

# **FY2017 Results and FY2018 Forecasts Mid-term Management Plan “VISION 2022”**

Sumitomo Electric Industries, Ltd.  
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# 1. FY2017 Results

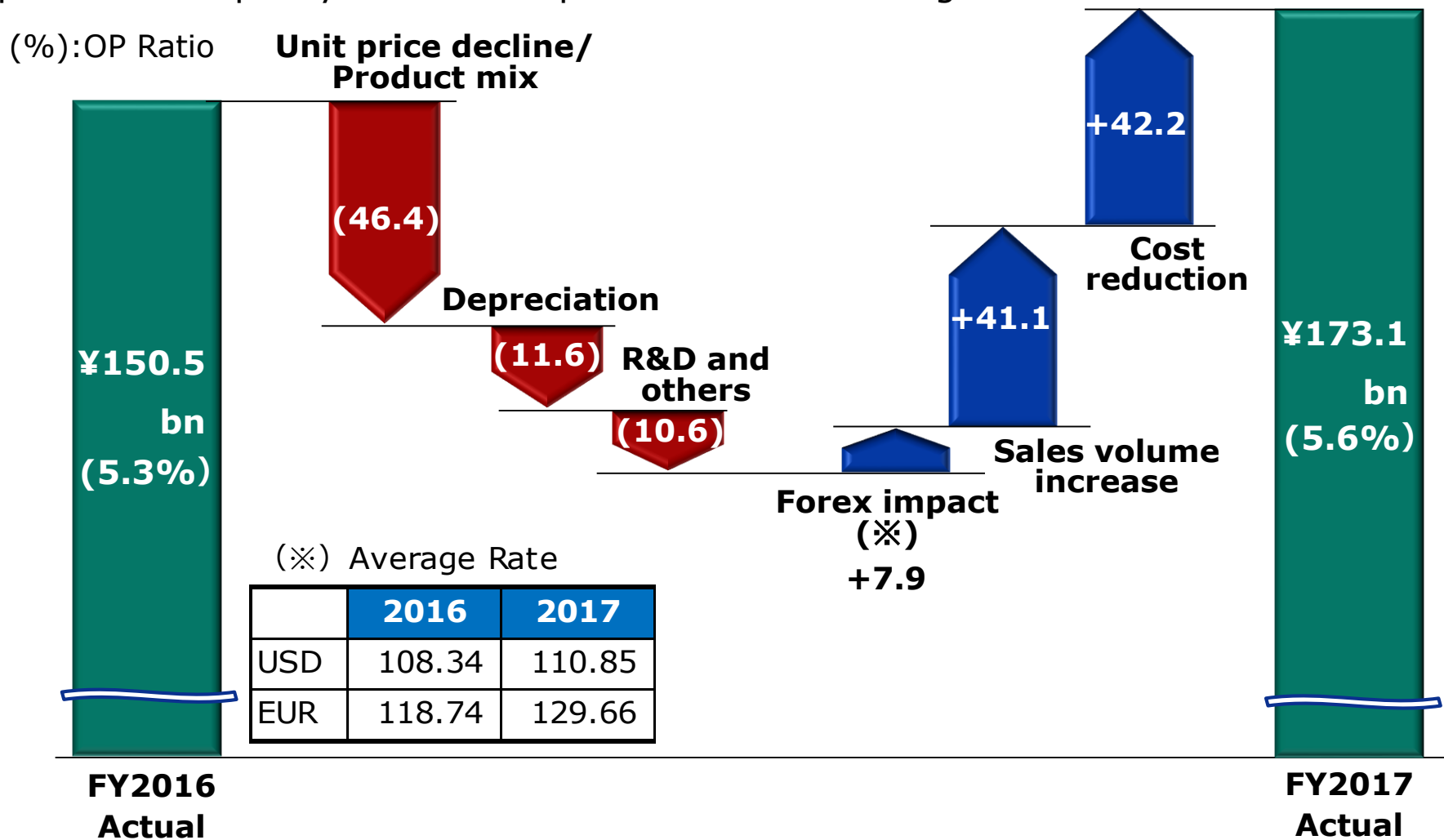
# 1-1. FY2017 Results (PL)

Sales have increased by 9.5% over the previous year. Sales and each profit item have achieved record-high. OP has slightly decreased compared with the revised plan.

¥bn	FY2016	FY2017	FY2017	Growth	Difference
	Actual ①	Revised Plan ②	Actual ③	③-①	③-②
Net Sales	<b>2,814.5</b>	3,000.0	<b>3,082.2</b>	+267.8	+82.2
Operating Profit	<b>150.5</b>	175.0	<b>173.1</b>	+22.6	(1.9)
Non-Operating Income/Expenses	<b>23.4</b>	20.0	<b>21.9</b>	(1.5)	+1.9
Ordinary Income	<b>173.9</b>	195.0	<b>195.0</b>	+21.1	+0.0
Gain on sales of investment securities	<b>14.4</b>		<b>13.5</b>	(0.9)	
Loss on disposal of fixed assets	(4.3)		(3.7)	+0.6	
Impairment loss on fixed assets	—		(3.4)	(3.4)	
Restructuring expenses	(6.0)		(4.0)	+2.1	
Loss on construction related accident	—	(80.0)	(4.1)	(4.1)	+5.3
Settlement package	(10.1)		—	+10.1	
Profit before Income Taxes	<b>167.8</b>		<b>193.3</b>	+25.5	
Profit Attributable to Non-Controlling Interests	(60.2)		(73.0)	(12.8)	
Profit Attributable to Owners of the Parent	<b>107.6</b>	115.0	<b>120.3</b>	+12.8	+5.3

# 1-2. OP variation factors from FY2016 to FY2017

OP has increased by ¥22.6bn, due to sales volume increase and global cost reduction, despite unit price decline, increase in depreciation associated with the expanded production capacity and R&D expenditures for future growth.



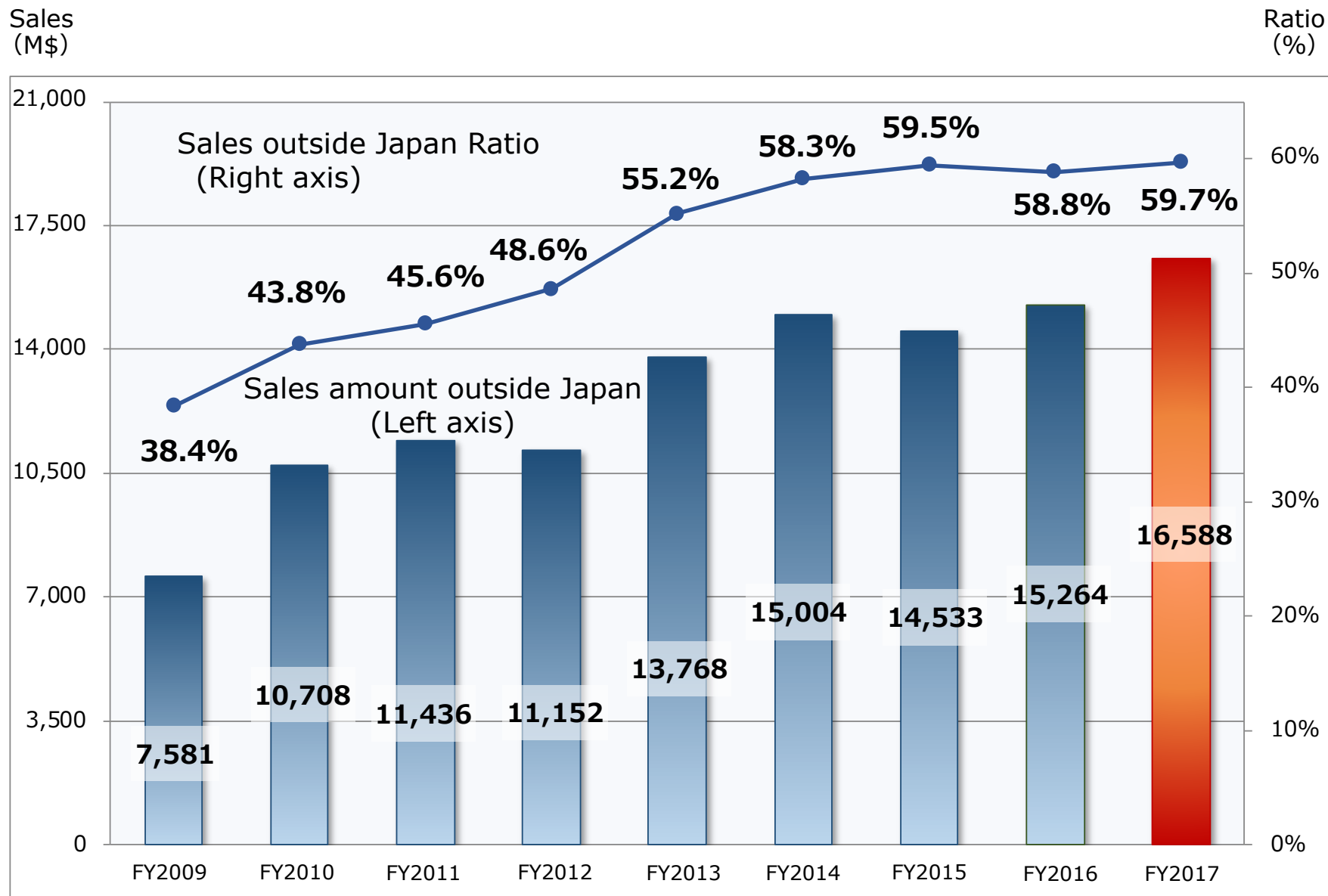
# 1-3. Sales and OP by Segment

OP has decreased in Automotive over the previous year mainly due to unit price decline and increase in cost of anti-vibration rubber, whereas achieved the revised plan. OP has decreased in Infocommunications over the previous year and the revised plan due to decrease in demand for optical devices. OP has increased in Electronics, Environment and Energy and Industrial Materials and others over the previous year.

