

# **FY2015 Results and FY2016 Forecasts**

**SUMITOMO ELECTRIC INDUSTRIES, LTD.**

2016/5/26

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# 1. FY2015 Results

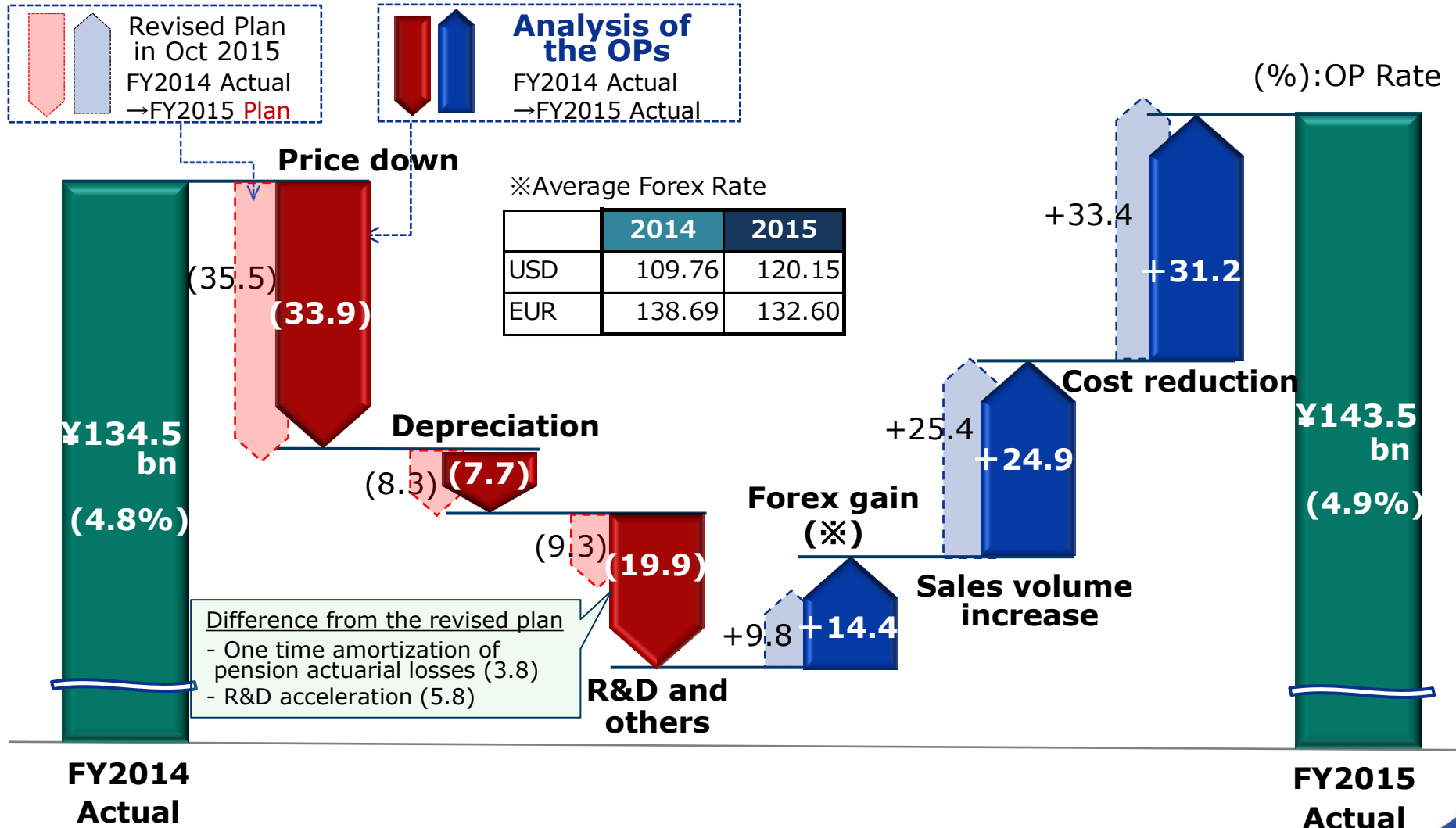
# 1-1. FY2015 Results

Sales, OP and ordinary income all increased as compared with the previous year, but did not reach the revised plan.

¥bn	FY2014	FY2015	FY2015	Growth	Difference
	Actual <sup>①</sup>	Revised Plan <sup>②</sup>	Actual <sup>③</sup>	③-①	③-②
Net Sales	<b>2,822.8</b>	3,050.0	<b>2,933.1</b>	+110.3	(116.9)
Operating Profit	<b>134.5</b>	150.0	<b>143.5</b>	+9.0	(6.5)
Non-Operating Income/Expense	<b>26.1</b>	25.0	<b>22.2</b>	(3.9)	(2.8)
Ordinary Income	<b>160.6</b>	175.0	<b>165.7</b>	+5.1	(9.3)
Net Extraordinary Profit/Loss	<b>6.4</b>		<b>(10.8)</b>	(17.2)	
Profit before Income Taxes	<b>167.0</b>	(85.0)	<b>154.9</b>	(12.1)	+10.3
Profit Attributable to Non-Controlling Interests	<b>(47.2)</b>		<b>(63.9)</b>	(16.7)	
Profit Attributable to Owners of the Parent	<b>119.8</b>	90.0	<b>91.0</b>	(28.8)	+1.0

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

OP increased by ¥9.0bn, due to forex gain, sales volume increase and cost reduction, despite price down and increase in depreciation and R&D expenses incurred by prior investment.



