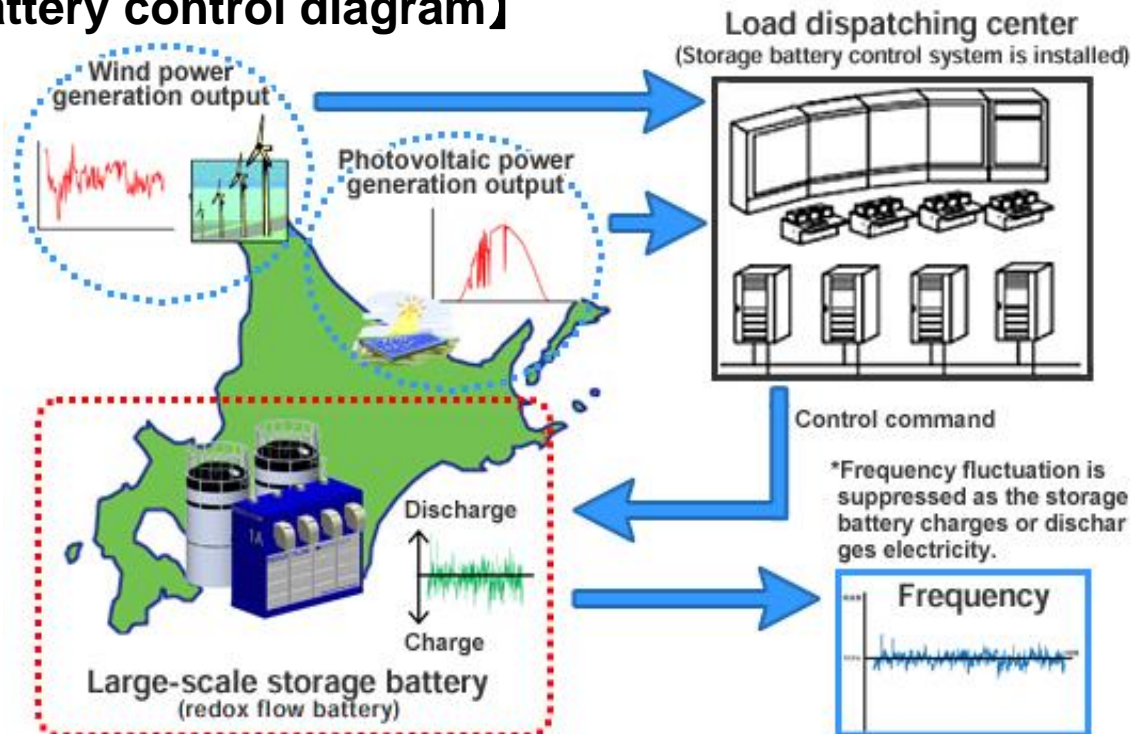
2-6. Governmental Program for Urgent Demonstration Project of Large-Scale Energy Storage Systems

FY2013 1st Half Result

【Overview of the demonstration project】

- (1) Place of installation: HEPCO's Minamihayakita Substation (Abira, Yufutsu District, Hokkaido)
- (2) Demonstration facilities: Redox flow battery Rated output: 15,000 kW
Storage capacity: 60,000 kWh
- (3) Test period: Fiscal 2013 through fiscal 2017
(Construction is scheduled to be completed before the end of fiscal 2014 and the demonstration test will be conducted for the subsequent three years.)