	FY2016 Actual ①		FY2017 Revised Plan ②		FY2017 Actual ③		Growth ③-①		Difference ③-②		
	¥ bn	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive		1,513.2	98.6	1,580.0	96.0	<b>1,632.0</b>	<b>96.8</b>	+118.7	(1.8)	+52.0	+0.8
Infocommunications		198.2	21.5	220.0	23.0	<b>220.3</b>	<b>18.6</b>	+22.1	(2.9)	+0.3	(4.4)
Electronics		251.1	(10.9)	240.0	6.0	<b>246.3</b>	<b>5.4</b>	(4.8)	+16.3	+6.3	(0.6)
Environment and Energy		621.4	20.8	710.0	21.0	<b>718.0</b>	<b>24.1</b>	+96.6	+3.3	+8.0	+3.1
Industrial Materials and Others		303.9	20.5	340.0	29.0	<b>343.1</b>	<b>28.2</b>	+39.2	+7.7	+3.1	(0.8)
Total		2,814.5	150.5	3,000.0	175.0	<b>3,082.2</b>	<b>173.1</b>	+267.8	+22.6	+82.2	(1.9)

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

# 1-4. Sales outside Japan Ratio



# 1-5. FY2017 BS

	¥ bn	FY2015 Actual	FY2016 Actual	<b>FY2017 Actual</b>
Current Assets		1,357.2	1,426.6	<b>1,445.1</b>
Non-Current Assets		1,385.7	1,480.7	<b>1,572.2</b>
Current Liabilities		771.2	824.2	<b>803.7</b>
Non-Current Liabilities		410.4	454.5	<b>449.5</b>
(Interest Bearing Debt)		(457.1)	(511.0)	<b>(492.6)</b>
Shareholders' Equity		1,251.8	1,324.6	<b>1,410.4</b>
Accumulated Other Comprehensive Income		108.8	91.1	<b>129.0</b>
Non- Controlling Interests		200.8	212.9	<b>224.6</b>
<b>Total Assets</b>		<b>2,742.8</b>	<b>2,907.3</b>	<b>3,017.3</b>
Shareholders' Equity Ratio		49.6%	48.7%	<b>51.0%</b>
Debt/Equity Ratio		0.34	0.36	<b>0.32</b>
		FY2015 Actual	FY2016 Actual	<b>FY2017 Actual</b>
※Operating Profit / Invested Assets(ROIC)		6.8%	7.2%	<b>7.9%</b>
Return on Equity(ROE)		6.5%	7.7%	<b>8.1%</b>

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



## 2. FY2018 Forecasts

## 2-1. FY2018 Forecasts (PL)

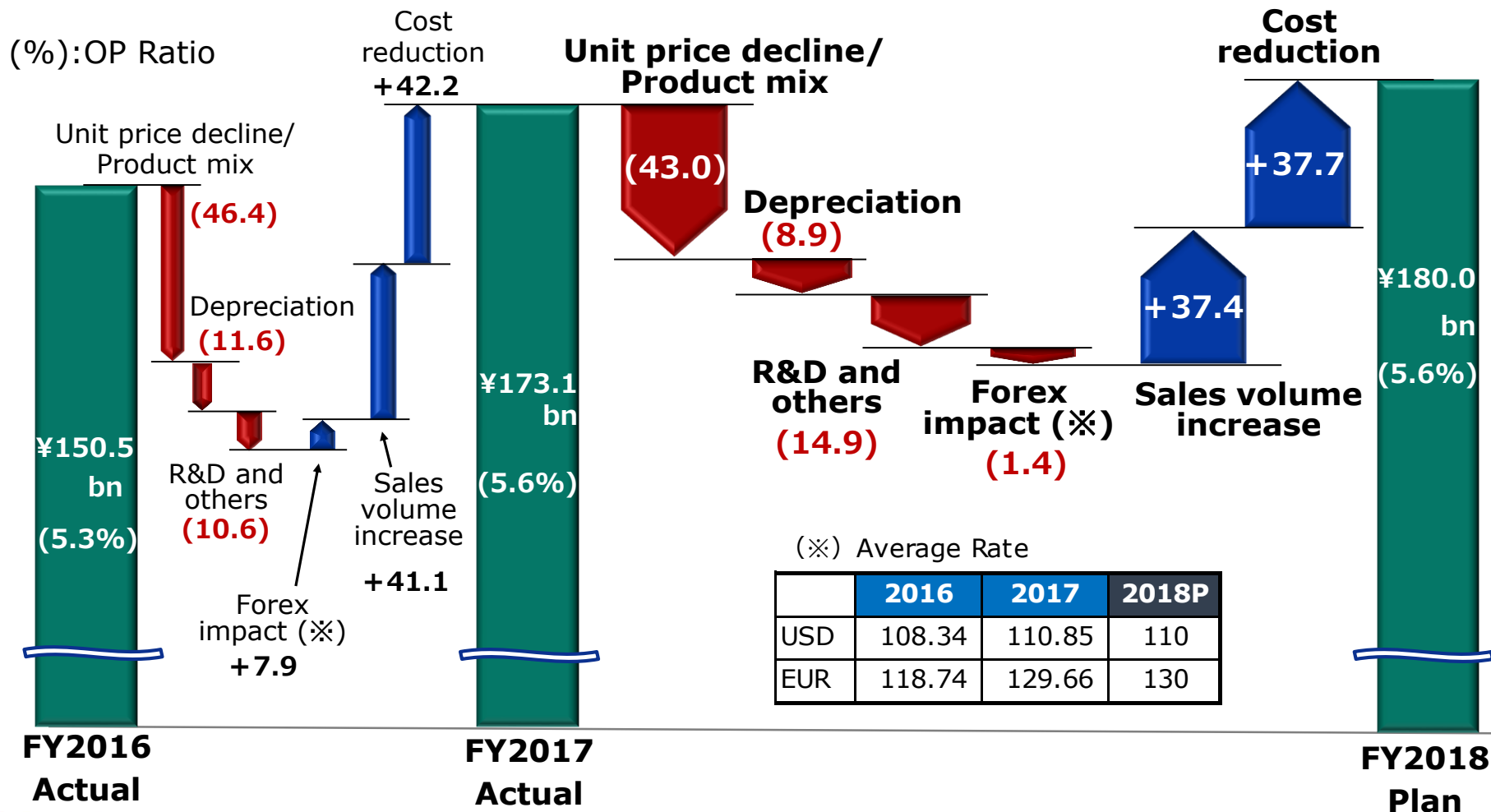
Sales forecast in FY2018 is ¥3,200bn, OP is ¥180bn, ordinary income is ¥205bn and net income is ¥125bn.

Sales and each profit item are expected to increase over the previous year.

¥ bn	FY2017	FY2018			Growth ②-①	FY2018 Plan Forex rate ¥110/USD ¥130/EUR
	Actual ①	1 H Plan	2H Plan	Annual Plan②		
Net Sales	3,082.2	1,550.0	1,650.0	<b>3,200.0</b>	+117.8	
Operating Profit	173.1	60.0	120.0	<b>180.0</b>	+6.9	
Non-Operating Income/Expenses	21.9	10.0	15.0	<b>25.0</b>	+3.1	
Ordinary Income	195.0	70.0	135.0	<b>205.0</b>	+10.0	
Net Extraordinary Profit/Loss	(1.7)					
Profit before Income Taxes	193.3	(30.0)	(50.0)	<b>(80.0)</b>	(5.3)	
Profit Attributable to Non-Controlling Interests	(73.0)					
Profit Attributable to Owners of the Parent	120.3	40.0	85.0	<b>125.0</b>	+4.7	

## 2-2. OP variation factors from FY 2017 to FY2018

OP is forecasted to increase by ¥6.9bn in FY2018, due to cost reduction and sales volume increase, despite unit price decline and increase in depreciation and R&D expenditures for future growth.



## 2-3. Sales and OP by Segment

Whereas sales would increase in Automotive, OP slightly decrease over the previous year due to increase in R&D expenditures for future growth and unit price decline. Other 4 segments would increase OP over the previous year.