# 1-3. Sales and OP by Segment

In automotive segment both sales and OP increased as compared with the revised plan, and sales renewed the record high. In other segments neither sales nor OP reached the revised plan, despite significant recovery in Infocommunications segment.

¥bn	FY2014 Actual ①		FY2015 Revised Plan②		FY2015 Actual③		Growth ③ - ①		Difference ③ - ②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	1,488.2	89.3	1,535.0	85.0	<b>1,542.0</b>	<b>88.7</b>	+53.8	(0.6)	+7.0	+3.7
Infocommunications	172.0	3.7	205.0	13.0	<b>184.7</b>	<b>11.9</b>	+12.7	+8.2	(20.3)	(1.1)
Electronics	292.0	5.5	325.0	12.5	<b>312.0</b>	<b>10.2</b>	+20.0	+4.7	(13.0)	(2.3)
Environment and Energy	636.5	13.5	740.0	16.5	<b>659.5</b>	<b>13.4</b>	+23.0	(0.1)	(80.5)	(3.1)
Industrial Materials and Others	317.4	23.0	345.0	23.0	<b>312.2</b>	<b>19.2</b>	(5.2)	(3.8)	(32.8)	(3.8)
<b>Total</b>	<b>2,822.8</b>	<b>134.5</b>	<b>3,050.0</b>	<b>150.0</b>	<b>2,933.1</b>	<b>143.5</b>	+110.3	+9.0	(116.9)	(6.5)

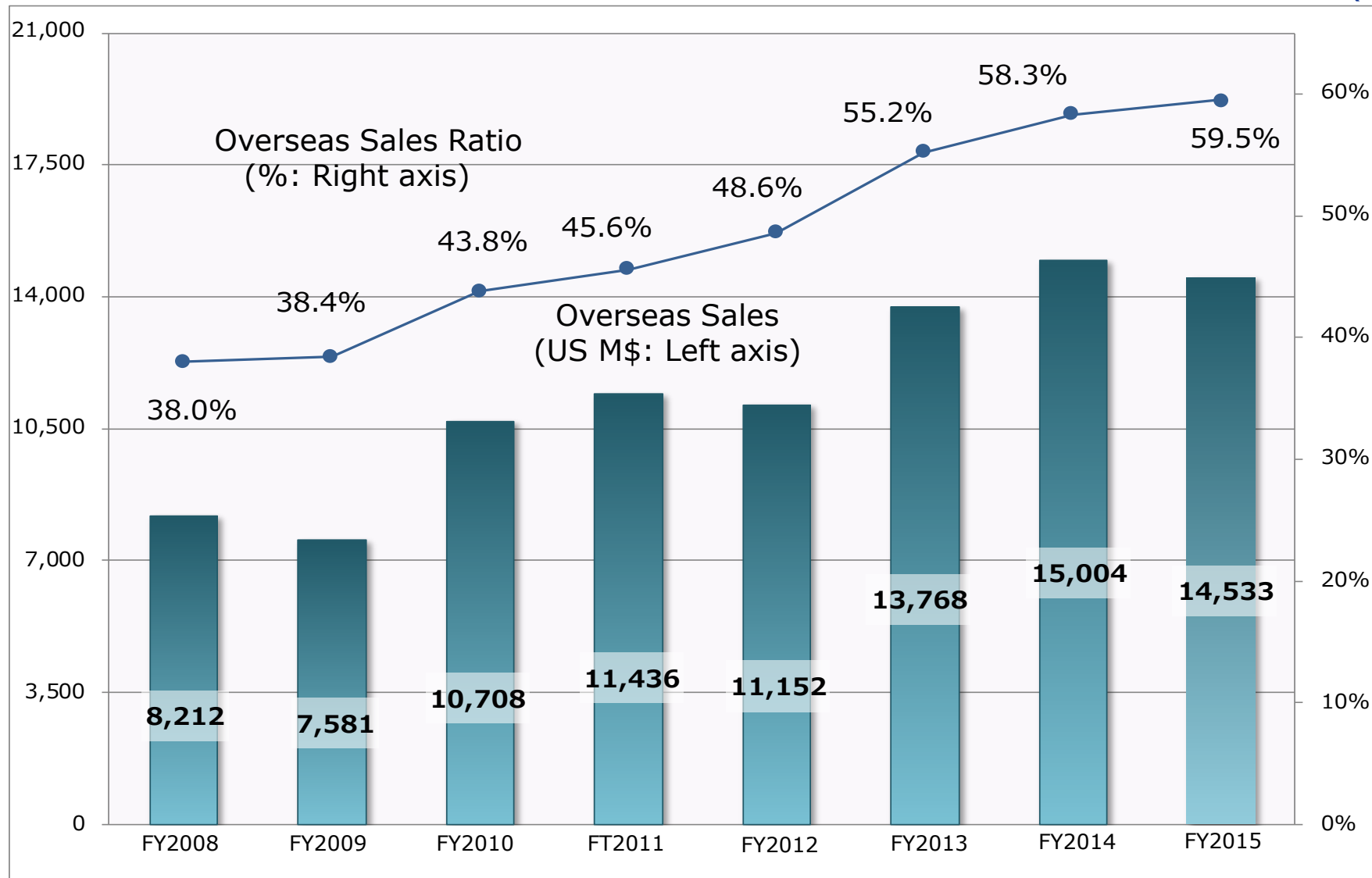
※Differences between the aggregate of all segments and Total are eliminations.

# 1-4. Overseas Sales Ratio

Sales(M\$)

Consolidated overseas sales ratio increased steadily.

