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FY2014 1st Half Results and Annual Forecasts

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1. FY2014 1st Half Results



1 – 1. Executive Summary

FY2014 1st Half Result

- Business environment surrounding SEI group
 - In an automotive market, overseas demand was strong in North America and other countries
 - Demand increased in hard metal-sintered parts for automakers

Under such circumstances as above, 2014 1st half consolidated financial results were;

- Sales increased to ¥1,310.5bn as compared with the same period of the previous year (Sales in the same period of the previous year, ¥1,217.6bn, up 7.6%)
- OP also increased to ¥47.9bn due to increased demand and yen depreciation, despite increase in depreciation and R&D expenses (OP in the same period of the previous year, ¥47.0bn, up 1.8%)



1 – 2. FY2014 1st Half PL

FY2014 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.

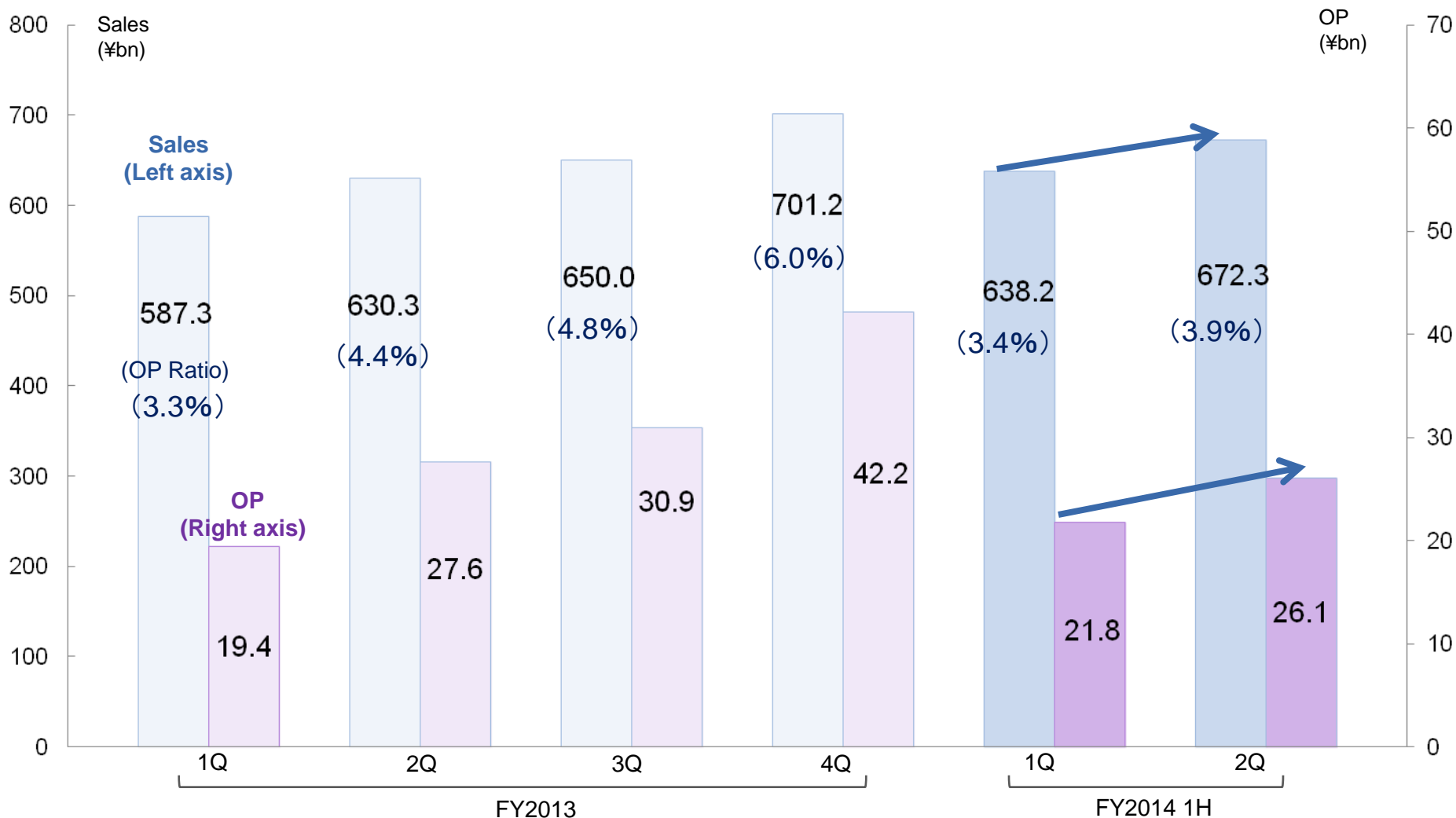
	¥bn	FY2013 1H Actual①	FY2014 1H Plan②	FY2014 1H Actual③	Growth ③/①	Difference ③/②
Net Sales		1,217.6	1,300.0	1,310.5	+8%	+1%
Operating Profit		47.0	45.0	47.9	+2%	+6%
Equity in Net Income		10.7	10.0	12.4	+16%	+24%
Ordinary Income		57.3	54.0	59.5	+4%	+10%
Gain on Sales of Investment Securities		—		47.0	—	
Gain on Step Acquisitions		—		5.8	—	
Restructuring Expenses/ Impairment losses of Fixed Assets		△3.2	38.3	△8.3	+159%	+0%
Settlement/ Surcharge		△5.2		△4.9	△6%	
Extraordinary Others		△0.8		△1.3	+63%	
Income before Income Taxes and Minority Interests		48.1	92.3	97.8	+103%	+6%
Income Taxes & Minority Interests		△22.3	△19.3	△19.2	△14%	△1%
Net Income		25.8	73.0	78.6	+205%	+8%



1-3. Transition of Quarterly Sales and OP

FY2014 1st Half Result

- FY2014 2Q sales and OP increased as compared with FY2014 1Q.
In addition, quarterly OP of all segments were positive.





1-4. Sales and OP by Segment

FY2014 1st Half Result

Comparing FY2014 1H OP with the same period of the previous year and the plan, Automotive and Infocommunications increased, while Electronics, Environment and Energy, Industrial Materials and Others decreased.

	FY2013 1H		FY2014 1H		FY2014 1H		Growth		Difference	
	Actual ①		Plan ②		Actual ③		③-①		③-②	
	¥ bn	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales
Automotive	643.1	30.8	690.0	33.0	711.0	36.0	+67.9	+5.2	+21.0	+3.0
Infocommunications	74.7	△3.2	80.0	△3.0	77.2	△1.2	+2.5	+2.0	△2.8	+1.8
Electronics	126.0	2.0	130.0	3.0	126.7	△0.5	+0.7	△2.5	△3.3	△3.5
Environment and Energy	263.6	9.0	280.0	1.0	278.6	3.4	+15.0	△5.6	△1.4	+2.4
Industrial Materials and Others	147.2	8.5	160.0	11.0	156.9	10.4	+9.7	+1.9	△3.1	△0.6
Total	1,217.6	47.0	1,300.0	45.0	1,310.5	47.9	+92.9	+0.9	+10.5	+2.9