	FY2017		FY2018						Growth	
	Actual①		1H Plan		2H Plan		Annual Plan ②		②-①	
	¥ bn		Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	1,632.0	96.8	<b>820.0</b>	<b>36.0</b>	<b>880.0</b>	<b>60.0</b>	<b>1,700.0</b>	<b>96.0</b>	+68.0	(0.8)
Infocommunications	220.3	18.6	<b>100.0</b>	<b>5.0</b>	<b>120.0</b>	<b>14.0</b>	<b>220.0</b>	<b>19.0</b>	(0.3)	+0.4
Electronics	246.3	+5.4	<b>110.0</b>	<b>0.0</b>	<b>120.0</b>	<b>7.0</b>	<b>230.0</b>	<b>7.0</b>	(16.3)	+1.6
Environment and Energy	718.0	24.1	<b>370.0</b>	<b>4.0</b>	<b>410.0</b>	<b>22.0</b>	<b>780.0</b>	<b>26.0</b>	+62.0	+1.9
Industrial Materials and Others	343.1	28.2	<b>190.0</b>	<b>15.0</b>	<b>190.0</b>	<b>17.0</b>	<b>380.0</b>	<b>32.0</b>	+36.9	+3.8
<b>Total</b>	<b>3,082.2</b>	<b>173.1</b>	<b>1,550.0</b>	<b>60.0</b>	<b>1,650.0</b>	<b>120.0</b>	<b>3,200.0</b>	<b>180.0</b>	+117.8	+6.9

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

## 2-4. FY2018 Challenges and Strategies(1)

### Automotive

¥bn	FY2017 Actual	FY2018 Plan	Growth
Operating Profit	96.8	<b>96.0</b>	<b>(0.8)</b>

- ① **Acceleration of developing and commercialization of products** related to NEV and high speed communication
- ② **Strengthening developing capability of new products by collaboration with internal Sumitomo Electric group and making alliance with strategic partners outside the group**
- ③ **Sales promotion** of aluminum harnesses and **to non-Japanese customers,** and **strengthening global production control of Sumitomo Riko**

### Infocommunications

¥bn	FY2017 Actual	FY2018 Plan	Growth
Operating Profit	18.6	<b>19.0</b>	<b>+0.4</b>

- ① **Capturing demand in global markets** of optical fiber and cables, 100Gbps optical devices and GaN HEMTs for Wireless Infrastructure
- ② **Sales promotion** of optical fibers for submarine cables, ultra-high-fiber-count optical cables and related accessories for data centers and 10G-EPON products
- ③ **Acceleration of developing** ultra-low loss optical fibers, high functional products for optical cabling, ultra high definition (4K/8K) video transmission equipment, Set-Top Box and next-generation optical and wireless devices

## 2-4. FY2018 Challenges and Strategies(2)

### Electronics

¥bn	FY2017 Actual	FY2018 Plan	Growth
Operating Profit	5.4	<b>7.0</b>	+1.6

- ① **FPC:**
  - **Further quality improvement, cost reduction and sales promotion**
  - **Development** of ultra-thin, fine pitch and high heat resistant FPC and **expansion of revenue base by developing new markets**
- ② **Electronic wire:**
  - **Capturing new marketing opportunities** in automotive and electronic business

### Environment and Energy

¥bn	FY2017 Actual	FY2018 Plan	Growth
Operating Profit	24.1	<b>26.0</b>	+1.9

- ① **Enhancing profit of electric power cable business**
  - **Completion of large scale projects, acquiring new orders and capturing demand for power cable replacement in Japan**
  - Further strengthening production capacity and enhancement of competitiveness in cost and quality
- ② Sales promotion of rectangular magnet wires for electric vehicles
- ③ Expansion of renewable energy related business in **coordination with Sumitomo Densetsu and Nissin Electric**

## 2-4. FY2018 Challenges and Strategies(3)

### Industrial Materials and Others

¥bn	FY2017 Actual	FY2018 Plan	Growth
Operating Profit	28.2	<b>32.0</b>	+3.8

#### ① Hard metal:

- **Capturing demand in emerging markets** such as China and India in addition to Japan, Europe and America
- Sales promotion to automotive and non-automotive business

#### ② Sintered parts:

**Strengthening global supply volume by increasing production capacity**

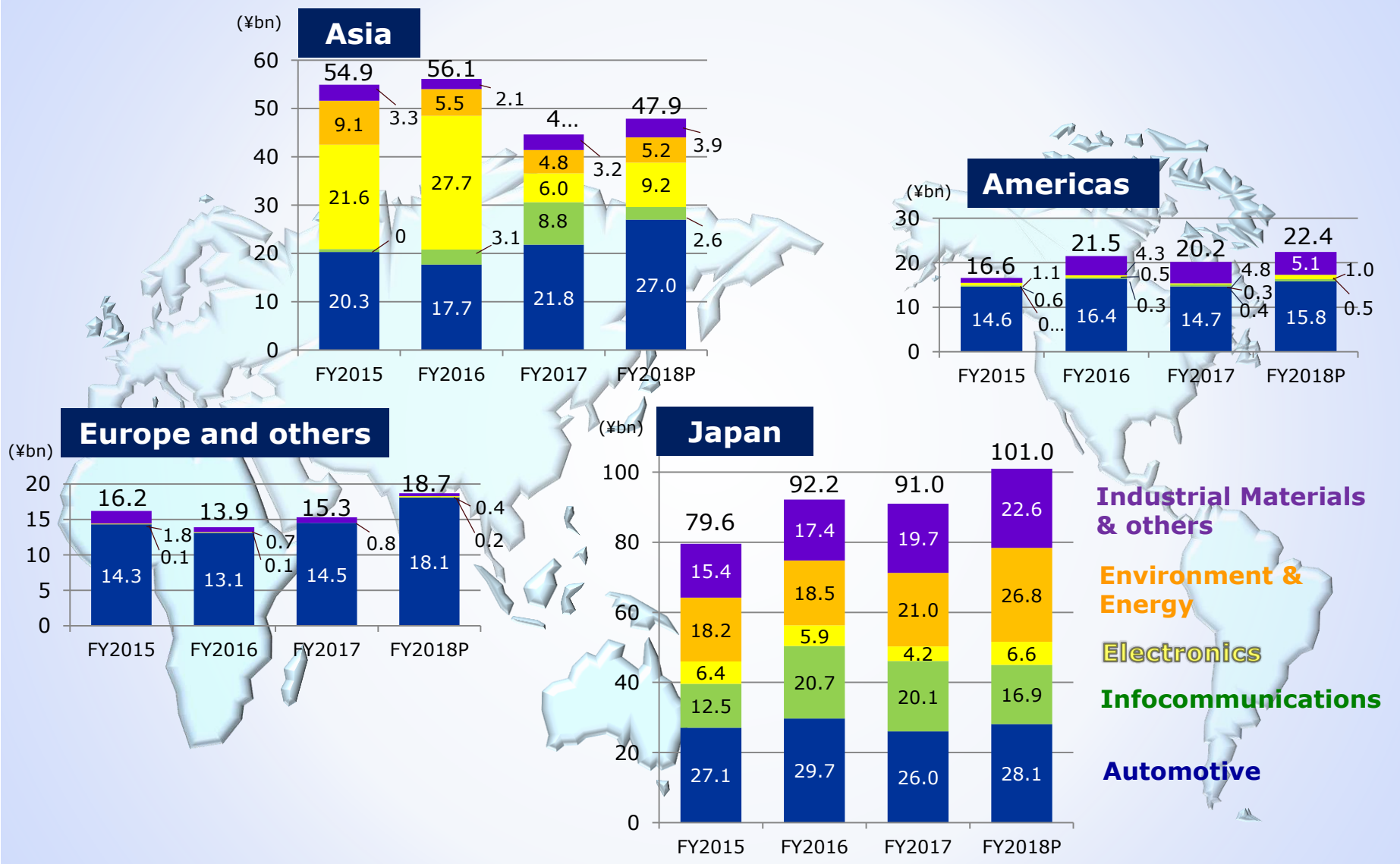
#### ③ A.L.M.T.: Intensive cost reduction, **concentration of resources in growing market**

#### ④ Prestressed concrete steel wires, Steel wires for spring :

Global production expansion and sales promotion

# 2-5. Capital Investment by Region/Segment

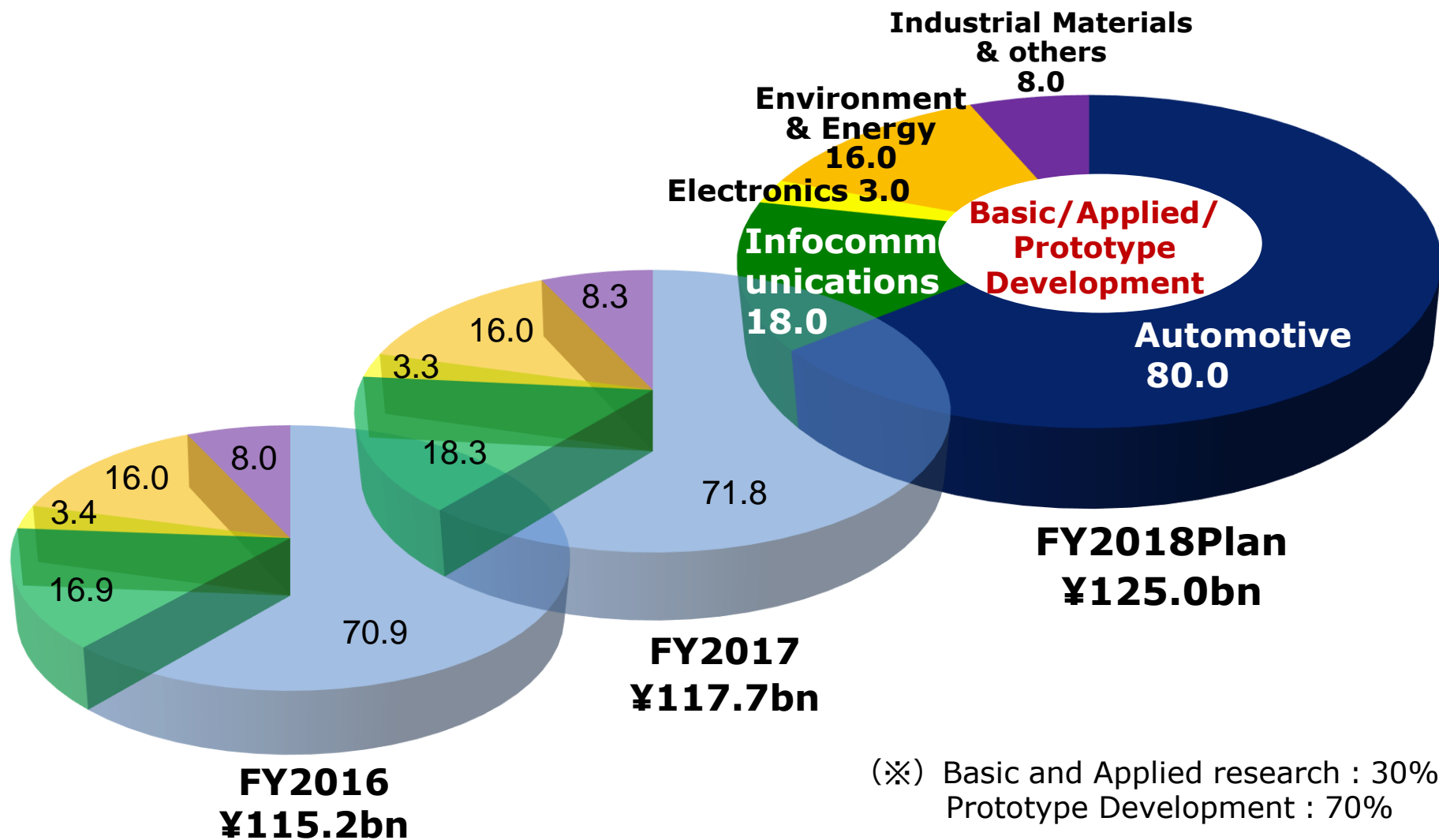
Capital investment in FY2018 are planned to be ¥190.0bn in total.