Ratio(%)



# 1-5. FY2015 BS

	FY2013 Actual	FY2014 Actual	FY2015 Actual
Current Assets	1,203.6	1,415.6	<b>1,357.2</b>
Non-Current Assets	1,351.2	1,510.2	<b>1,385.6</b>
Current Liabilities	740.4	809.9	<b>771.2</b>
Non-Current Liabilities	434.5	469.0	<b>410.4</b>
(Interest Bearing Debt)	(534.6 )	(550.8 )	<b>(457.2 )</b>
Shareholders' Equity	1,089.3	1,191.0	<b>1,251.7</b>
Accumulated Other Comprehensive Income	100.3	240.2	<b>108.8</b>
Non- Controlling Interests	190.3	215.7	<b>200.7</b>
Total Assets	2,554.8	2,925.8	<b>2,742.8</b>
Shareholders' Equity Ratio	46.6%	48.9%	<b>49.6%</b>
Debt/Equity Ratio	0.45	0.38	<b>0.34</b>
	FY2013 Actual	FY2014 Actual	FY2015 Actual
※Operating Income / Invested Assets(ROA)	6.6%	6.5%	<b>6.8%</b>
Return on Equity(ROE)	5.9%	9.1%	<b>6.5%</b>

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



## 2. FY2016 Forecasts

# 2-1. FY2016 Forecasts(PL)

FY2016 annual forecasts would be ¥2,950bn sales, ¥160bn OP, ¥185bn ordinary income, ¥100bn net income.

¥ bn	FY2015 Actual ①	FY2016		Annual Plan②	Growth ②-①
		1 H Plan	2H Plan		
Net Sales	2,933.1	1,400.0	1,550.0	<b>2,950.0</b>	+17
Operating Profit	143.5	55.0	105.0	<b>160.0</b>	+17
Non-Operating Income/Expense	22.2	10.0	15.0	<b>25.0</b>	+3
Ordinary Income	165.7	65.0	120.0	<b>185.0</b>	+19
Net Extraordinary Profit/Loss	(10.8)				
Profit before Income Taxes	154.9	(25.0)	(60.0)	<b>(85.0)</b>	(10)
Profit Attributable to Non-Controlling Interests	(63.9)				
Profit Attributable to Owners of the Parent	91.0	40.0	60.0	<b>100.0</b>	+9
※Operating Income / Invested Assets(ROA)	6.8%			<b>7.8%</b>	+1.0%
Return on Equity(ROE)	6.5%			<b>7.3%</b>	+0.8%

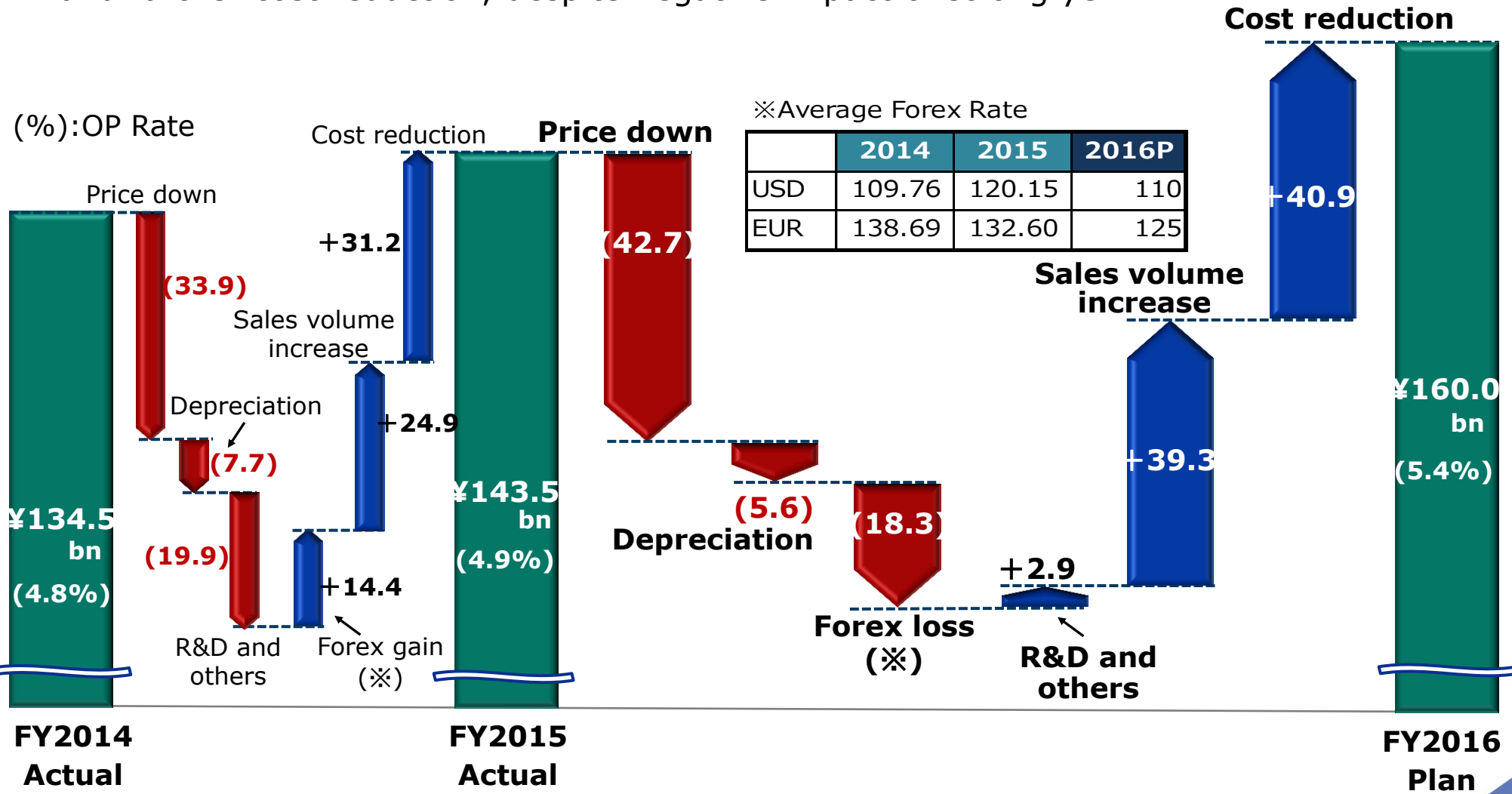
FY2016 Plan  
Presuppositions  
¥110/USD  
¥125/EUR