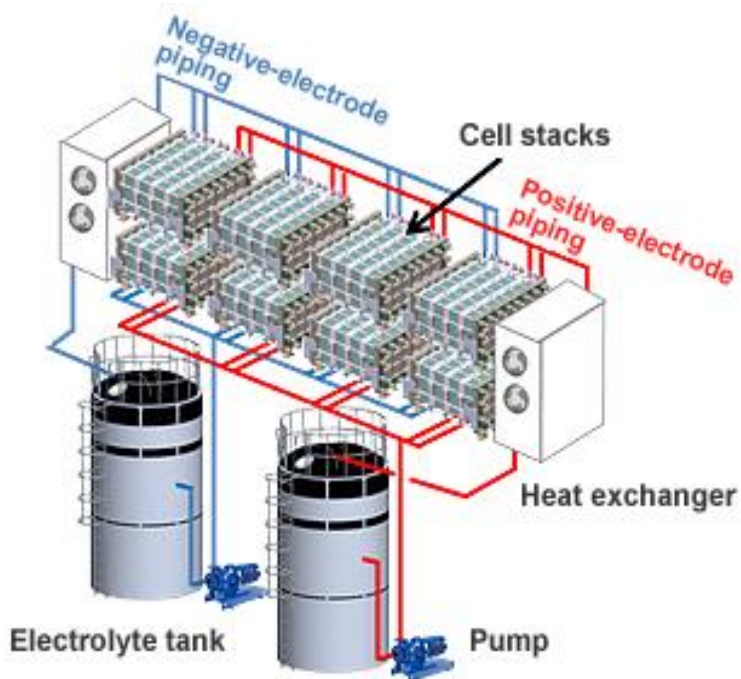
【Storage battery control diagram】



2-6. Governmental Program for Urgent Demonstration Project of Large-Scale Energy Storage Systems

FY2013 1st Half Result

【Basic structure of the redox flow battery】



<Major strengths of the redox flow battery>

- Easy maintenance and extremely high level of safety.
- The electrodes and electrolyte do not deteriorate by charge and discharge cycles and can be used for a long time.
- The amount of stored electric power can be accurately monitored and controlled.

【Perspective drawing of the facility】



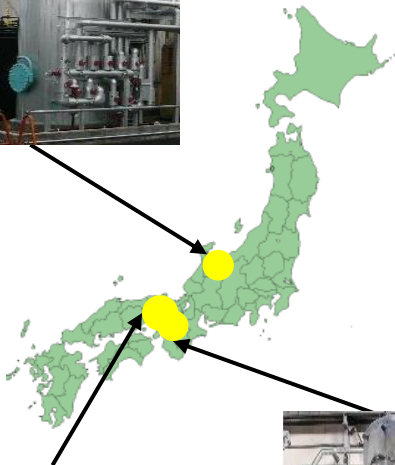
2-7. Enhanced Procurement of Tungsten Raw Materials

FY2013 1st Half Result

Start of Tungsten Refining and Scrap Recycling Operations in the US

- Setting up a new tungsten refining and scrap recycling base in the U.S. on top of domestic 3 bases.
- This new operation enables SEI to refine tungsten and recycle scrap within SEI group.
- This will further allow SEI to control the supply chain from raw materials all the way to the finished products.

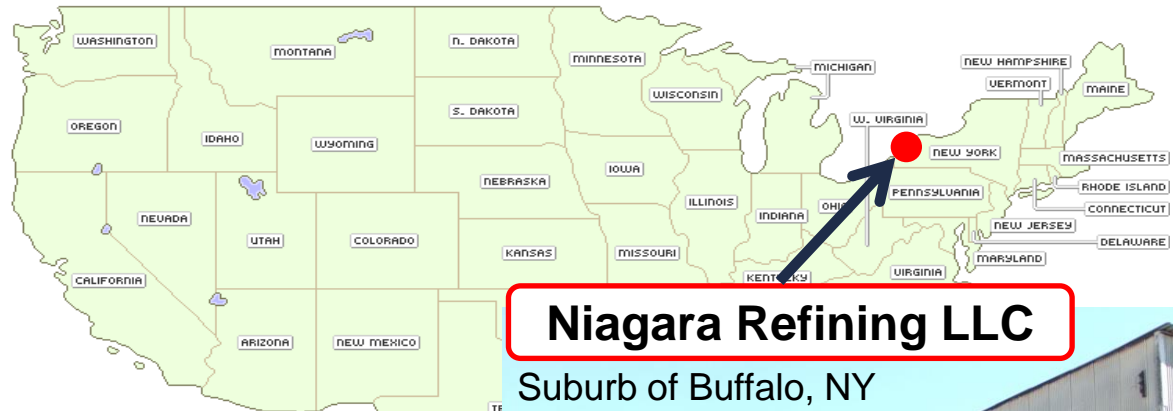
A.L.M.T Corp.



Sumitomo Electric Carbide, Inc.