## 2-6. R&D Expenditures by Segment

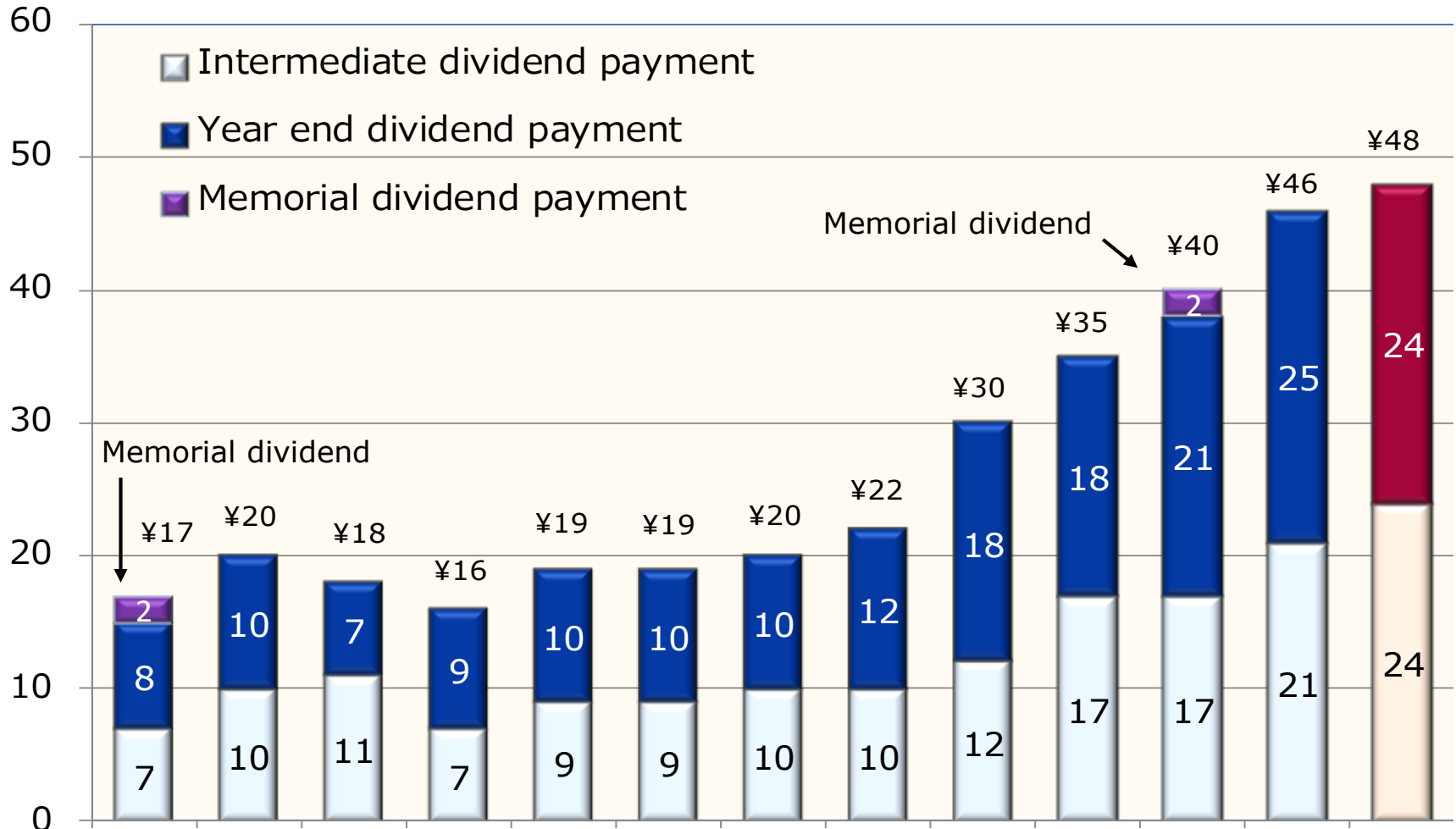
R&D expenditures in FY2018 are planned to be ¥125.0bn in total.



# 2-7. Dividend

FY2018 annual dividend is planned to be ¥48/share.

(¥/share)



Net Income per Share (Yen)  
Dividend Payout Ratio

Fiscal Year	Net Income per Share (Yen)	Dividend Payout Ratio
FY2006	100.22	17.0%
FY2007	112.74	17.7%
FY2008	21.78	82.6%
FY2009	36.19	44.2%
FY2010	89.02	21.3%
FY2011	74.21	25.6%
FY2012	47.85	41.8%
FY2013	84.15	26.1%
FY2014	151.00	19.9%
FY2015	114.73	30.5%
FY2016	137.61	29.1%
FY2017	154.29	29.8%
FY2018P	<b>160.28</b>	<b>29.9%</b>

# 3. Summary of “VISION 2017”

## 3-1. Results of Revised "VISION2017"

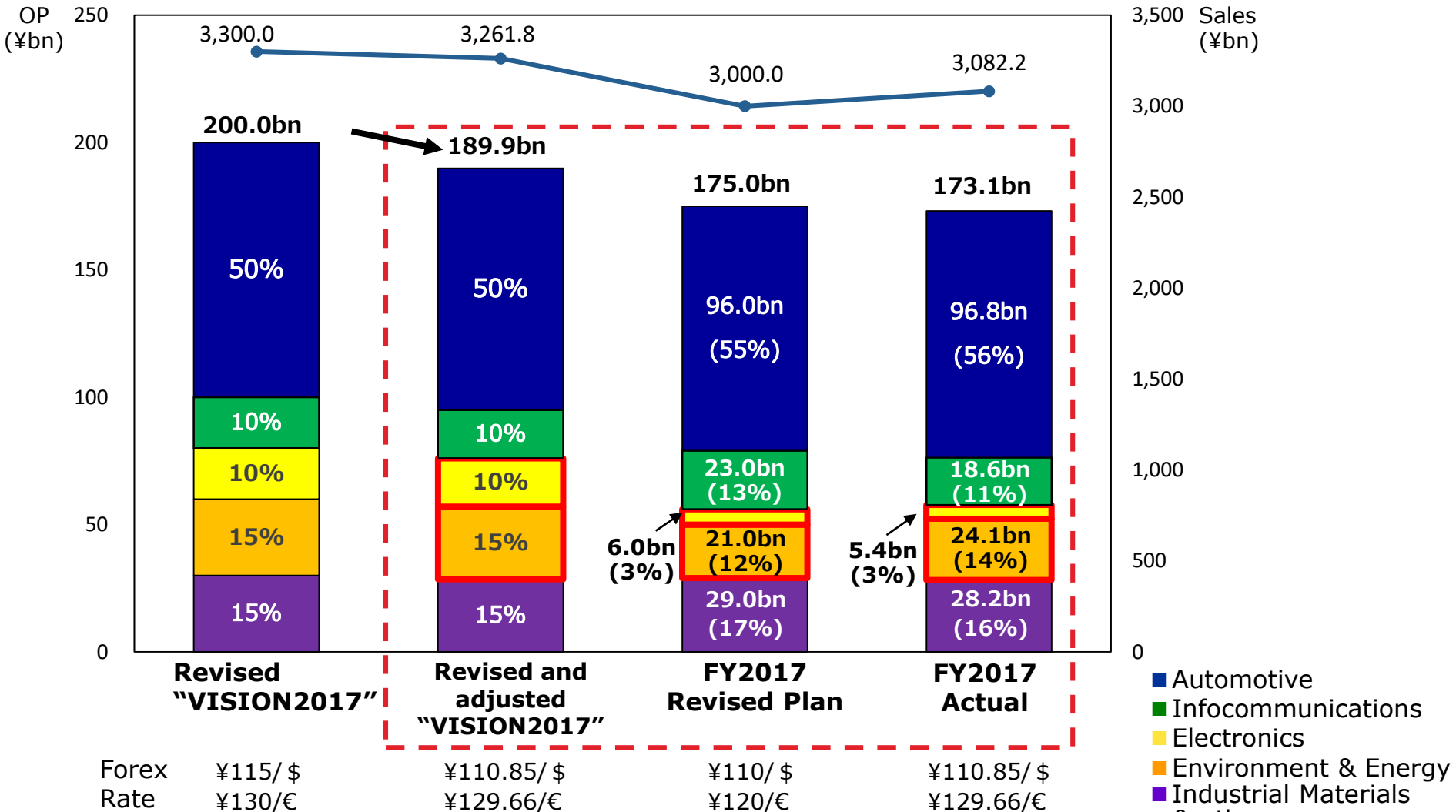
	Revised "VISION 2017"	FY2017 Actual
Net Sales	¥3,300.0bn	¥3,082.2bn
Operating Profit	(※) ¥200.0bn	¥173.1bn
Operating Profit / Net Sales	6% or more	5.6%
ROIC	9% or more	7.9%
ROE	8% or more	8.1%
Capital Investment (5 years)	¥800.0bn	¥821.1bn
R&D Expenditures (5 years)	¥480.0bn	¥548.8bn