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

10/24

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

OP is forecasted to increase by ¥16.5bn in FY2016, due to sales volume increase and further cost reduction, despite negative impact of strong yen.



## 2-3. Sales and OP by Segment

FY2016 OP is forecasted to increase in all segments as compared with the previous year.

¥ bn	FY2015		FY2016						Growth	
	Actual①		1H Plan		2H Plan		Annual Plan ②		②-①	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	1,542.0	88.7	<b>730.0</b>	<b>38.0</b>	<b>750.0</b>	<b>51.0</b>	<b>1,480.0</b>	<b>89.0</b>	(62.0)	+0.3
Infocommunications	184.7	11.9	<b>90.0</b>	<b>0.0</b>	<b>120.0</b>	<b>13.0</b>	<b>210.0</b>	<b>13.0</b>	+25.3	+1.1
Electronics	312.0	10.2	<b>140.0</b>	<b>4.0</b>	<b>170.0</b>	<b>8.0</b>	<b>310.0</b>	<b>12.0</b>	(2.0)	+1.8
Environment and Energy	659.5	13.4	<b>310.0</b>	<b>2.0</b>	<b>380.0</b>	<b>19.0</b>	<b>690.0</b>	<b>21.0</b>	+30.5	+7.6
Industrial Materials and Others	312.2	19.2	<b>150.0</b>	<b>11.0</b>	<b>170.0</b>	<b>14.0</b>	<b>320.0</b>	<b>25.0</b>	+7.8	+5.8
<b>Total</b>	<b>2,933.1</b>	<b>143.5</b>	<b>1,400.0</b>	<b>55.0</b>	<b>1,550.0</b>	<b>105.0</b>	<b>2,950.0</b>	<b>160.0</b>	+16.9	+16.5

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

# 2-4. FY2016 Challenges and Strategies(1)

## Automotive

¥bn	FY2015 Actual	FY2016 Plan	Growth
Operating Profit	88.7	<b>89.0</b>	+0.3

- ① **Expansion of revenue sources** (Development and sales promotion of high value added products such as connectors/components and others, aluminum harnesses)
- ② **Intensive cost reduction** (Material cost reduction, optimization of global production allocation, global expansion of new optimized product line)
- ③ **Further sales promotion to overseas customers**, smooth mass production start-up of new models
- ④ **Early development of dynamic force** and acceleration of synergistic effect of the **companies purchased by Sumitomo Riko**

## Infocommunications

¥bn	FY2015 Actual	FY2016 Plan	Growth
Operating Profit	11.9	<b>13.0</b>	+1.1

- ① **Cope with high demand in China and other overseas markets**  
(Production capacity increase, improvement of profitability)
- ② Continuous marketing and sales promotion of **high value added new products**  
(Optical fiber for submarine cable, ultra high count fiber cable for data center, GaN device for mobile base station, 100G optical device, etc.)

## Electronics

¥bn	FY2015 Actual	FY2016 Plan	Growth
Operating Profit	10.2	<b>12.0</b>	+1.8

- ① Management of optimized portfolio and improvement of profitability by **customer and product frontage expansion and enhancement of product development** for FPC, electronic wires and irradiated tubes
- ② **Quality and cost structural improvement** by reorganization of FPC business  
(Dispersion of factory location(addressing China risk), process automation, etc.)

## 2-4. FY2016 Challenges and Strategies(2)

### Environment and Energy

	FY2015	FY2016	
¥bn	Actual	Plan	Growth
Operating Profit	13.4	<b>21.0</b>	+7.6

- ① Profitability improvement of Power cable business
  - Sales promotion to meet high demand in overseas submarine power cable market, **sure execution of large projects** already on hand
  - Establishment of production system to **enhance competitiveness in cost and quality** (Production capacity increase in submarine power cable, etc.)
- ② **Reinforcement of coordination with Sumitomo Densetsu and Nissin Electric**  
(Solution proposal for new energy market and others)
- ③ Promotion of commercialization through **domestic and overseas accelerated development and demonstration** of energy system related products  
(Redox flow battery, sCPV system, etc.)