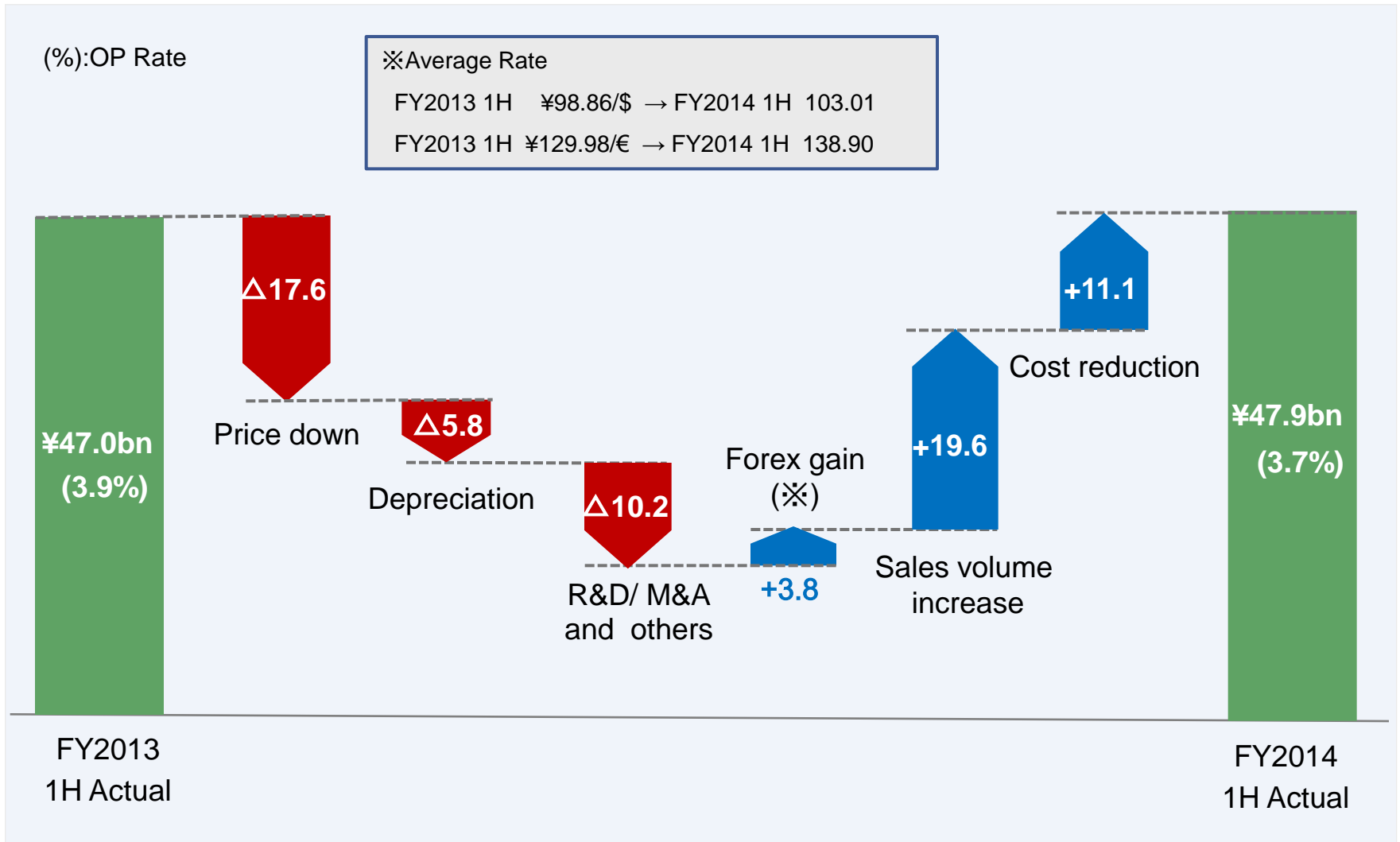
※ Differences between the aggregate of all segments and Total are eliminations.



1 – 5. Factors of Increase or Decrease in OP

FY2014 1st Half Result

OP increased by ¥0.9bn to ¥47.9bn, due to sales volume increase and cost reduction, despite intensified price competition and increase in depreciation and R&D expenses incurred by prior investment.

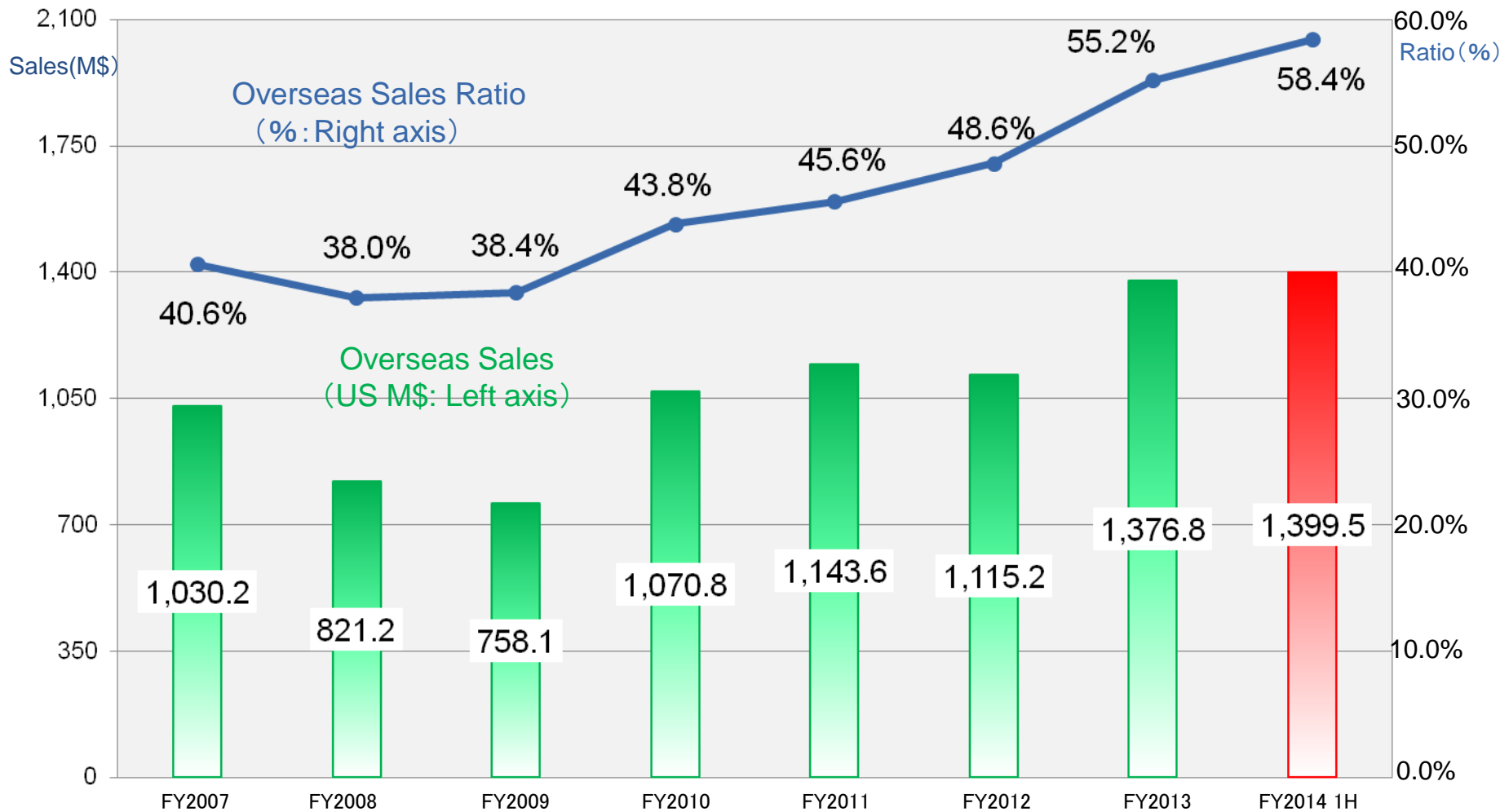




1 – 6. Overseas Sales Ratio

FY2014 1st Half Result

- Consolidated overseas sales ratio increased steadily except around times of Lehman shock.
- FY2014 1H overseas sales ratio was 58.4%.