(※) Revised OP in which forex rates are adjusted to FY2017 actual rates and fluctuation effects of copper price are eliminated : ¥189.9bn

Forex Rate	Revised "VISION2017"	FY2017 Actual
	¥115/\$	→ ¥110.85/\$
	¥130/€	→ ¥129.66/€

# 3-2. Sales and OP by Segment

OP has almost achieved the revised and adjusted "VISION2017" in 3 segments (Automotive, Infocommunications and Industrial Materials and Others).



Forex Rate ¥115/\$  
¥130/€

¥110.85/\$  
¥129.66/€

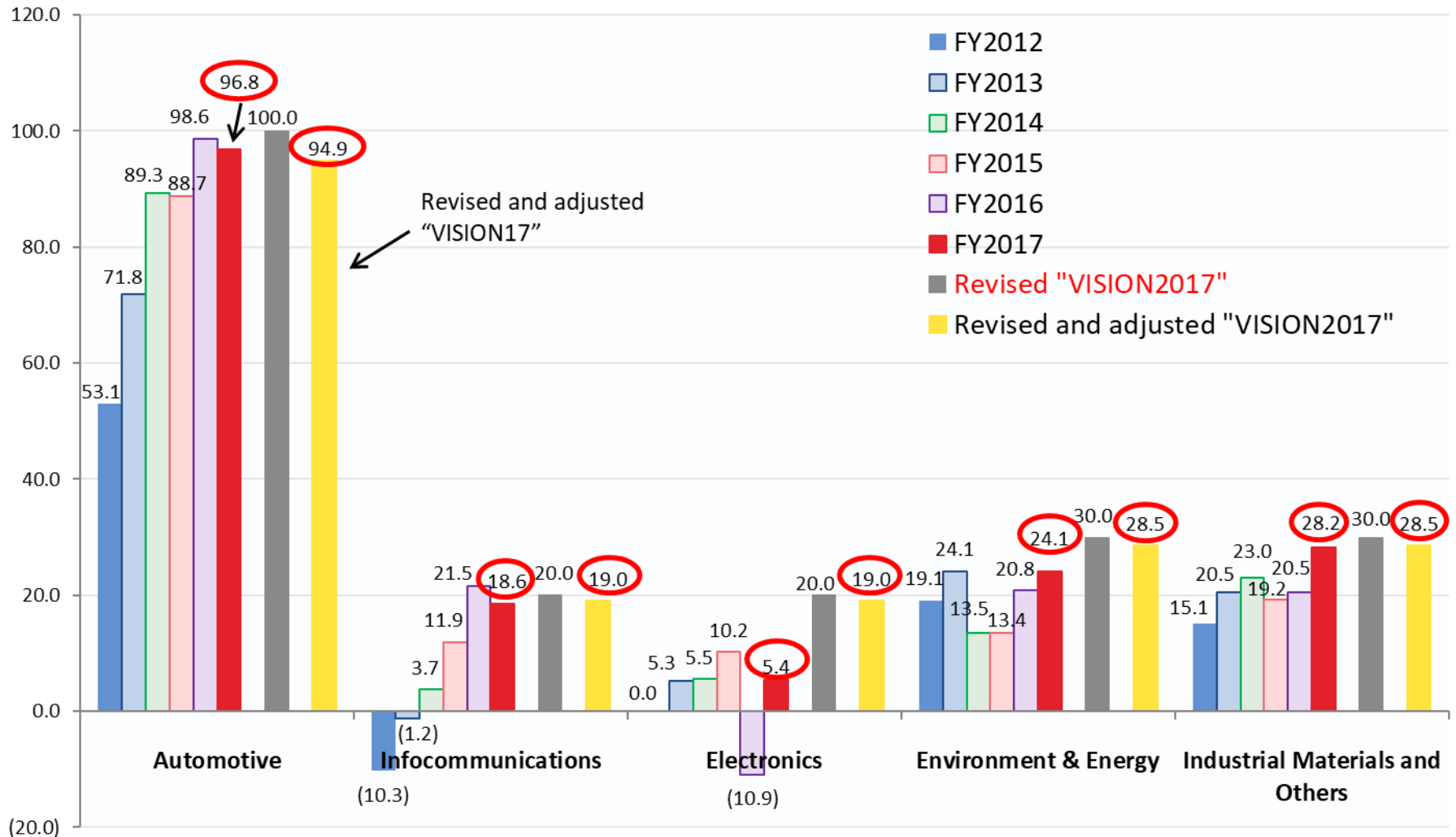
¥110/\$  
¥120/€

¥110.85/\$  
¥129.66/€

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

### 3-3. Historical data and "VISION 2017" of OP by Segment

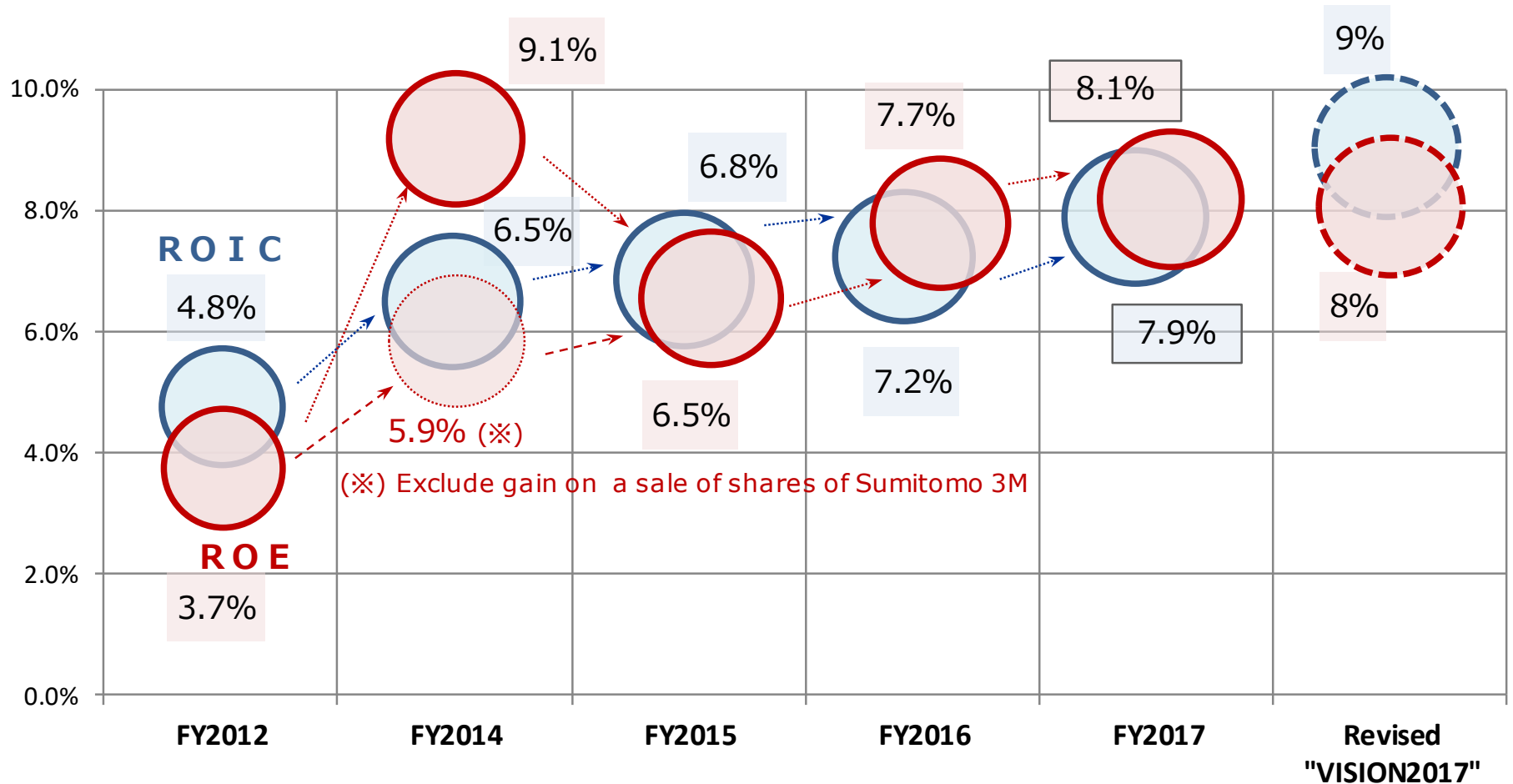
OP has almost achieved the revised and adjusted "VISION2017" in 3 segments (Automotive, Infocommunications and Industrial Materials and Others).