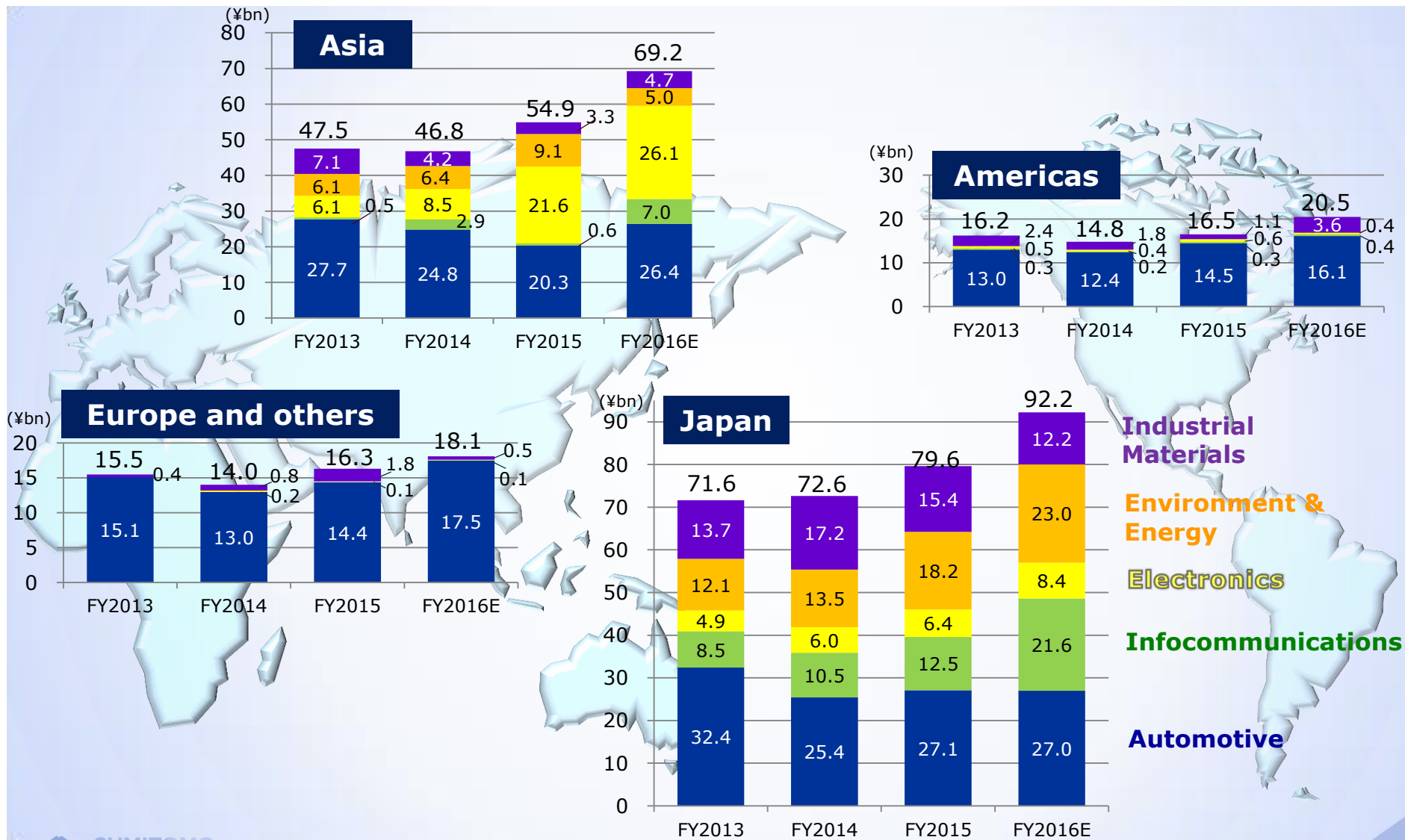
### Industrial Materials and Others

	FY2015	FY2016	
¥bn	Actual	Plan	Growth
Operating Profit	19.2	<b>25.0</b>	+5.8

- ① **Establishment of new business model in which material is core**  
(Capture of aircraft, precision processing and other growing markets)
- ② **Further reinforcement of global sales, production and quality control system** for Hard metal and Sintered parts
- ③ **Structural enhancement and profitability improvement at A.L.M.T.**  
(Concentration of resources in growing areas, intensive cost reduction, etc.)