**Factory
(Outside)**



Niagara Refining LLC

Suburb of Buffalo, NY
Start of operation: March 2014
Abbr.: NIRE

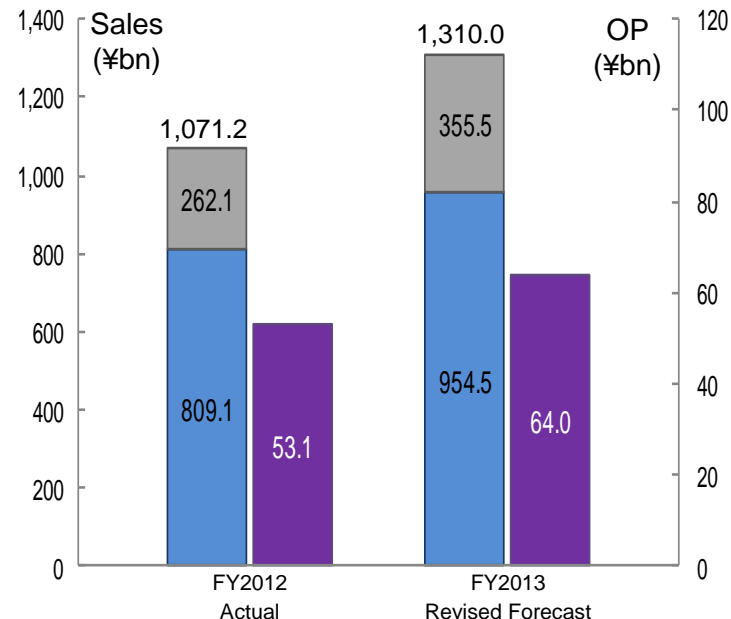
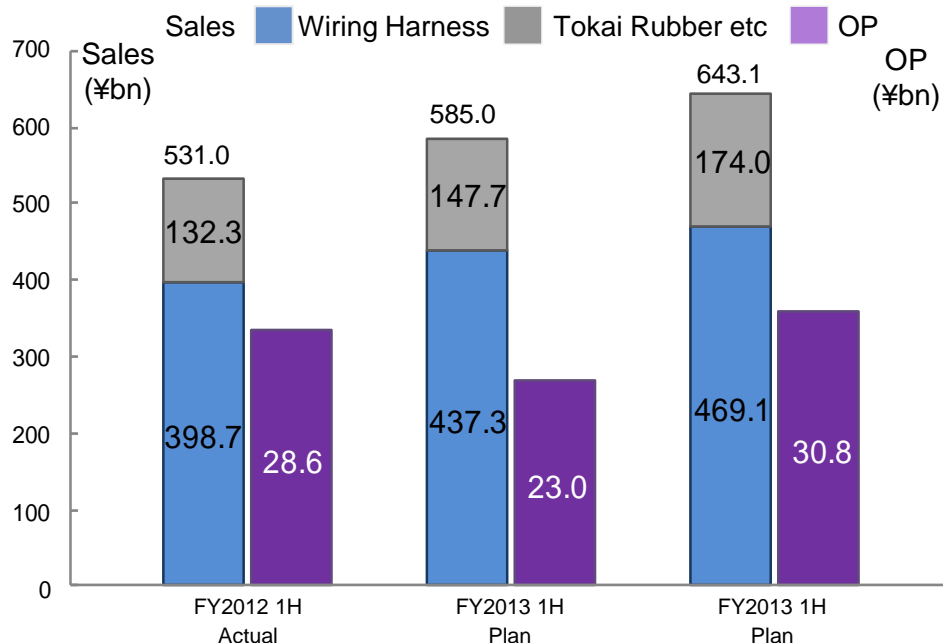