### 3-4. Historical data and "VISION 2017" of ROE and ROIC

ROE has achieved the revised "VISION17" target.

ROIC has fallen from the revised "VISION17" target whereas improved to 7.9%.



# 4. Mid-term Management Plan “VISION 2022”



# VISION 2022 Mid-term Management Plan: Overall Concept



# VISION 2022 Mid-term Management Plan: Basic Concepts

## VISION 2022 Concept

**Contributing to a better society by leveraging our expertise in connectivity and transmission technologies through concerted efforts of the entire group.**

## VISION 2022 Growth Strategy

### Enhancement and Expansion of Five Business Segments

Sumitomo Electric Group continues to strive for growth in five business segments focusing on Mobility, Energy, and Communications fields as well as materials, products, and solutions supporting these fields. We aim to grow every segment by strengthening revenue bases and improving capital efficiency and to achieve a balanced business portfolio.

### Further Growth Through Innovation

In the wake of dramatic changes in the automobile industry together with the renewable energy revolution and exponential growth in data usage worldwide, Sumitomo Electric Group will achieve further growth by enhancing innovation building on the diversity in technologies and business expertise we have cultivated over the years, developing and offering new technologies, products, and services toward a better society.

# VISION 2022 Mid-term Management Plan: Value We Provide



Development of eco-friendly products that limit CO<sub>2</sub> emissions



Encouraging use of renewable energy with smart energy systems



Promoting recycling technologies and pursuing materials development less dependent on scarce resources, driving resource-friendly practices



Car-to-car and car-to-road connectivity for a safer driverless society



Creating a secure urban environment with enhanced infrastructure durability



Increasing telecommunications security for safety and privacy



Achieving faster data transmission through advanced infocommunication technologies underpinning an IoT-based society



Providing technology that connects automobiles to society, liberating transportation and increasing comfort



Developing solutions that connect cars, houses, people, and communities, enabling effective energy-sharing

**A Green Society**

**A Safe and Secure Society**

**A Comfortable and Viable Society**

**SUSTAINABLE DEVELOPMENT GOALS**



# VISION 2022 Mid-term Management Plan: Targets

	FY2017 Result	FY2020 Interim Target	FY2022 Target
Net Sales	¥3,082 billion	<b>¥3,400 billion</b>	<b>¥3,600 billion</b>
Operating Income	¥173.1 billion	<b>¥200 billion</b>	<b>¥230 billion</b>
Operating Margin Ratio	5.6%	<b>5.9%</b>	<b>6.4%</b>
ROIC	7.9%	<b>8.5% or more</b>	<b>9% or more</b>
ROE	8.1%	<b>8% or more</b>	<b>8% or more</b>

**Capital Investment** (5-Year Cumulative Amount)

**¥950 billion**

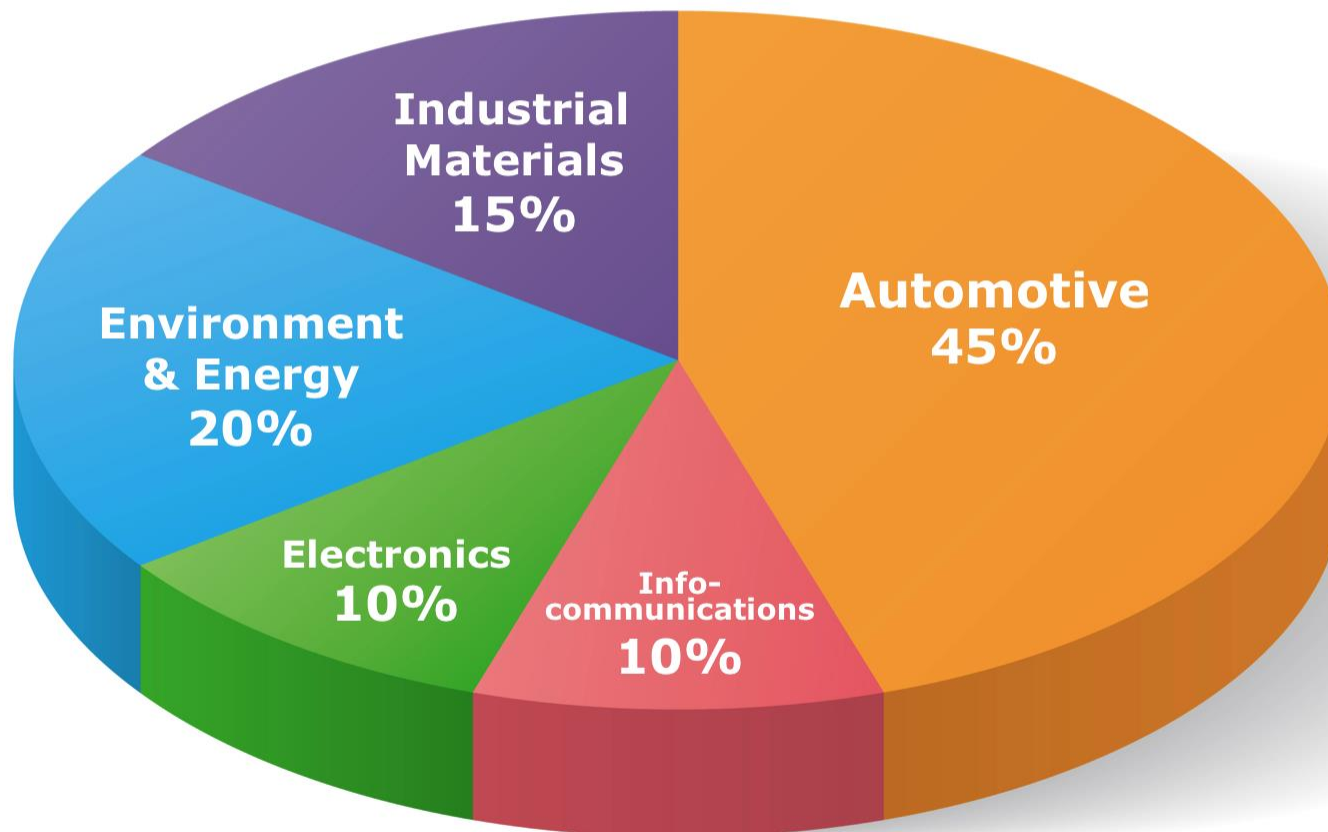
**R&D Expenditures** (5-Year Cumulative Amount)

**¥600 billion**

- We aim for a new-product sales ratio of 30%
- We aim to keep our shareholder's equity ratio at 50%
- We aim to maintain a stable dividend for shareholders increasing the dividend payout ratio to about 40% by fiscal year 2022

# VISION 2022 Mid-term Management Plan: Portfolio

## Operating Income Portfolio in FY2022 (Projected) by Segment



While growing the overall operating income we aim to achieve a balanced portfolio.

# VISION 2022 Mid-term Management Plan: Our Priorities

## Enhancement of Manufacturing Capabilities

### Taking "SEQCDD" one step further

- Aim for "the world's top safety company"
- Create "strong factories" by continuous improvement (*kaizen*)
- Share technologies and best practices among group companies worldwide

\* SEQCDD: **S** (Safety), **E** (Environment), **Q** (Quality), **C** (Cost), **D** (Delivery), **D** (R&D)

## Increasing Global Presence

- Work to increase market share with global customers
- Create new business models that anticipate market changes
- Enhance the efficacy of our marketing efforts

## Creation and Enhancement of Leading Technology

- Continue to enhance core technologies from materials to processes
- Innovation that anticipates change in the automotive and energy fields and exploits commercialization opportunities with agility
- Challenge ourselves to create innovative technology that encourages social reform

# VISION 2022 Mid-term Management Plan: Segment Strategy (Automotive)

**Ideal Future  
State**

**Become a mega-supplier with  
the wiring harnesses business at the core.**

## VISION 2022 Growth Strategy

- Promote "Concept-in Activities for Customers"
- Strengthen collaborative relationships with third parties (OEMs, the public sector, service providers, etc.)

**Strengthen our business base  
through the consolidation of  
SEI Group resources.**

- Expand sales targeting global customers
- Generate new business for CASE\*-related products

\* CASE: Connected, Autonomous, Shared, Electric

**State  
of the  
Market**

- Continuous automotive sales growth globally
- Growth in eco-friendly vehicles in line with tightening environmental regulation (ZEV, Co<sub>2</sub> regulation, diesel bans)
- Accelerating improvement delivered by CASE, an industry revolution
- Vendors from other industries entering market, changing the supplier vantage-point

**Our  
Strengths**

- Comprehensive and dominant market presence in the wiring harnesses business via the trinity system, comprising Sumitomo Electric, Sumitomo Wiring Systems, and AutoNetworks Technologies
- Global business deployment (33 nations)
- Our business in power systems, telecommunications, and industrial materials enables shared expertise benefiting the development of applicable products for the auto industry

# VISION 2022 Mid-term Management Plan: Segment Strategy (Infocommunications)

**Ideal Future  
State**

Become a leading supplier in high-capacity network and interconnection markets centering on high-end fiber-optics, connection technologies, transmission devices, compound semiconductors, and access-device technologies.