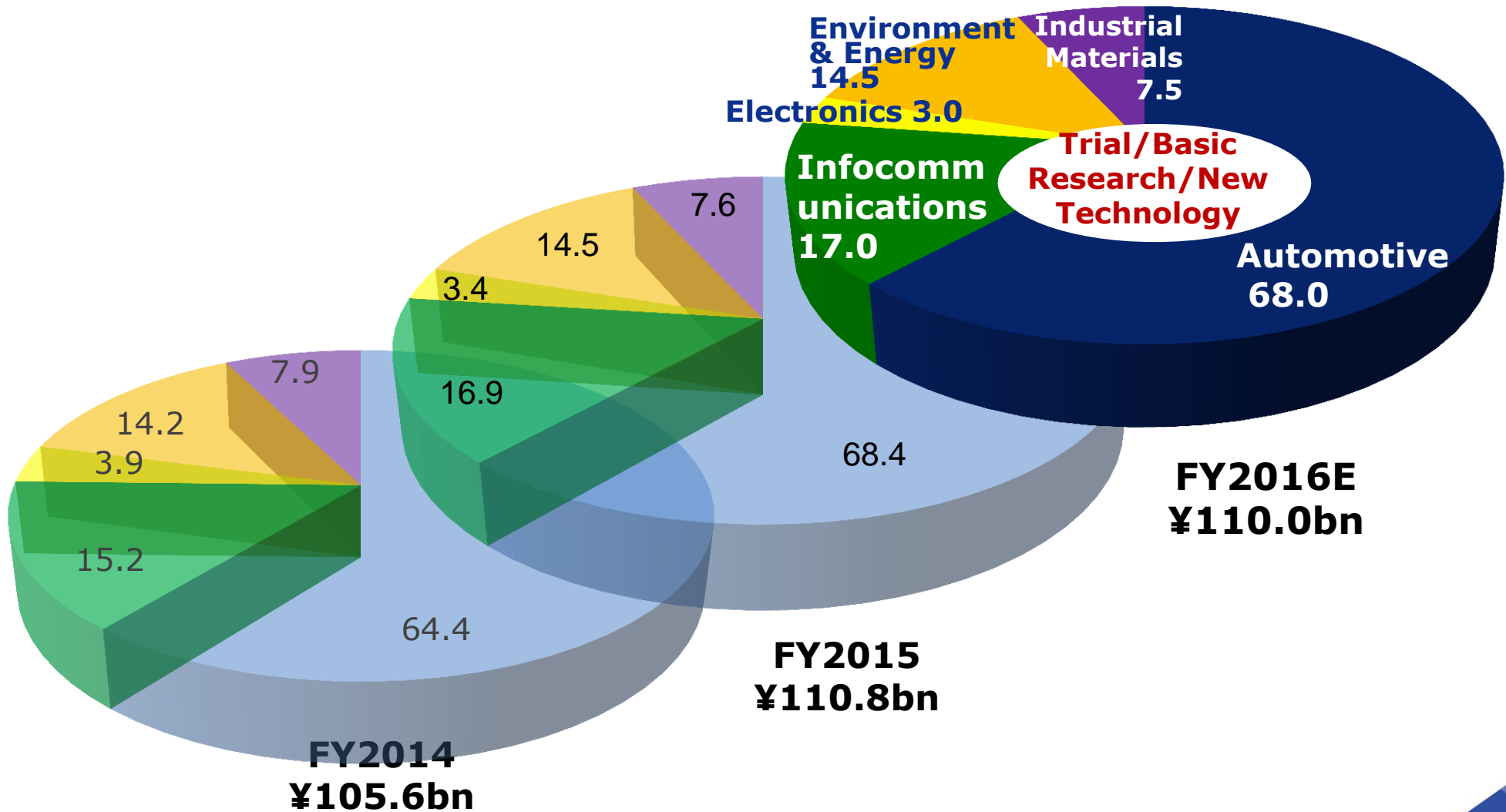
# 2-5. Capital Investment by Region/Segment

Capital investment in FY2016 is planned to be ¥200bn in total



# 2-6. R&D by Segment

R&D expenses in FY2016 are estimated to be ¥110bn, which is the same level as the last year's record high





# 3. Progress of Projects for Energy System Related Products

# 3-1. Commercialization of Redox Flow(RF) Battery

## Progress of Demonstration PJs for Large-scale Battery System

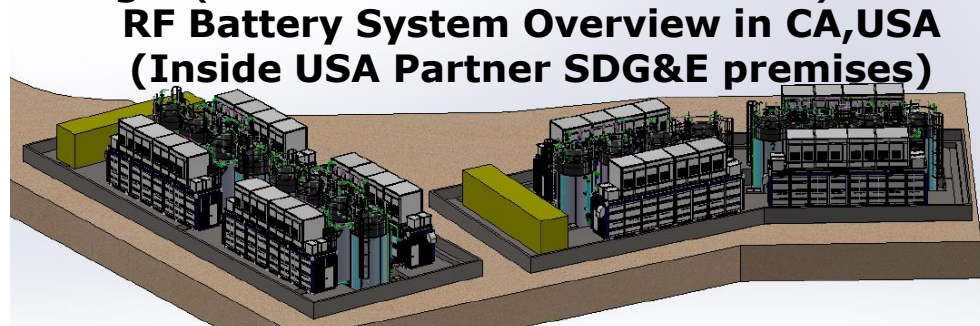
- World's largest-scale RF battery system installed and its demonstration with Hokkaido Electric Power Co., Inc. started in DEC15
- Ongoing installation of RF battery system for demonstration in CA, USA which is an advanced country of storage battery usage (Planned to start in Fall16)



**Hokkaido Electric RF Battery Building**



**Inside the Building**



**RF Battery System Overview in CA, USA (Inside USA Partner SDG&E premises)**

Hokkaido Electric Joint Demo (15MW×4h)  
 Verification of performance against wind & solar power output fluctuation, Development of optimized control technology

CA, USA NEDO Consigned Demo (2MW×4h)  
 Verification of economic efficiency in multiple application by operating both transmission & distribution

**Sure Execution of Demo PJs, Enhancement of Promotion in Markets Worldwide → Maximization of Demo Effects, Capture of Actual Orders**

### Reduction in Cost & Size / New Type sARF

Operation test started in JAN16 → Plan to start sales in 2H16 **sARF Overview**



← High performance new type unit(cell)+small sized equipment enabled battery system to be accommodated in a container