* Sales in FY2014 1H was adjusted to annual. (doubled)

1-7. FY2014 1st Half BS

FY2014 1st Half Result

- Due to decrease in interest bearing debt etc., shareholders' equity ratio was 48.2%, up 1.6 point and D/E ratio was 0.40, down 0.05 point.

	¥bn	Actual	Actual	Actual
Current Assets		1,115.8	1,203.6	1,308.0
Non-Current Assets		1,181.8	1,351.2	1,370.7
Current Liabilities		657.1	740.4	734.1
Non-Current Liabilities		395.7	434.5	455.8
(Interest Bearing Debt)		(485.6)	(534.6)	(517.5)
Shareholders' Equity		1,033.3	1,089.3	1,159.3
Accumulated Other Comprehensive Income		39.2	100.3	132.9
Minority Interest/Share Warrants		172.2	190.3	196.5
Total Assets		2,297.6	2,554.8	2,678.7
Shareholders' Equity Ratio		46.7%	46.6%	48.2%
Debt/Equity Ratio		0.45	0.45	0.40



2. FY2014 2nd Half Forecasts and Targets



2-1. Revised Forecasts and Executive Summary

FY2014 1st Half Result

- FY2014 annual forecasts were revised upward to ¥145bn ordinary income and ¥115bn net income on October 30th.
(Presuppositions in FY2014 2H) ¥100/\$, ¥130/€
- Our group is working on medium-term management plan “VISION 2017”, on business bases of Sumitomo Spirit and Sumitomo Electric Group Corporate Principles, by further strengthening S(Safety), E(Environment), Q(Quality), C(Cost), D(Delivery), D(Development), under a keyword of business innovation, .

Target	17VISION FY2015 Target	17VISION FY2017 Target
Sales	¥2,600bn	¥3,000bn
OP (OP%)	¥130bn (5.0%)	¥180bn (6.0%)
ROA	7%	9%

2-2. FY2014 Forecasts (PL)

FY2014 1st Half Result

FY2014 annual forecasts were revised to ¥2,700bn sales, ¥125bn OP, ¥145bn ordinary income and ¥115bn net income. (Presuppositions in FY2014 2H, ¥100/\$, ¥130/€)

	FY2013	FY2014 July Revision			FY2014 Oct Revision			Increase/ Decrease ③-①	Increase/ Decrease ③-②
		Actual①	1H Plan	2H Plan	Annual Plan②	1H Actual	2H Plan		
Net Sales	2,568.8	1,300.0	1,400.0	2,700.0	1,310.5	1,389.5	2,700.0	+131.2	+0.0
Operating Profit	120.1	45.0	80.0	125.0	47.9	77.1	125.0	+4.9	+0.0
Equity in Net Income	29.6	10.0	13.0	23.0	12.4	12.6	25.0	△4.6	+2.0
Ordinary Income	145.4	54.0	88.0	142.0	59.5	85.5	145.0	△0.4	+3.0
Net Extraordinary Income/Loss	△21.5	38.3	△11.0	27.3	38.3	△13.7	24.6	+46.1	△2.7
Income before Income Taxes and Minority Interests	123.9	92.3	77.0	169.3	97.8	71.8	169.6	+45.7	+0.3
Income Taxes & Minority Interests	△57.2	△19.3	△39.0	△58.3	△19.2	△35.4	△54.6	+2.6	+3.7
Net Income	66.7	73.0	38.0	111.0	78.6	36.4	115.0	+48.3	+4.0

※ Revised annual forecasts were announced on Oct 30th



2-3. Sales and OP by Segment

FY2014 1st Half Result

Annual sales and OP are forecasted to achieve the beginning of year plan, since OP will increase due to strong demand for wiring harnesses in overseas markets like North America, and cost reduction and effect of yen depreciation in Infocommunications, while sales will decrease in FPC.

	FY2014 Beginning of Year Plan				FY2014 Revised Plan				Increase/Decrease			
	1H				1H Actual				1H			
	¥bn	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales
Automotive	690.0	33.0	1,400.0	75.0	711.0	36.0	1,440.0	77.0	+21.0	+3.0	+40.0	+2.0
Infocommunications	80.0	△3.0	180.0	1.0	77.2	△1.2	180.0	5.0	△2.8	+1.8	+0.0	+4.0
Electronics	130.0	3.0	280.0	8.0	126.7	△0.5	260.0	2.0	△3.3	△3.5	△20.0	△6.0
Environment and Energy	280.0	1.0	610.0	17.0	278.6	3.4	650.0	17.0	△1.4	+2.4	+40.0	+0.0
Industrial Materials and Others	160.0	11.0	330.0	24.0	156.9	10.4	330.0	24.0	△3.1	△0.6	+0.0	+0.0
Total	1,300.0	45.0	2,700.0	125.0	1,310.5	47.9	2,700.0	125.0	+10.5	+2.9	+0.0	+0.0