3. Achievements and Efforts by Segment



3-1. Automotive



FY2013 1H Achievement

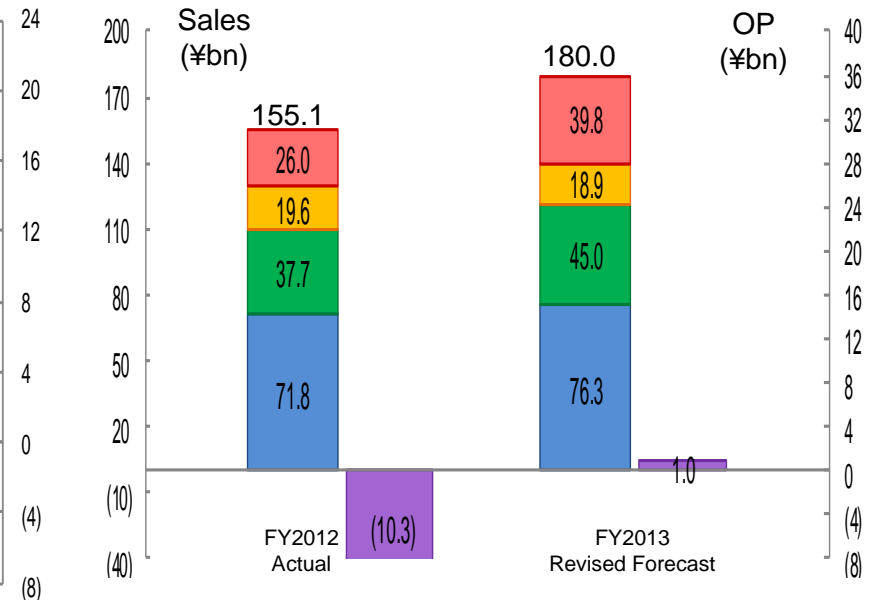
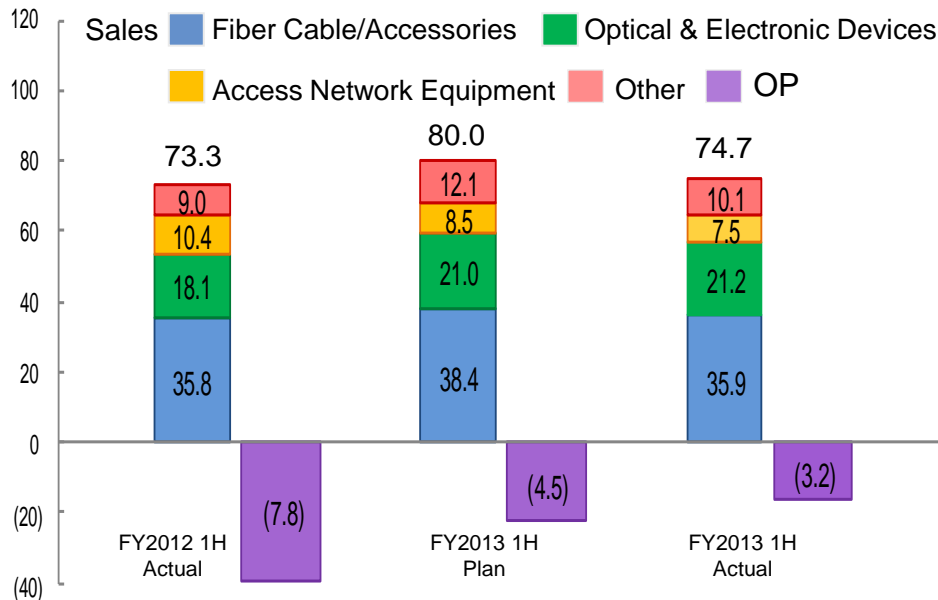
- Sales decreased in domestic market, but increased in overseas such as North America and Asia. Business of Vibration proof rubber/hose Tokai Rubber Industries, Ltd. purchased in Germany and Italy was consolidated this year and sales increased as compared with the previous term and the original plan.
- OP increased as compared with the previous term and the original plan due to sales increase, cost down and yen depreciation effects, despite increase in depreciation and R&D expenses incurred by prior investment and price down.

FY2013 2H Efforts

- Both sales and OP will increase as compared with the previous term and the original plan due to continuously strong demand for WH.
- Development and sales promotion of next generation products such as aluminum harness, high voltage harness for eco-friendly car, etc. toward a global No.1 all-round supplier of automotive parts.
- Tokai Rubber to promote sales to non-Japanese automakers on a full scale due to completion of global supply system after purchase of business of Vibration proof rubber/hose in Germany and Italy.