## VISION 2022 Growth Strategy

**Consolidate our core technology to support IoT-based societies.**

**Pursue development of innovative new products and proposals that are one step ahead of and exceed customer expectations while improving global market presence.**

**Continuous enhancement of our business base: innovate IoT-related production technologies and facilitate expansion of our global business base.**

**State  
of the  
Market**

- Increase in the amount of data traffic due to development of high-capacity mobile networks (4G to 5G); spread of video services; and transition to cloud computing
- Expansion of infocommunication network market. Rising demand for optical-fiber connectivity and high-capacity submarine/onshore cables or cables for data centers. Growth in high-speed, high-capacity fiber/electronic devices. Demand for data security
- Increasing demand for sensors for use in facial recognition applications and for driver-assisted and driverless vehicle technologies

**Our  
Strengths**

- Superior manufacturing technology for low-loss optical-fiber cable enabling high-speed, high-capacity telecommunication
- Established manufacturing technology for super-multicore optical cable
- Leveraging optical precision-molding and mechatronics technologies
- Software development capability for visual- and optical-access devices
- Compound semiconductors for optical/wireless applications developed via collaborative vertical integration from raw materials to finished device



# VISION 2022 Mid-term Management Plan: Segment Strategy (Electronics)

**Ideal Future  
State**

**Become a top global supplier of unique high-performance cables, components, and materials with a focus on mobile devices and mobile electronics.**

## VISION 2022 Growth Strategy

**Strengthen global sales and manufacturing assets primarily in North America, China, and other Asian nations.**

**Strengthen our development system and proposition system to meet market demands for new functions and more innovative, light, tough, and precise products that facilitate high-speed data transmission.**

**Strengthen manufacturing capabilities and business base to become more agile and responsive to client demands within a shorter business cycle.**

**State  
of the  
Market**

- Adapting to the introduction of new functionalities and new standards that help drive growth in the mobile device market; respond to the associated exponential increase in data transmission volumes
- Shifting demand from traditional electronics sector to the auto industry as demand for greater sophistication in hybrid, electric, driver-assisted, and driverless vehicles continues to rise
- Continuing demand to reduce aircraft and vehicle body-weight and increase their level of computerization

**Our  
Strengths**

- Solid partnerships with clients who lead growing markets
- Unique materials development, design, and processing expertise including high-speed transmission, heat-resistant, high-precision, porous-membrane, and electric-beam irradiation technologies
- Providing clients around the world with high-function wiring, protective-layer wiring, and other high-functionality products via our global supply chain

# VISION 2022 Mid-term Management Plan: Segment Strategy (Environment & Energy)

**Ideal Future  
State**

**Become a holistic end-to-end supplier of environmental and energy products and systems to clients globally.**

## VISION 2022 Growth Strategy

**Build a stronger global presence for the development and provision of electrical power infrastructure including long-distance submarine cables, etc.**

**Provide products and systems that fit a rapidly changing energy market as evidenced by growing investment in renewable energy and growth in EVs.**

**Meet demand for new products supporting EV development (rectangular wire for drive motor, etc.) and become more responsive to environmental issues.**

**State  
of the  
Market**

- Unveiling of major international grid-interconnection projects, primarily in Europe
- Growth in infrastructure demand in emerging nations
- Expansion of the energy-system market in response to upgraded electric power infrastructure and increasing use of renewable energy
- New business opportunities for eco-friendly vehicles and related infrastructure as market continues to embrace high-efficiency transport

**Our  
Strengths**

- Among Japan's top-tier businesses with an impressive record of achievements
- Innovate technologies that enable creation of new high-value products
- Diverse product family with associated services relating to infrastructure
- Extensive project-planning experience in the energy-system field
- Strength as SEI Group member with powerful affiliate companies in the heavy electrical machinery and engineering fields
- End-to-end system development from raw material to finished product

# VISION 2022 Mid-term Management Plan: Segment Strategy (Industrial Materials)

**Ideal Future State**

Become a leading global supplier of high-performance, high-functionality products by leveraging world-class materials and process technology.

## VISION 2022 Growth Strategy

### Innovation and Enhancement of Core Technologies

Deepen our advanced high-efficiency lines and develop new products in preparation for motorization.

### Strengthen Proposal Capability for Clients

Pitch our products with a full understanding of client needs to emphasize differentiation from our competitors.

### Accelerating Overseas Businesses

Maintain consistency of quality regardless of region and provide services in a context that's sensitive to local issues.

**State of the Market**

- Increasing demand for lightweight materials for EV development
- Growth in the medical and aviation industries
- Intensification of competition in the global marketplace
- Accelerating cobalt procurement to meet demand for battery applications

**Our Strengths**

- Excellent materials development capabilities with strong differentiation from competitors through the application of our unique materials and recycling technologies
- Unique manufacturing capabilities that leverage our production and product-evaluation technologies to improve our clients' production lines
- Global supply system supporting the globalization of our clients' business

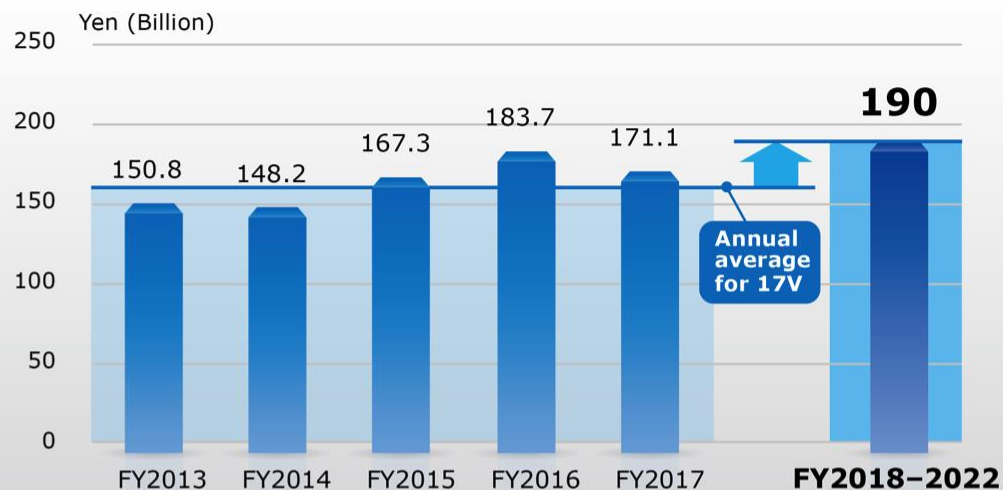
# VISION 2022 Mid-term Management Plan: Capital Investment and Research & Development Expenditures

## Capital Investment Expenditures

We intend to raise our level of capital investment to strengthen manufacturing abilities and accelerate global expansion.

17V total: ¥822.1 billion  
(Approx. ¥164.2 billion/year)

22V total: ¥950 billion  
(¥190 billion/year)