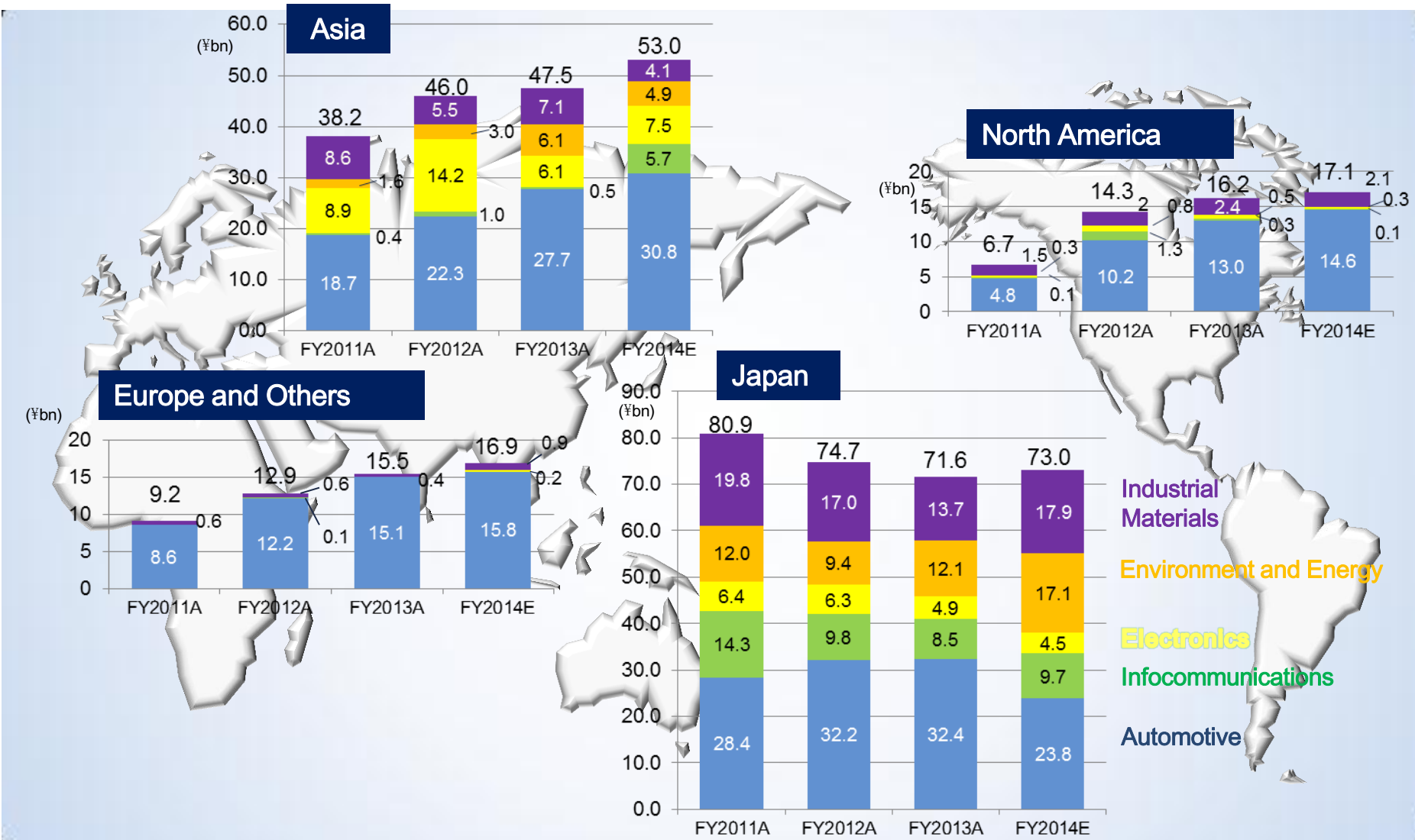
※ Differences between the aggregate of all segments and Total are eliminations.



2-4. Capital Investment by Region

FY2014 1st Half Result

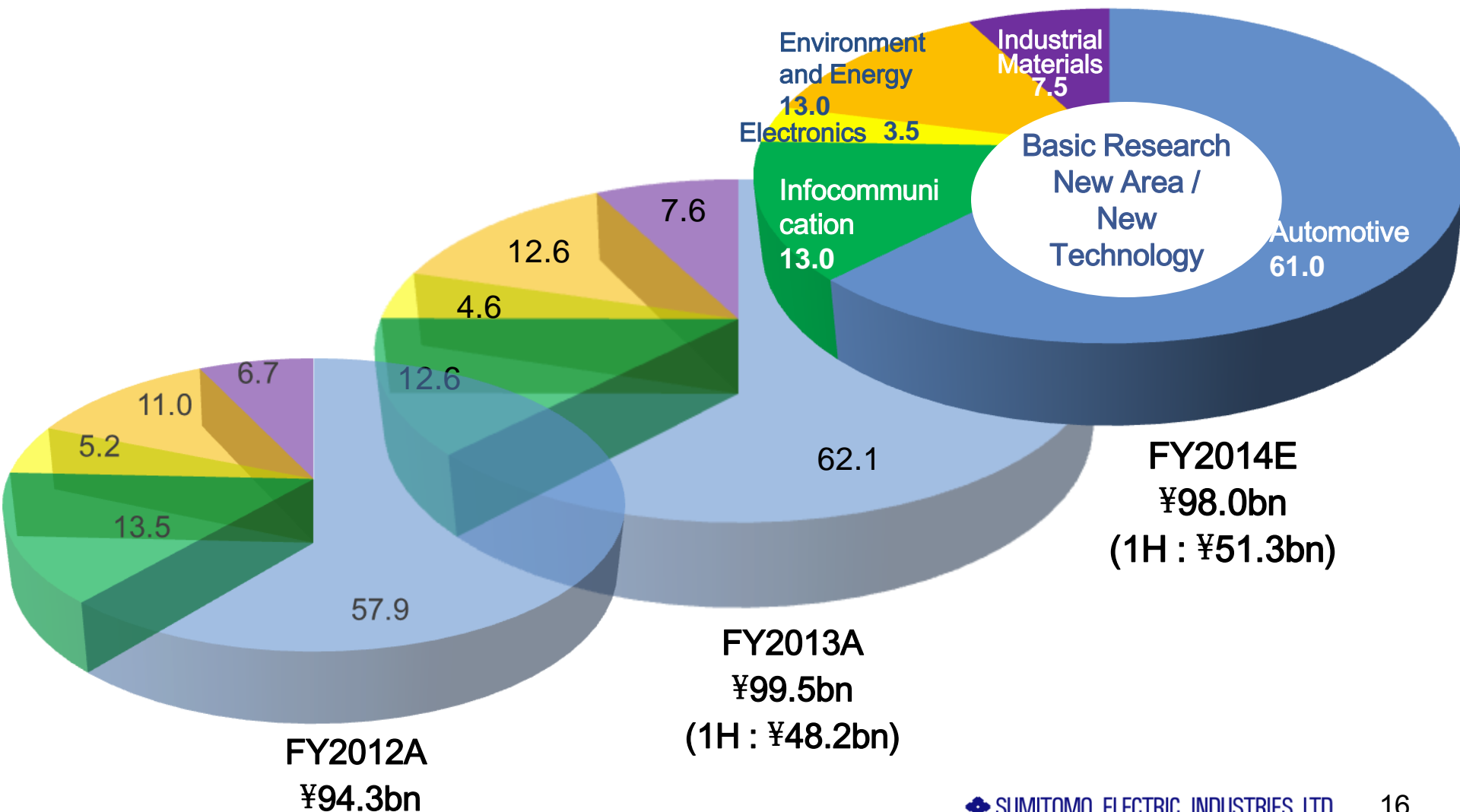
Capital investment in FY2014 is forecasted to be ¥160bn, same as the beginning of year plan. By region, increase in Asia, slight increase in Japan, Europe and North America and increase in total from the last year.





2-5. FY2014 R&D

R&D expenses in FY2014 is estimated to be ¥98.0bn, same as the beginning of year plan.





2-6. Start of Integrated Production from Casting and Rolling of Aluminum Electric Wire for Automakers in Thailand

FY2014 1st Half Result

- Increase in production capacity of aluminum electric wire for automakers at 100% subsidiary in Thailand, Thai Electric Conductor Co., Ltd. and start of integrated production of aluminum wire from casting and rolling.
- Installation of aluminum wire casting and rolling equipment enabling to produce high quality aluminum conductor.
- Aiming at expanding application of high quality aluminum wiring harnesses for engine room and other areas where the application was considered difficult so far.

Production Start	1)Copper Wire Rod: Apr 2015, 2)Aluminum Bar: Sep 2014, 3)Aluminum Wire Rod, Wire: Oct 2016, 4)Aluminum Electric Wire for Automakers: Sep 2014(This Increase in Production Capacity) Sep 2016
Investment	Approximately ¥7.3bn
Employee	Approximately 330 (In 2017 at full operation)
Capacity	Copper Wire Rod:17,000t/month, Aluminum Wire Rod:1,440t/month, Aluminum Electric Wire for Automakers:300t/month



Wiring Harnesses using Aluminum Wire for Automakers



SEI Thai Electric Conductor Co., Ltd.