3-2. Infocommunications

FY2013 1st Half Result



FY2013 1H Achievement

- Sales increased as compared with the previous term due to start-up of sales of 100Gbps products, despite decrease in demand for access system network equipment and optical fiber cable. However, sales decreased as compared with the original plan, as sales of 100Gbps products had been planned more than actual.
- Negative OP decreased as compared with the previous term and the original plan due to sales of new products, cost down and Forex gain, while OP was still negative owing to reduced profitability of access system network equipment.
- As part of restructuring activities of Optical & Electronics Devices, SEDI Osaka factory was closed. (End of June 2013)

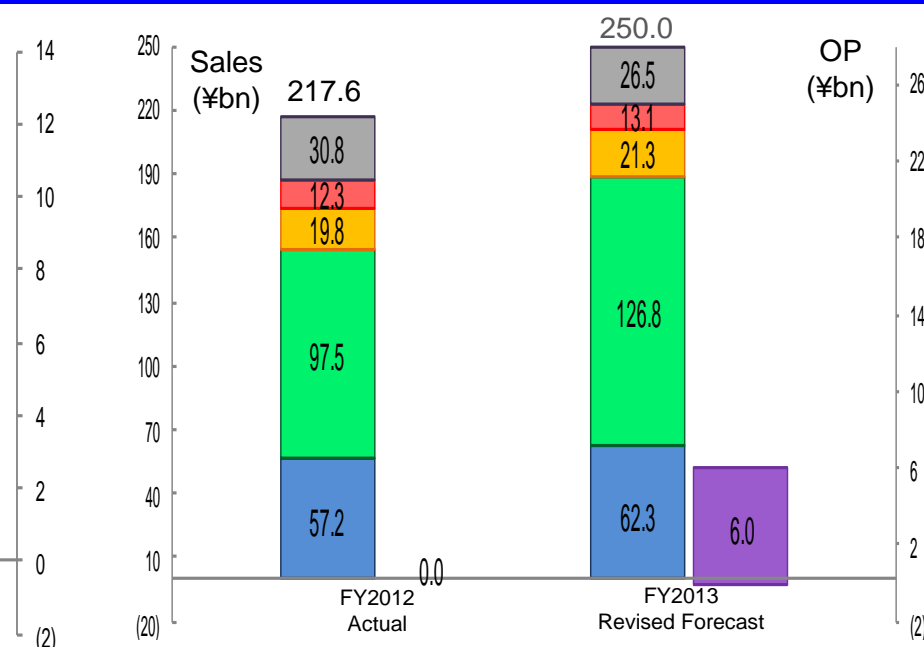
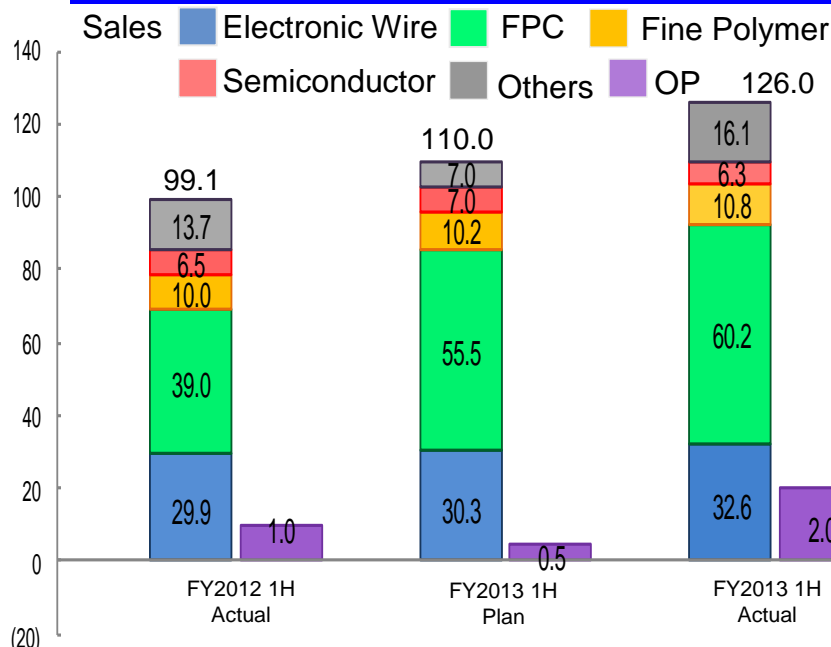
FY2013 2H Efforts

- Sales is planned to increase due to start-up of sales of 100Gbps products and OP to become positive ¥1.0bn this year from negative ¥10.3bn last year due to sales of new products, cost down and Forex gain.
- Promotion of sales and total cost reduction of conventional fiber and low loss fiber for submarine cable for Fiber Cable/Accessories.
- Securing orders for Optical & Electronics Devices, as 100Gbps high speed device market started to grow. Continued execution of improvement activities for profitability and competitiveness.
- Strengthening efforts for Intelligent Transport Systems (ITS).