**[Double output + Reduction in installation & transportation costs]**

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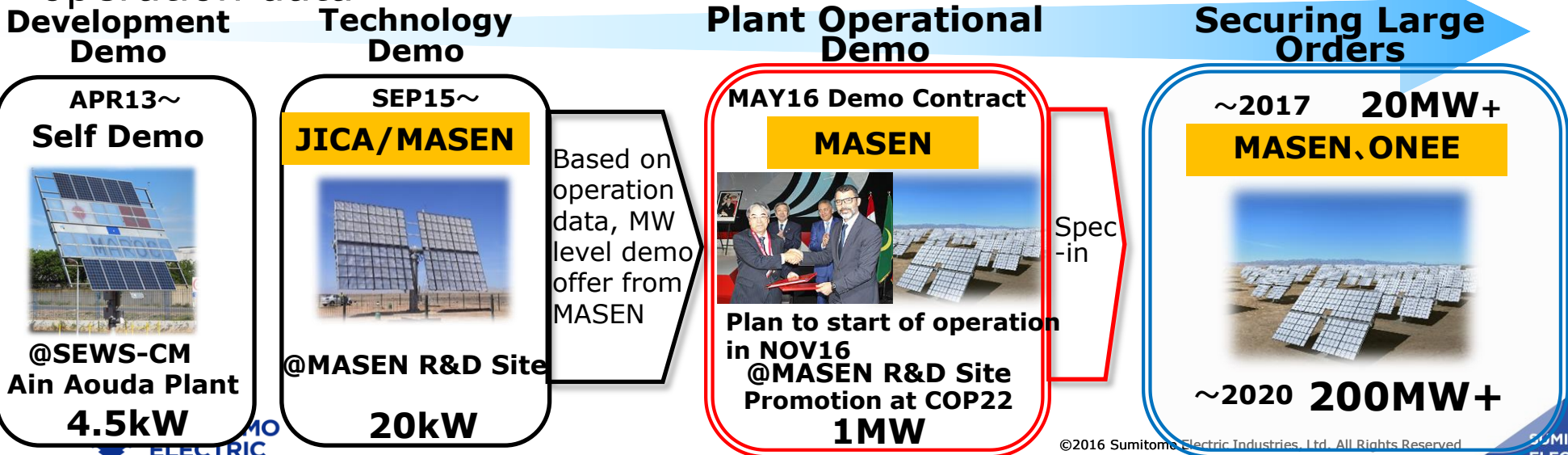
# 3-2. Commercialization of Sumitomo Concentrator Photovoltaic Power Generation (sCPV) System

## Strategy for Commercialization of sCPV System

- Aiming at sales as system to power generation companies & EPCs in abundant sunlight regions
- Sales promotion by demonstrating quantitative advantage of performance based on MW level operation records to electricity market players such as power generation companies & EPCs, investors & trading companies

## Progress of Morocco Demonstration Project

Solar power expanding country, Morocco, was selected as the most suitable region for demonstration and spec-in activities and the contract was signed with Moroccan Agency for Solar Energy (MASEN) to demonstrate quantitative advantage of performance based on actual operation data

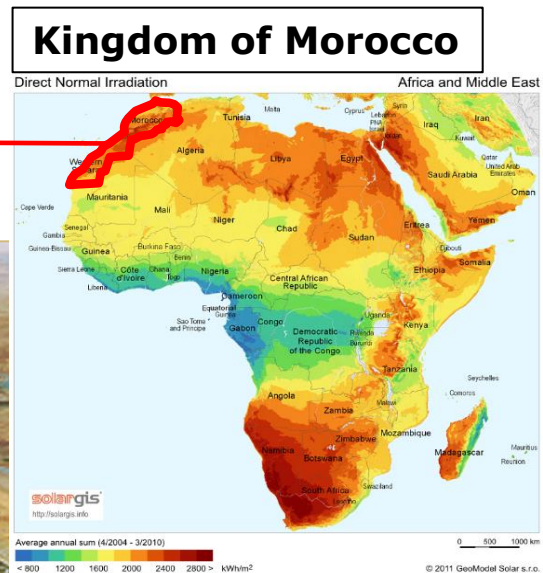
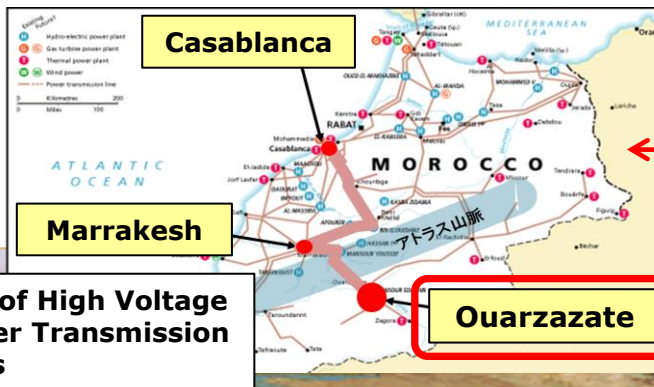




# Morocco 1MW sCPV Plant Construction & Operation

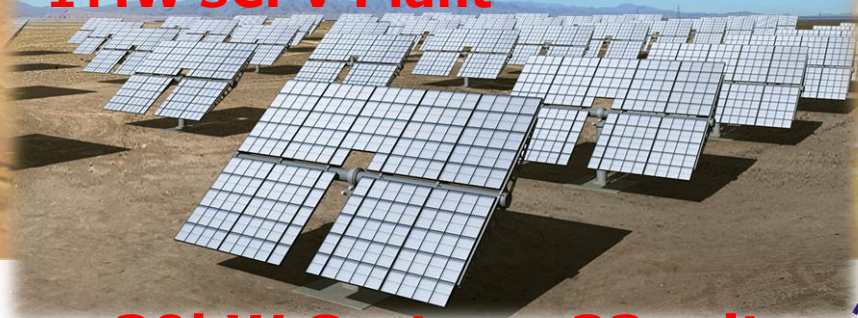
## Completion Image

★ **Observation Tower**  
 MASEN Administration Building  
 (under construction)