2-7. Commercialization of Magnesium Alloy

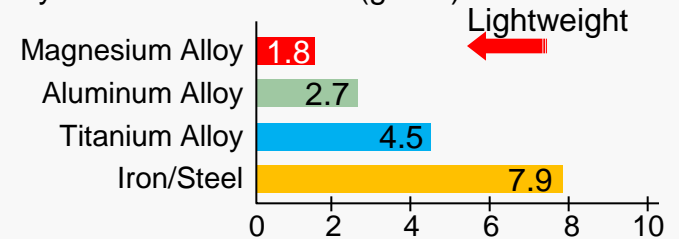
FY2014 1st Half Result

Characteristics of Magnesium Alloy

【Advantage】 Among structural metallic materials in use, Magnesium is the lightest, outstandingly strong and rigid. In addition, it is recyclable and abundant in nature.

【Disadvantage】 It is difficult to be processed, low in corrosion resistance and flammable in ambient air.

Specific Gravity of Structural Material(g/cm³)



※AZ91: Aluminum9%-Zinc1% - Magnesium Alloy

Achievements

- AZ91 alloy, generally used in automotive fields, despite its higher strength and corrosion resistance, as compared with AZ31 generally used as sheets, was difficult to be plated due to the difficulty in rolling. SEI succeeded in commercial production of AZ91※ alloy sheet through a unique technology for the first time in the world and our AZ91 alloy sheet was adopted as housing material of note type personal computer in Autumn 2012.
- In November 2013, in order to deploy into a manufacturing business of housing for IT apparatus, not merely sheets, Sumiden Light Alloy (Changzhou) Co., Ltd. (SCLA) was established and commercial operation of housing started in September 2014.



Future Outlook

- Aiming at applications for structural materials and parts for transportation vehicles, highly needing for light weight materials, such as automotive, railroad car, aviation, not only IT apparatus fields in the future.



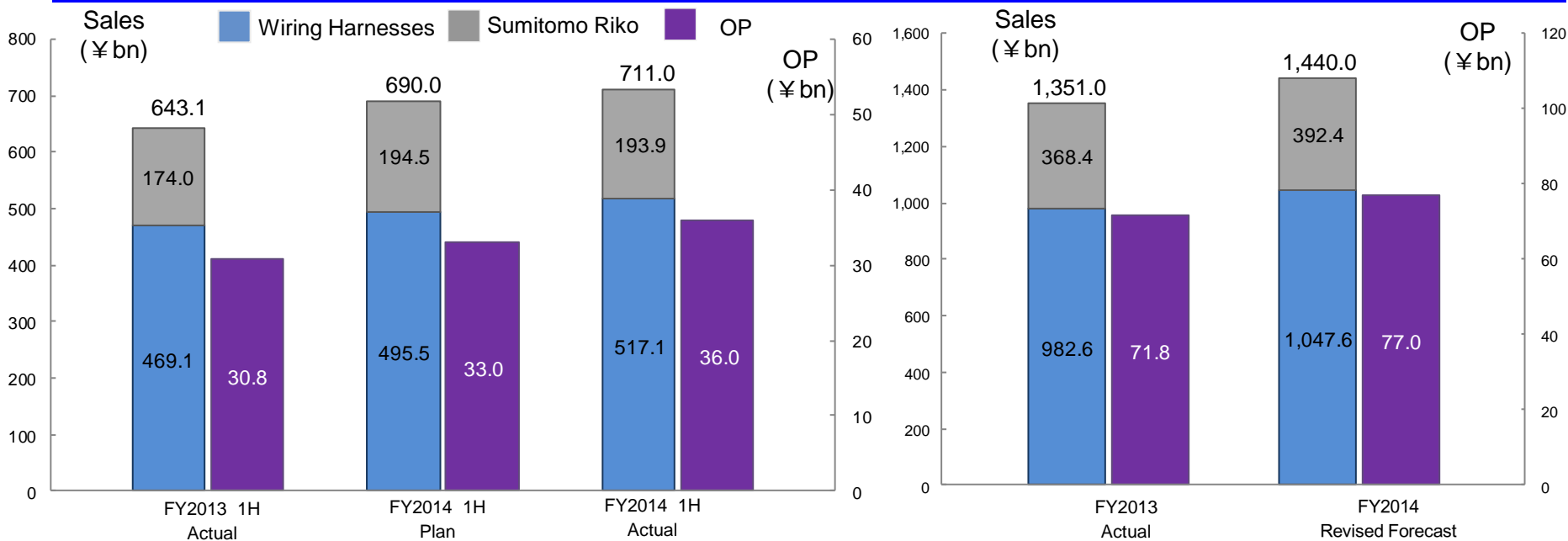
Prototype for Automotive Interior (2013 Tokyo Motor Show)



3. Results and Targets by Segment

3-1. Automotive

FY2014 1st Half Result



FY2014 1H Results

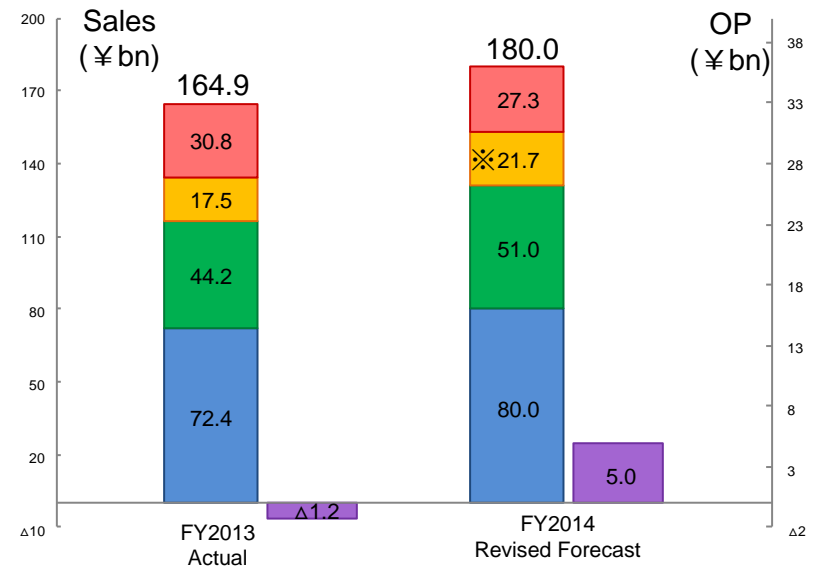
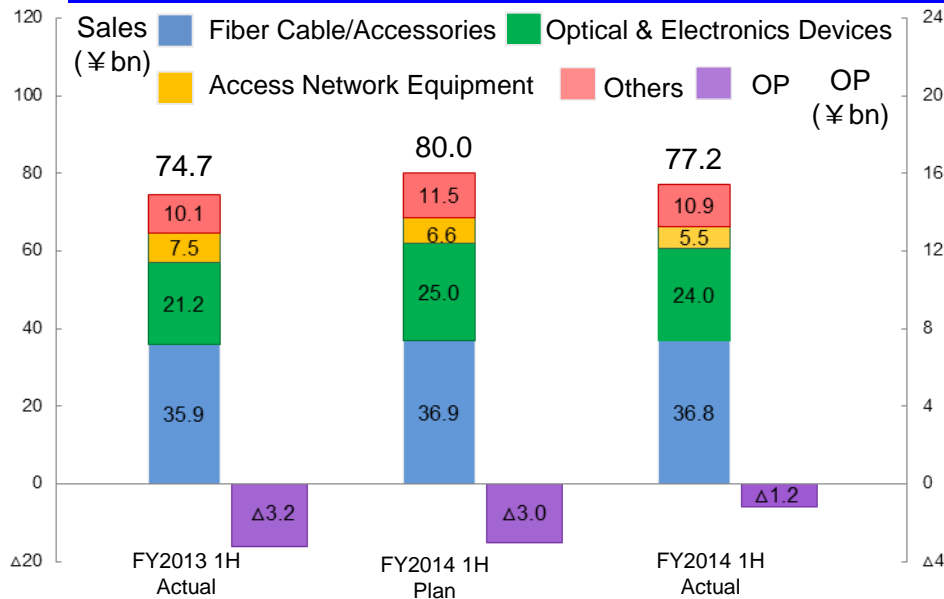
- Sales increased as compared with the same period of the previous year and the original plan, due to stable demand for wiring harnesses in overseas markets like USA, and because the business of vibration proof rubber Sumitomo Riko purchased in Germany last year has been consolidated in 2Q last year.
- OP increased as compared with the same period of the previous year and the original plan, due to increased sales in wiring harnesses and cost reduction, despite decrease at Sumitomo Riko.