3-3. Electronics

FY2013 1st Half Result



FY2013 1H Achievement

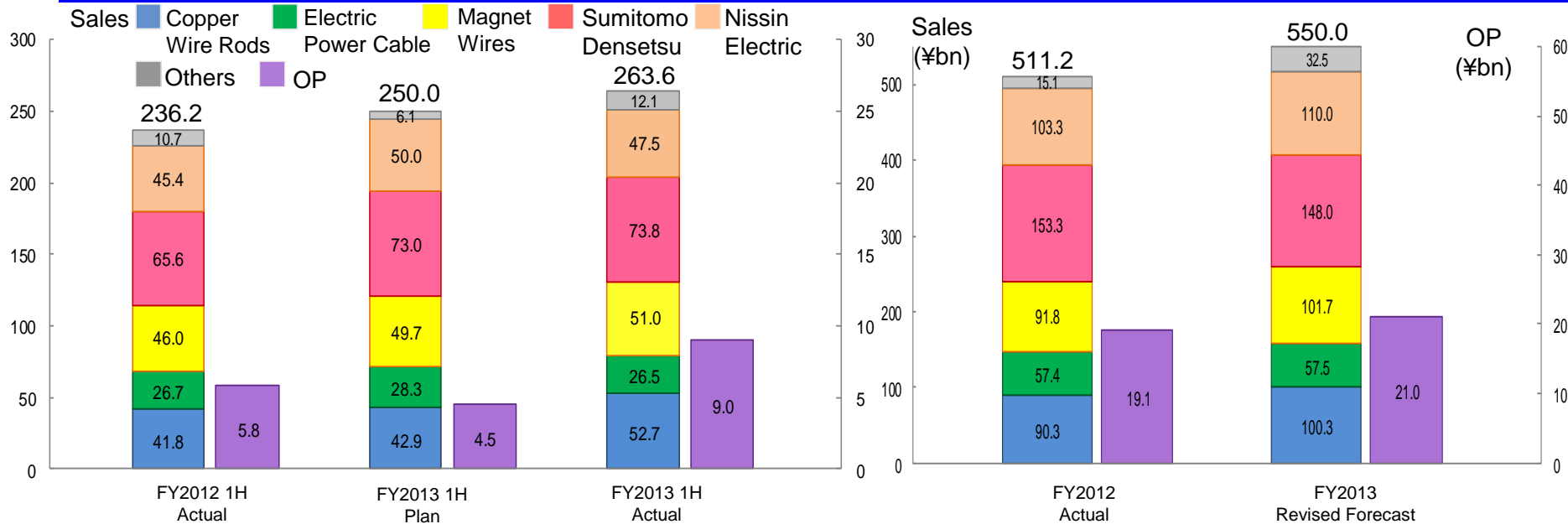
- Sales increased as compared with the previous term due to increase in demand for FPC for cellphone and increase in Electronic Wire for automotive and tape wire for printer/game unit and also increased as compared with the original plan due to increased sales quantity.
- OP increased as compared with the previous term due to reduction of total costs including R&D and other indirect expenses and Forex gain, despite intensified price competition and increase in depreciation expense and also increased as compared with the original plan due to cost reduction and Forex gain.

FY2013 2H Efforts

- Demand for FPC and Electronic Wire looks continuously strong and OP is planned to increase due to cost reduction and Forex gain.
- Development will be promoted for attractive high value added products by integrating our core technologies and customer's highly advanced needs will be met, such as further fineness and thinness for FPC for cellphone.
- Business promotion of Infrastructure field such as space saving high speed wiring materials applied by high speed transmission cable and automotive field such as tab-lead and highly heat resistant FPC.

