

Press Release

February 10, 2015

Company Name	SUMIDA CORPORATION
Representative	Shigeyuki Yawata, Representative Executive Officer (CEO) (Code 6817, 1st Section, Tokyo Stock Exchange)
For Inquiries	PR / IR Team (Phone: 81-3-6758-2473)

Notice of the Mid-Term Business Plan (2015-2017)

SUMIDA CORPORATION announces the Mid-Term Business Plan (MTBP) Stage II, a three year business plan that will run from 2015 through 2017. In the fiscal year 2014, the final year of the preceding MTBP Stage I, consolidated total sales were 77.5 billion yen, exceeding the target of 60 billion yen thanks to the strong automotive-related sales in addition to the benefit generated by a drop in the yen's value. In terms of profit, operating income was 3.3 billion yen compared to the target of 5 billion yen. Because Sumida has dollar-based cost structure, more-than-expected appreciation of the dollar against the yen had a negative impact on the profit by inflating the total costs. Transition from the dollar-based cost structure will be one of the challenges for Sumida in the Stage II.

MTBP Stage II will aim for 100 billion yen sales, 5 billion yen operating income and net income of 2.6 billion yen as well as more than 12% of ROE. The stage II will be a growth stage focusing particularly on profit.

(Priority Business Areas)

Automotive business

- Expand sales of our main products by increasing installation rate in automobiles
- Strengthen mechatronics product line by utilizing technologies developed for ABS
- Develop new products for use in EV/HEV

Industry Business

- Expand products for the use in industrial equipment and communication infrastructures in China
- Increase sales of RFID products
- Focus R&D resources on development of coils for medical equipment
- Develop power-conditioners for energy-related market

We will aim to achieve approximately 80% of total sales from automotive and industry businesses combined.

(Major Strategies)

- Focus on developing higher value-added products by utilizing coil technologies accumulated since the inception of our business 65 years ago
- Strengthen the sales force in the big markets such as U.S. and China where sales significantly increased in the Stage I
- Increase profitability by launching profitable products into the markets, reducing direct labor and raw materials, and cutting production overhead and SG&A expenses.
- Promote the transition from labor-intensive business to capital-intensive business with automated production lines
- Improve the total efficiency by further promoting "Global One" concept
- Adopt IFRS to enhance comparability of our financial data