FY2014 Forecasts and Targets

- Sales and OP are forecasted to increase due to continuing strong demand for wiring harnesses, despite decrease at Sumitomo Riko.
- Development · sales promotion of aluminum harnesses contributing to light weight cars and high voltage harnesses for eco-friendly cars will continue to become a global all-round supplier of automotive parts.
- Sumitomo Riko will exhibit a synergistic effect with purchased overseas business and make a full-scale entry into non- Japanese market of vibration proof rubber · automotive hose as a global supplier.

3-2. Infocommunications

FY2014 1st Half Result



FY2014 1H Result

- Sales increased as compared with the same period of the previous year due to increased demand for optical·electronic devices and optical fiber cable, despite decreased demand for access network equipment, and decreased from the original plan owing to decreased demand for access network equipment.
- Negative OP decreased as compared with the same period of the previous year and the original plan due to increased sales, sales of new products, cost reduction and improvement by yen depreciation.

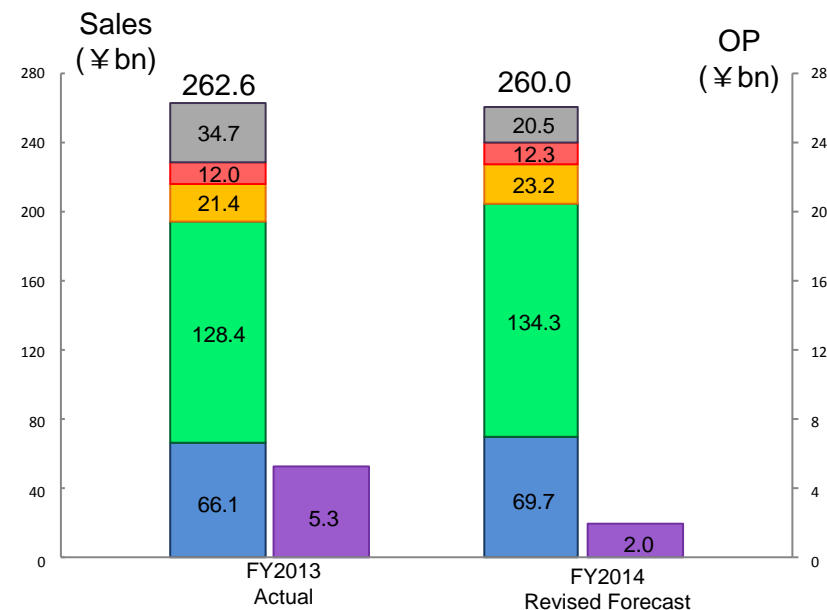
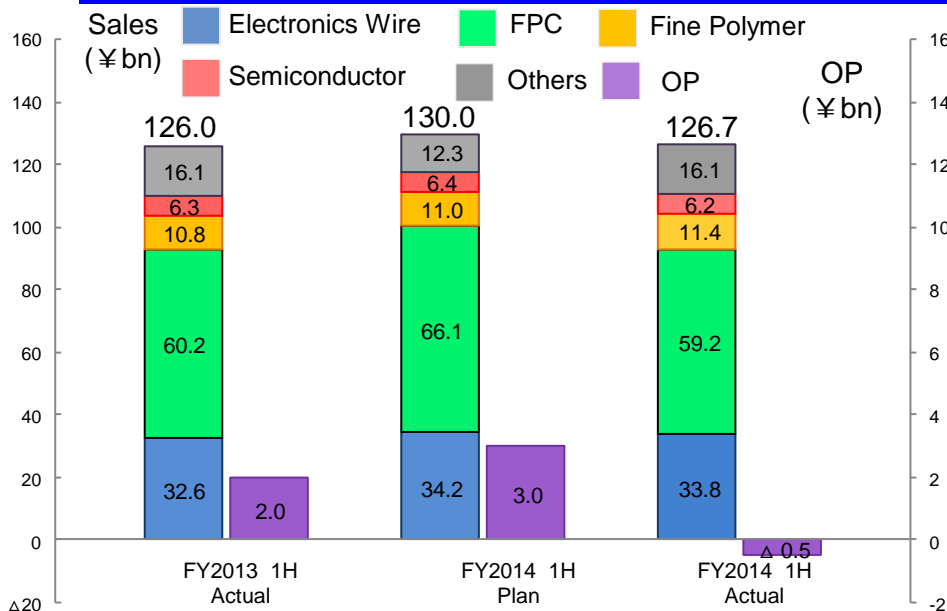
FY2014 Forecast and Targets

- Sales will increase due to increased demand for optical fiber cable and optical·electronic devices. Negative OP of ¥1.2bn will turn into positive of ¥5.0bn due to increased demand, sales of new products, cost reduction and improvement by yen depreciation .
- Sales promotion will continue for extra low loss fiber and amplifier for submarine telephone cable, 40/100Gbps high speed optical device, GaN device for mobile base station and intelligent transport system.

※Business of Broad Netmax, Co., Ltd. included in "Others" on the above graph was integrated in Network System Division in FY2014 2H as a result of reorganization for strengthening business.