3-4. Environment and Energy

FY2013 1st Half Result



FY2013 1H Achievement

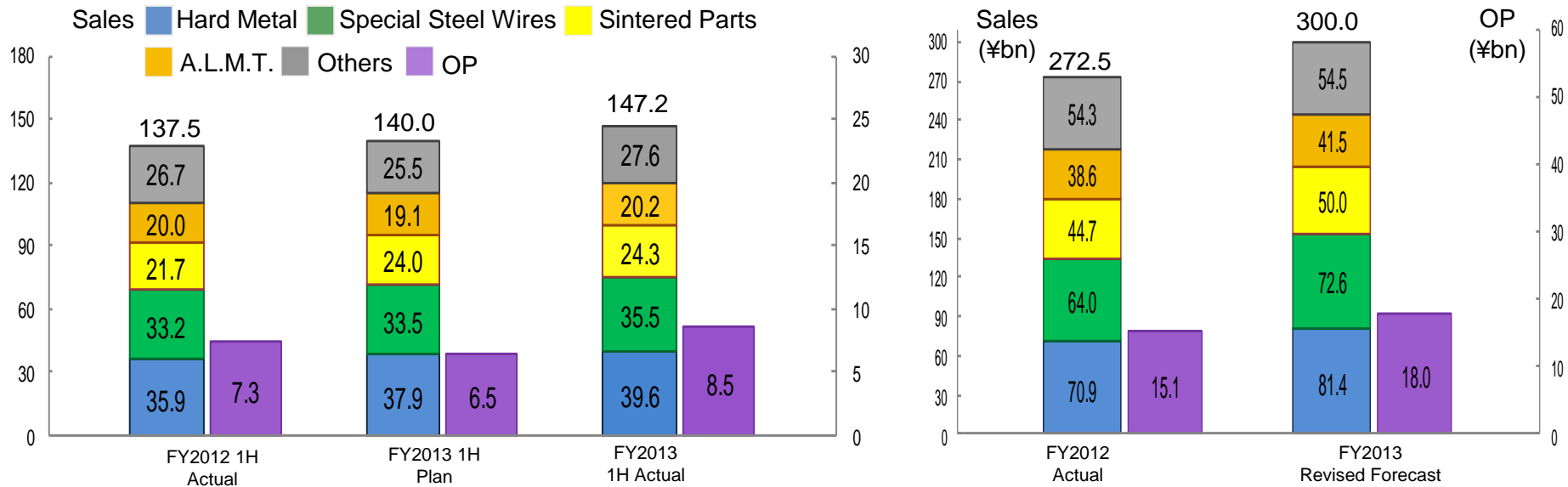
- Sales increased as compared with the previous term due to increase in demand for electrical work by Sumitomo Densetsu and beam/vacuum application business by Nissin Electric and in copper price on top of strong demand for wire rod and magnet wire. Sales also increased as compared with the original plan due to strong demand.
- OP increased as compared with the previous term due to cost down and increase in demand for profitable beam/vacuum application business by Nissin Electric. OP also increased as compared with the original plan due to cost down.

FY2013 2H Efforts

- Sales will increase due to strong demand for wire rod, magnet wire and power conditioner for solar power generation by Nissin Electric and also OP will increase and update record profits in two consecutive years due to sales increase and cost down.
- Under attention drawn to safe, clean and stable power/energy, development and sales will be promoted for new products for improving energy efficiency and effective application such as high voltage/long distance submarine cable and porous material for battery. In automotive field development will be promoted for new products contributing to energy efficiency such as scratch resistant magnet wire for a motor for an eco-friendly car.

3-5. Industrial Materials and Others

FY2013 1st Half Result



FY2013 1H Achievement

- Sales increased as compared with the previous term due to strong demand for Hard Metal, Sintered Parts and Spring Wire all for automotive. Sales also increased as compared with the original plan due to strong demand for Hard Metal and Spring Wire.
- OP increased as compared with the previous term due to cost down and Forex gain, despite increase in raw material price and depreciation expenses for rigorous investment. OP also increased as compared with the original plan due to cost down and Forex gain.

FY2013 2H Efforts

- Sales will increase due to continuously strong demand for Hard Metal for automotive and OP will also increase due to sales increase, Forex gain and cost down.
- For strong automotive market, production bases have been set up for steel cord in Thailand and Hard Metal/Sintered Parts in Indonesia to meet local demand. New business fields will be cultivated through strengthening and innovating core technology by nano polycrystalline diamond for Hard Metal and electrification parts for automotive for Sintered Parts.