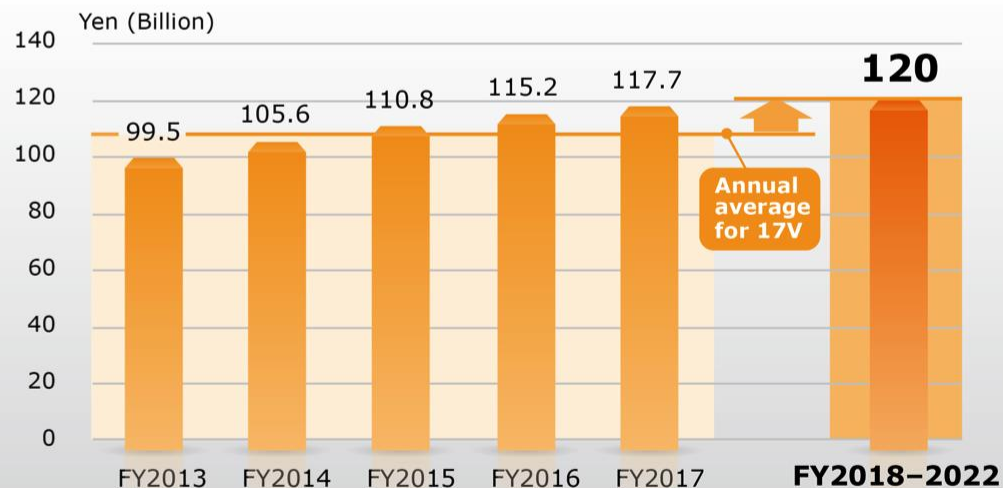


## Research & Development Expenditures

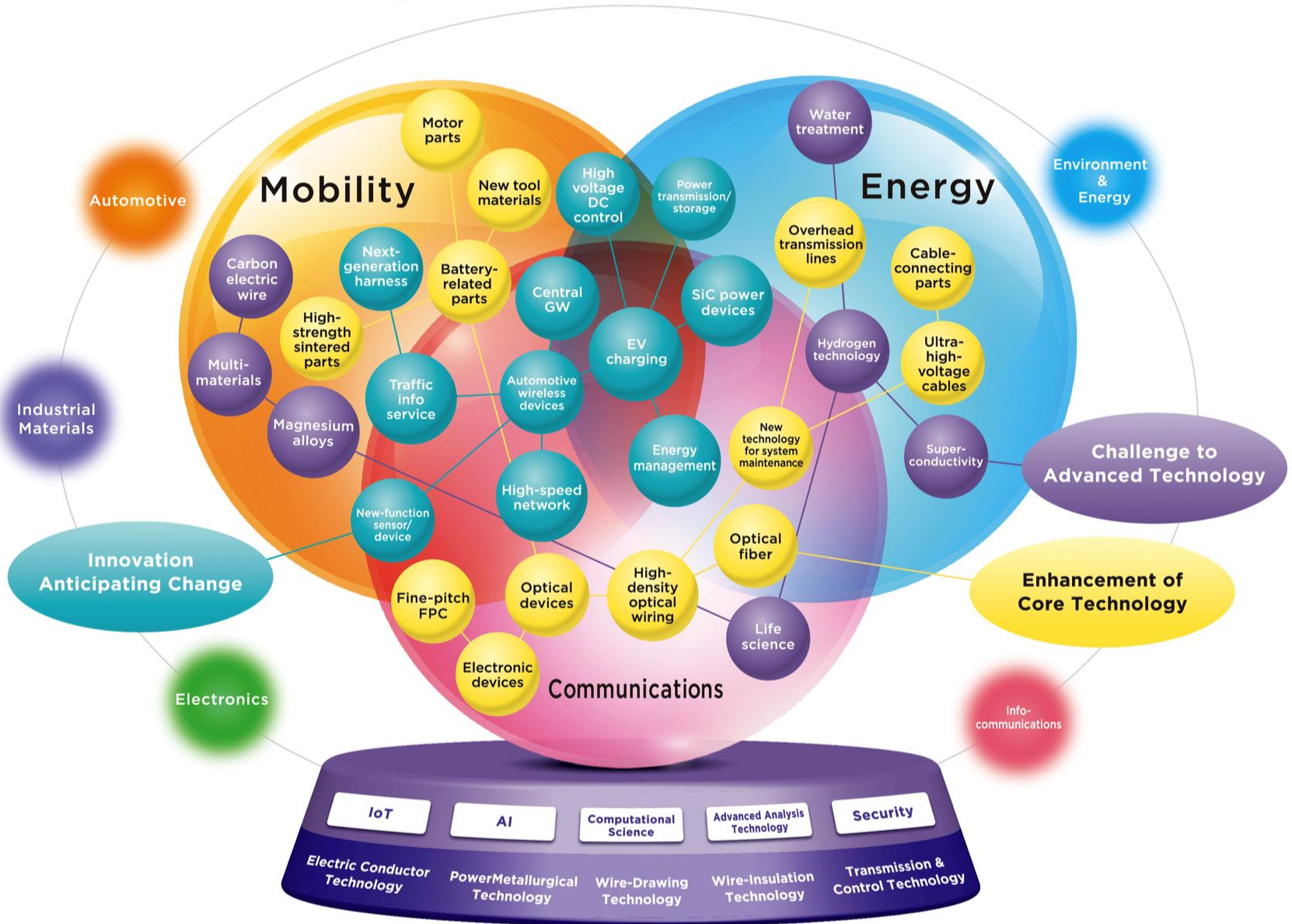
Continue to promote R&D throughout our group to deepen our core technologies and encourage further innovation.

17V total: ¥548.8 billion  
(Approx. ¥109.8 billion/year)

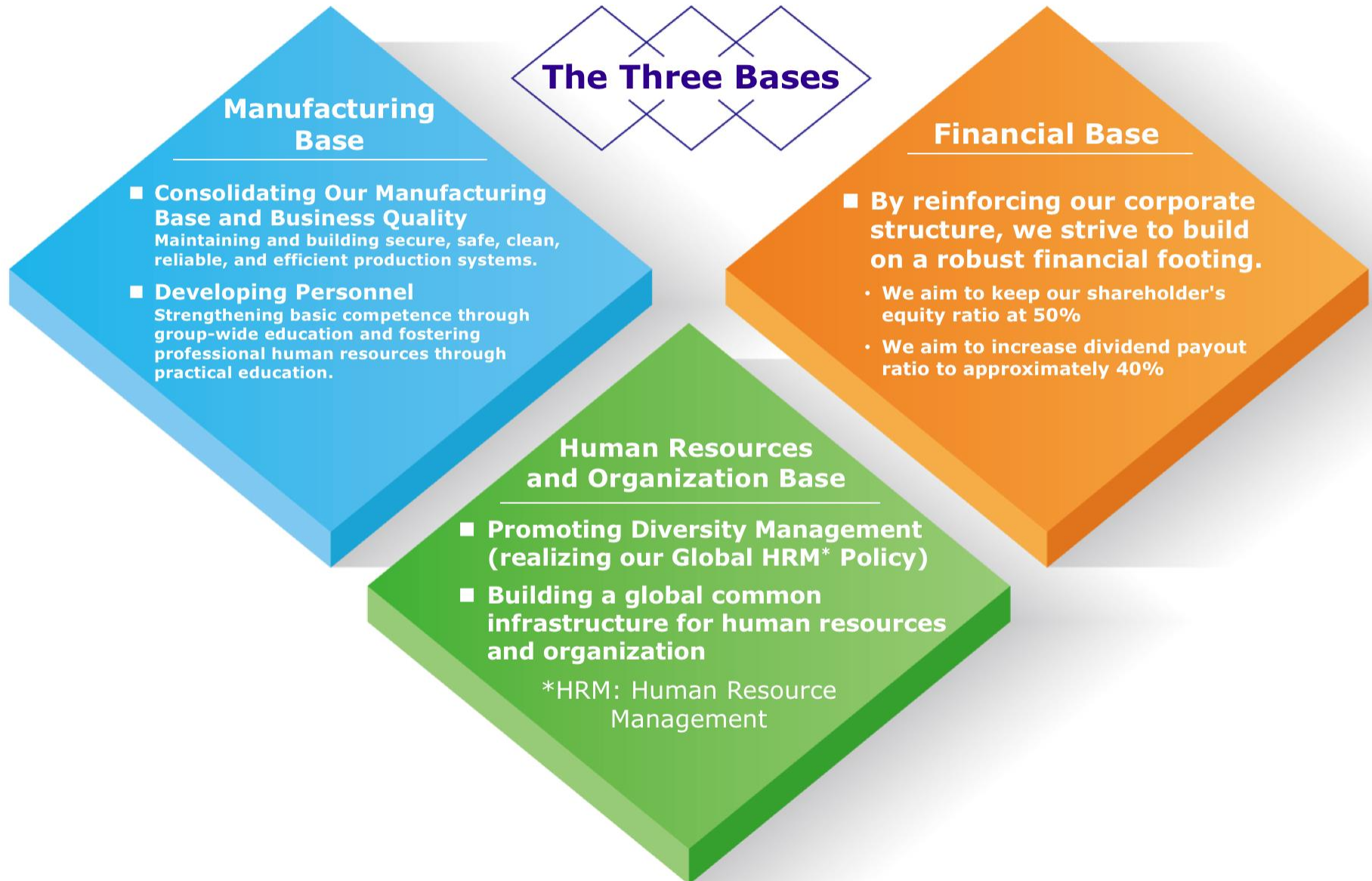
22V total: ¥600 billion  
(¥120 billion/year)



# VISION 2022 Mid-term Management Plan: Research and Development for the Next Generation



# VISION 2022 Mid-term Management Plan: The Three Bases



# VISION 2022 Mid-term Management Plan: The Sumitomo Spirit and our Corporate Philosophy

The Sumitomo Spirit reflects our desire to earn society's trust and is renewed by our group's determination to elevate corporate ethics above all else. As we pursue VISION 2022 goals, our fundamental values remain rooted in The Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. With an emphasis on compliance, we can contribute to society through all of our business activities and enrich the public good and our environment.

## ■ The Sumitomo Spirit

From the preamble of *Monjuin Shiigaki (The Aphorisms of Monjuin)*:

"Do your sincere best, not only in business, but also in every aspect of your life." – **"Banji-nissei"**

Business Principles from the original *Sumitomo Company Rules* (1891):

**Article 1** "Sumitomo shall achieve prosperity based on a solid foundation by placing prime importance on integrity and sound management in the conduct of its business." – **"Shinyo-kakujitsu"**

**Article 2** "Sumitomo's business interests must always be in harmony with the public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business." – **"Fusu-furi"**

Other principles have been continually handed down to the present time. They include attaching importance to technology, respect for human resources, long-range planning, mutual prosperity, and respect for the public good.

## ■ The Sumitomo Electric Group Corporate Principles

Each company in Sumitomo Electric Group shall:

- Offer the very best goods and services to satisfy customer needs
- Build technical expertise, realize changes, and strive for consistent growth
- Contribute to creating a better society and environment with a firm awareness of our social responsibility
- Maintain high corporate ethics and strive to become a company worthy of society's trust
- Nurture a lively corporate culture that enables employee self-improvement

# VISION 2022 Mid-term Management Plan: ESG and Deepening CSR Commitment

“Glorious Excellent Company” is Sumitomo Electric Group’s future ideal. It focuses on commitment to corporate values founded on The Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. We believe our philosophies share the same principles of today’s compliance, CSR, and ESG.

## Environment

- Pursuing measures to combat causes of global warming
- Strengthening our response towards resource saving (reducing waste emissions and promoting recycling)
- Increasing the availability of eco-friendly products (water treatment products; sales expansion of light-weight wiring harnesses)

## Social

- Promotion of Diversity Management (gender-parity and equal-opportunity employment, etc.)
- Strengthening the development of human resources (enhancement of group and global training opportunities)
- Diversification of employment formats and facilitation of sound management practices
- CSR procurement (90% or more transactions within domestic group)
- Social contribution activities (SEI Group CSR Foundation, contribution to sports/culture development)

## Governance

- Enhancement of corporate governance by strengthening our compliance system and fulfilling the terms of risk management systems



# 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:

1. Market and economic conditions in the United States, Europe, Japan and other Asian countries, especially increases and decreases in personal consumption and capital expenditures.
2. Fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar, the euro and Asian currencies.
3. The ability of Sumitomo Electric and its affiliated companies to cope with rapid technological development.
4. Changes in financial, management, environmental and other presumptions.
5. Current and future laws and regulations in foreign countries involving trade and other activities.
6. Changes in the market value of securities owned by Sumitomo Electric and its affiliated companies.

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