3-3. Electronics



FY2014 1H Result

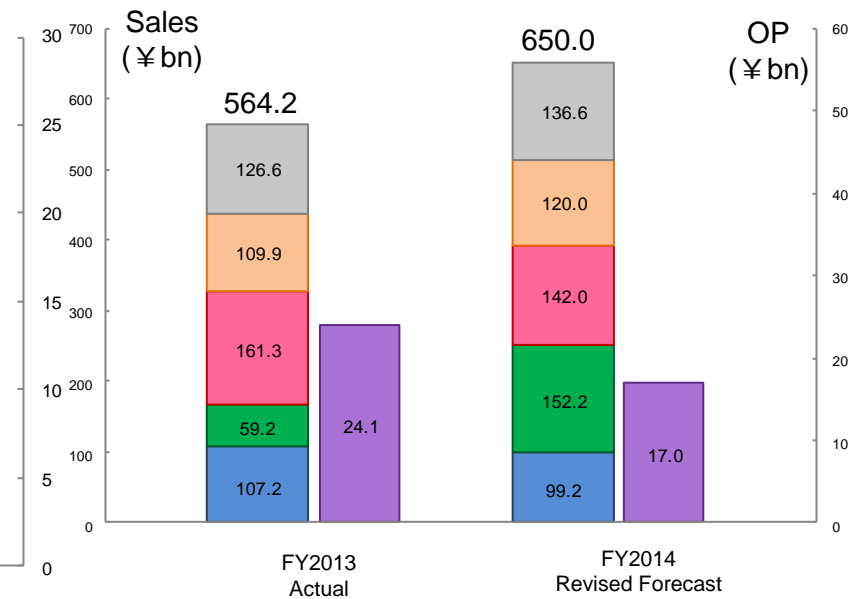
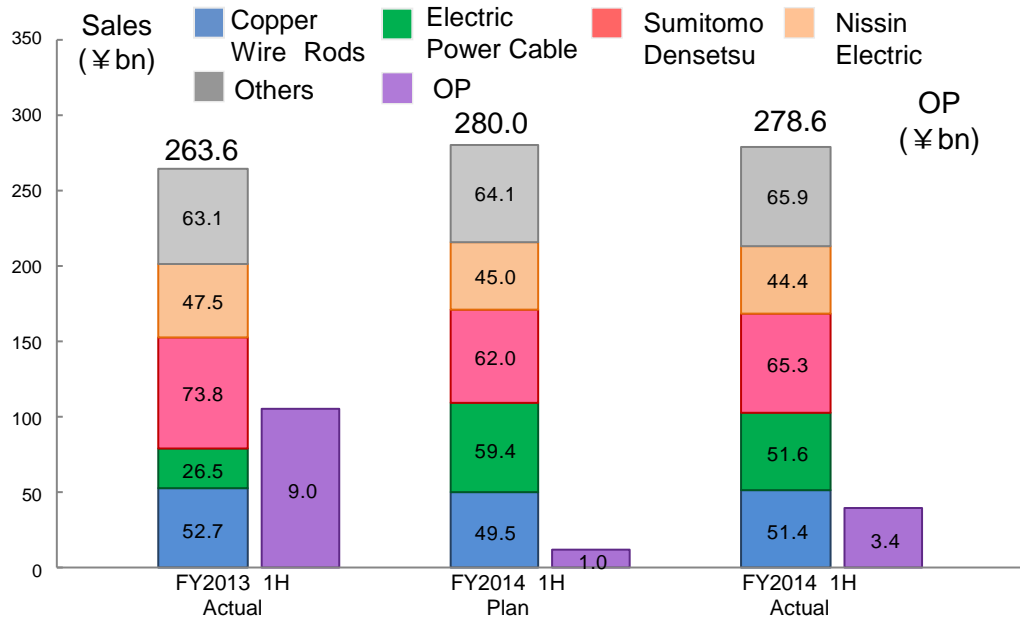
- Sales increased as compared with the same period of the previous year due to increased demand for electronics wire, and decreased as compared with the original plan owing to decreased demand for FPC at a new customer.
- OP(Losses) decreased as compared with the same period of the previous year and the original plan owing to sales decrease in FPC, changes in products mix and increase in depreciation charges.

FY2014 Forecast and Targets

- OP will decrease to ¥2.0bn as compared with the previous year owing to OP decrease in FPC, changes in products mix and increase in depreciation charges.
- Global sales·production system will be strengthened to promote improvement of profitability and further cost reduction for FPC, electronics wire and irradiated tube. Development will be promoted for further extra-fine·thin·highly heat resistant FPC and business will be expanded for space saving high speed wiring materials applied by high speed transmission cable.

3-4. Environment and Energy

FY2014 1st Half Result



FY2014 1H Result

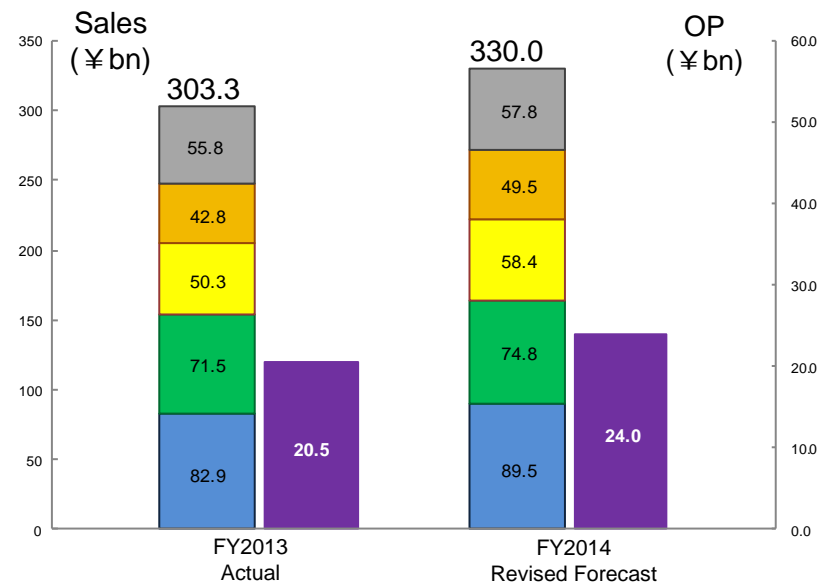
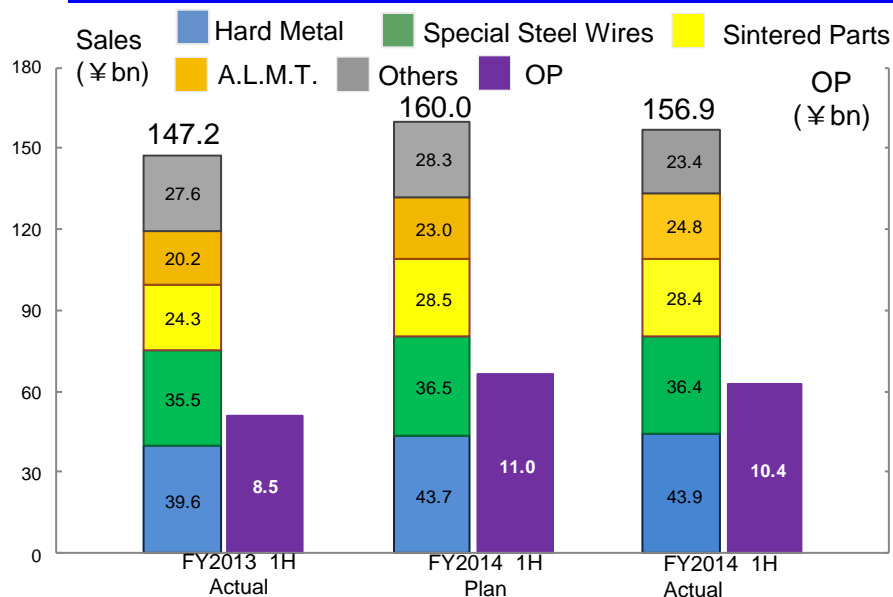
- Sales increased as compared with the same period of the previous year due to consolidation of JPS as a subsidiary, and decreased as compared with the original plan owing to decreased demand for power cable.
- OP decreased owing to amortization of goodwill for consolidation of JPS as a subsidiary, decreased demand for ion insert equipment for production of super fine medium sized FPD by Nissin Electric and prior payments of expenses for development of new products of Redox Flow Battery, and increased as compared with the original plan due to increased OP at Sumitomo Densetsu and cost reduction.