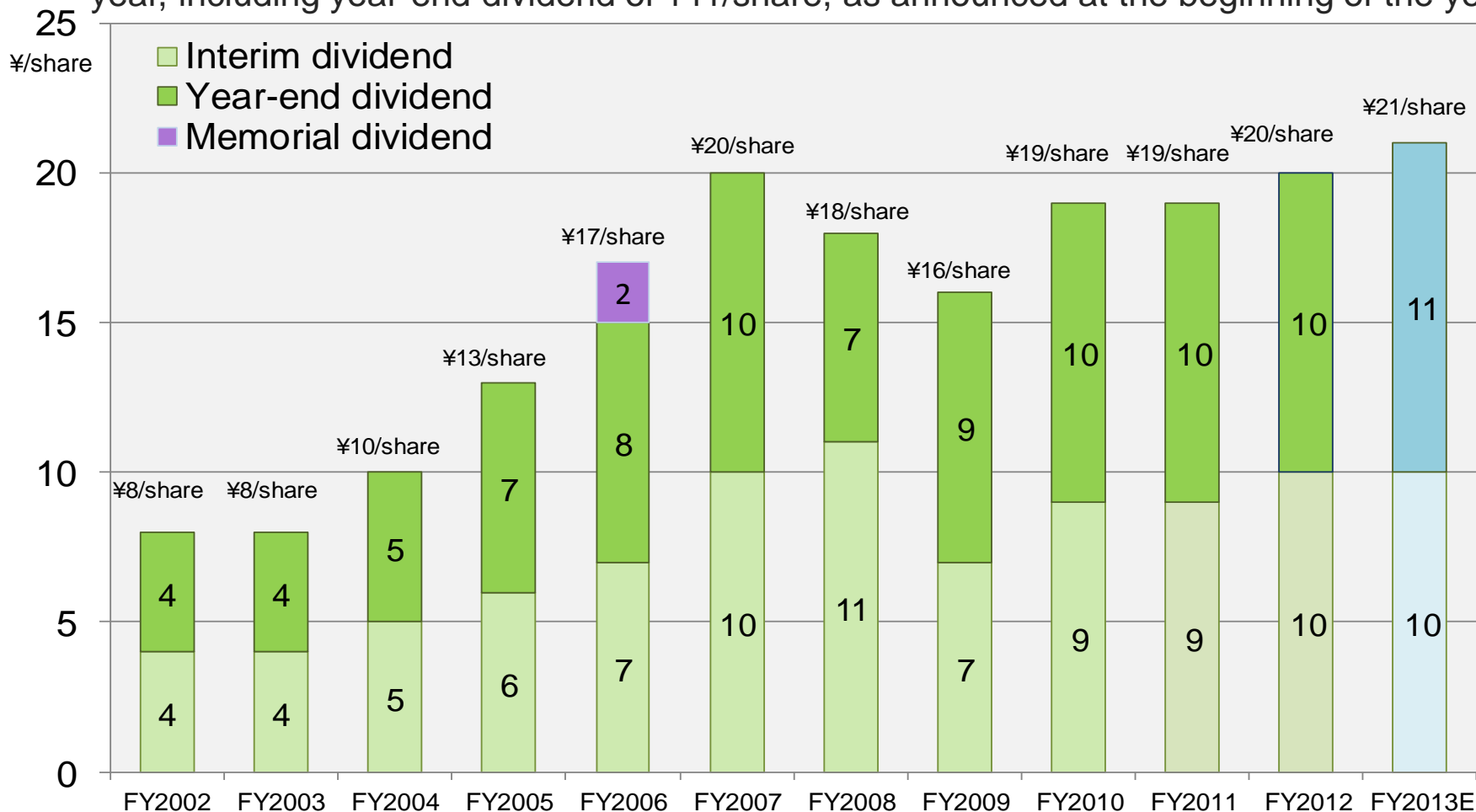
4. Dividend and Payout Ratio



4. Dividend and Payout Ratio

FY2013 1st Half Result

Annual dividend for FY2013 will be ¥21/share, increased by ¥1/share from the previous year, including year-end dividend of ¥11/share, as announced at the beginning of the year.



Net Income per Share (Yen)	△26.89	34.29	48.01	76.43	100.22	112.74	21.78	36.19	89.02	74.21	47.85	81.95
Dividend Payout Ratio	—	23.3%	20.8%	17.0%	17.0%	17.7%	82.6%	44.2%	21.3%	25.6%	41.8%	25.6%



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