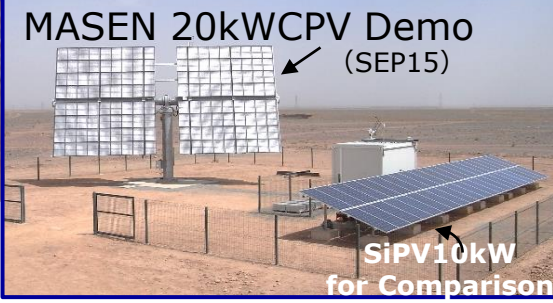


NOOR 3 Planned  
 NOOR 2 Planned  
 ★ **Observation Tower**  
 NOOR 1 Completed

**1 MW sCPV Plant**



**30kW System × 33unit**



**Expected Tour Route**  
 COP22 to be held during 7~18<sup>th</sup> NOV16

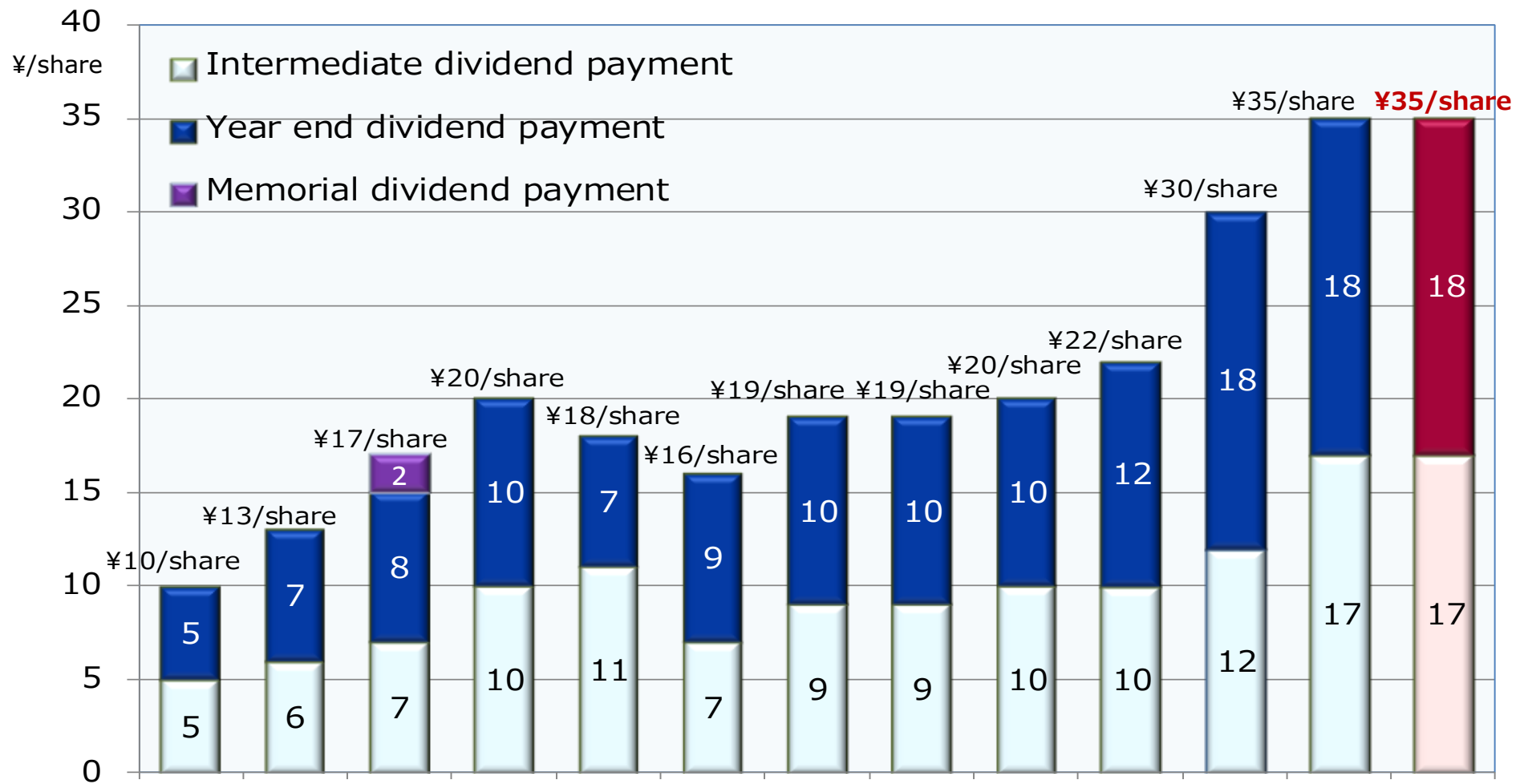
**1MW CPV plant to be constructed before COP22 (7-18<sup>th</sup> NOV16 @Morocco)**



# 4. Dividend and Repurchase of Own Stocks

# 4-1. Dividend

FY2016 annual dividend is planned to be ¥35/share, the same amount as the previous year.



	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016E
Net Income per Share (Yen)	48.01	76.43	100.22	112.74	21.78	36.19	89.02	74.21	47.85	84.15	151.00	114.73	<b>126.07</b>
Dividend Payout Ratio	20.8%	17.0%	17.0%	17.7%	82.6%	44.2%	21.3%	25.6%	41.8%	26.1%	19.9%	30.5%	<b>27.8%</b>



## 4-2. Repurchase of Own Stocks

### Reason for Share Repurchase

To enable a flexible implementation of capital policy

### Class of shares to be repurchased

Common stock of the Company

### Total number of shares to be repurchased

16 million shares (maximum)  
(2.0% of total shares outstanding, excluding treasury stock)

### Total amount of repurchase

20 billion yen (maximum)

### Period of repurchase / Method of repurchase

From May 16, 2016 to September 30, 2016 / Purchase on the Tokyo Stock Exchange

# Notes on Perspective Information

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:

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