FY2014 Forecast and Targets

- Sales will increase as compared with the previous year due to consolidation of JPS and Sumiden Hitachi Cable in FY2014 2H as a subsidiary, while OP will decrease owing to amortization of goodwill for consolidation of JPS as a subsidiary and prior payments of expenses for development of new products.
- Large scale projects will be secured for high voltage·long distance submarine cable by further closer collaboration with 100% subsidiary, JPS. Sales will be promoted for porous metallic material for battery and magnet wire for motor for eco-friendly cars and development will be accelerated for products for smart energy system.

3-5. Industrial Materials and Others

FY2014 1st Half Result



FY2014 1H Result

- Sales increased as compared with the same period of the previous year due to stable demand for hard metal tools and sintered parts for automotive and semiconductor heat sink.
- OP increased as compared with the same period of the previous year due to sales increase and yen depreciation effect, and slightly decreased as compared with the original plan owing to unachieved sales.

FY2014 Forecast and Targets

- Sales will increase due to continuing stable demand for hard metal tools and sintered parts for automotive. OP will also increase due to increase in sales volume.
- In a background of stable growth of mobility market like automotive, global deployment of hard metal tools will be accelerated and a new production base for sintered parts will be established in Mexico. These events will enable to further strengthen global supply system and raw material sourcing. In addition, enhancement·innovation of core technology will be promoted and sales promotion of new products will continue, such as nano polycrystalline diamond for Hard Metal and electrification parts for automotive for Sintered Parts.

3-6. Introduction of Existing High Value Added Businesses

FY2014 1st Half Result

Electronics 【Electronics Wire & Polymer Business Unit】

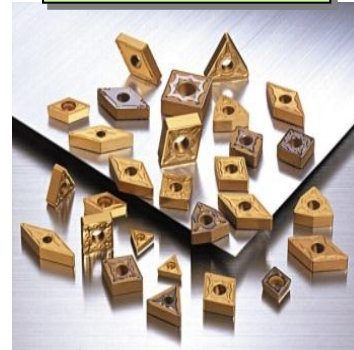
Electric Wire



FFC (Flexible Flat Cable)

Industrial Materials 【Advanced Materials Business Unit】

Hard Metal



Hard Metal Tools

Sintered Parts



Sintered Parts

Fine Polymer



(New business)
Irradiated SUMIFLON

Irradiated Tube/Tape

A.L.M.T. products



Heatspreader
Material



Grinding Wheel
Material



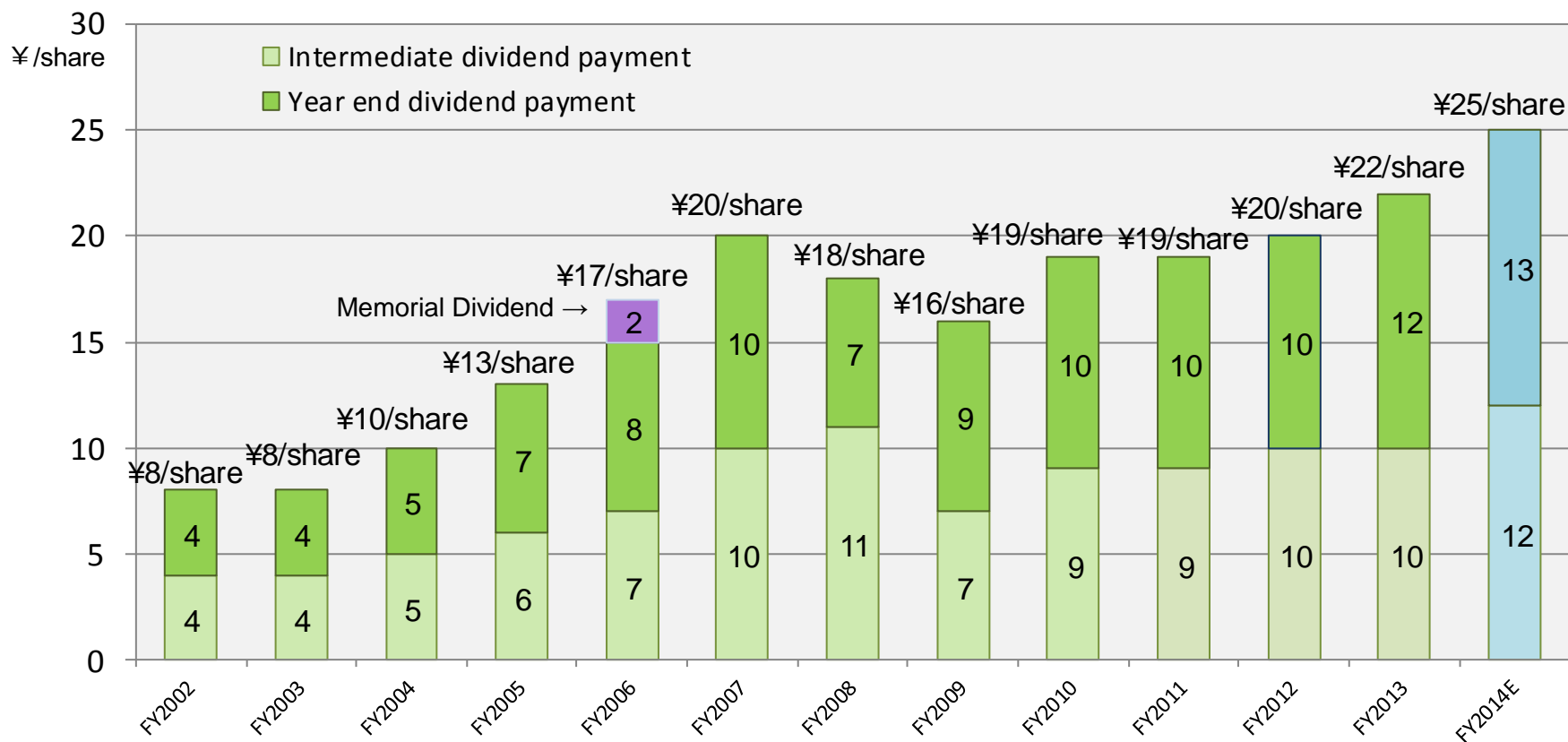
4. Dividend and Payout Ratio



4. Dividend and Payout Ratio

FY2014 1st Half Result

FY2014 annual dividend is planned as ¥25/share, increased by ¥3/share from the last year and not changed from the July announcement, including year-end dividend of ¥13/share.



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	84.15	144.98
Dividend Payout Ratio	—	23.3%	20.8%	17.0%	17.0%	17.7%	82.6%	44.2%	21.3%	25.6%	41.8%	26.1%	17.2%



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2. Fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar, the euro and Asian currencies.
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