SUMIDA CORPORATION

Performance Briefings

< FY2014 ending December 31, 2014 >

February 12, 2015

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Today's Speakers



**Representative Officer & C E O
Shigeyuki Yawata**



**Representative Officer & President
Tomoharu Suseki**



**Representative Officer & C F O
Yoshiyuki Honda**

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SUMIDA CORPORATION

Consolidated Financial Results for FY2014 & Forecast for FY2015

Yoshiyuki Honda
Executive Officer & CFO

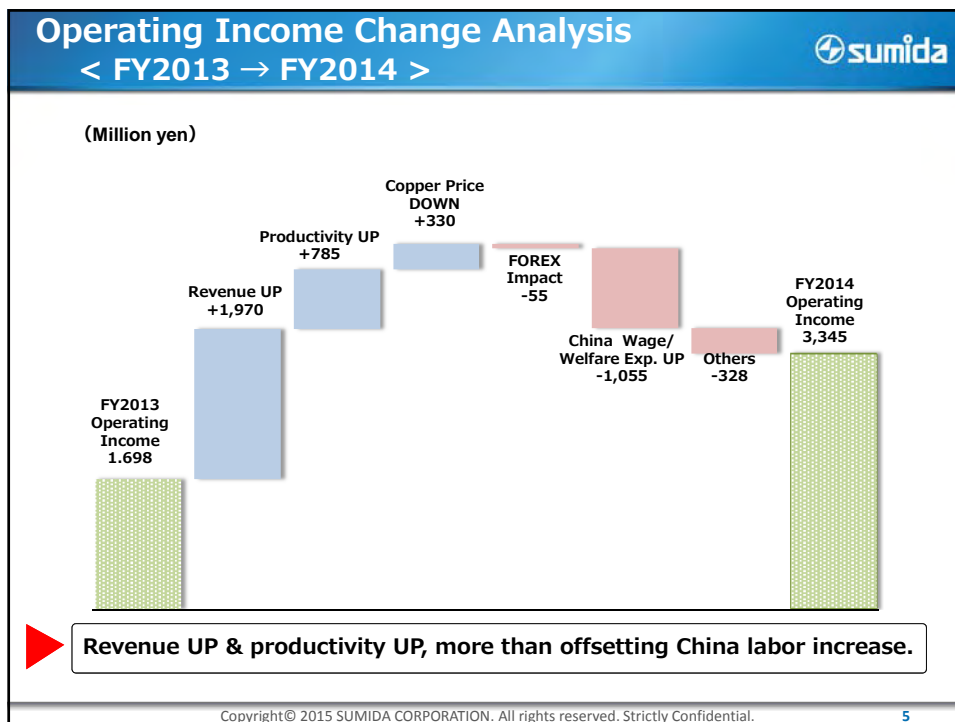
Consolidated P/L for FY2014 vs. FY2013

(Million yen)

	FY2013 (A)	FY2014 (B)	Change % (B)/(A)
S a l e s	63,893	77,562	21.4%
G r o s s I n c o m e	11,052	13,859	25.4%
%	17.3%	17.9%	
O p e r a t i n g I n c o m e	1,698	3,345	97.0%
%	2.7%	4.3%	
O r d i n a r y I n c o m e	1,107	2,799	152.8%
I n c o m e b e f o r e T a x	817	3,162	286.6%
N e t I n c o m e (L o s s Δ)	Δ2,008	1,346	-
E P S	Δ91.41yen	58.01yen	-
FOREX	U.S.\$/Yen	96.27	104.99
	Euro/Yen	127.70	140.20
	Euro/U.S.\$	1.33	1.34



Sales up 21% and Operating Income up 97% in 2014 year-on-year.



Forecast P/L for FY2015 vs. FY2014

(Million yen)

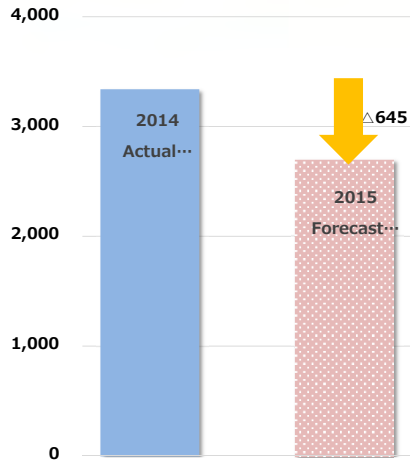
	FY2014 Actual	FY2015 Forecast	Change %
S a l e s	77,562	83,630	7.8%
Operating Income	3,345	2,700	△19.3%
%	4.3%	3.2%	
Ordinary Income	2,799	2,000	△28.6%
N e t I n c o m e	1,346	1,000	△25.7%
E P S	58.01 yen	43.08 yen	
Forex. rate			
U.S. \$/Yen	104.99	118.00	
Euro/Yen	140.20	137.00	

Profit expected to decrease in 2015 in spite of 7.8% sales increase because 2015 considered preparation period for the next growth.

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2014→2015 Operating Income Change analysis

(Million yen)



Positive Factors

Revenue up	700
Productivity up	1,620
Costs reduction	710
Others	42

TOTAL 3,075

Negative Factors

Products mix	△1,100
Wages up	△1,440
Forex. impact	△580
China welfare exp. Up	△240
SG&A exp. Up	△200
Production transfer exp.	△100
Others	△60

TOTAL △3,720

NET △645

▶ **Management efforts expected not to be able to offset negative factors including wages increase, products mix and forex. impact.**

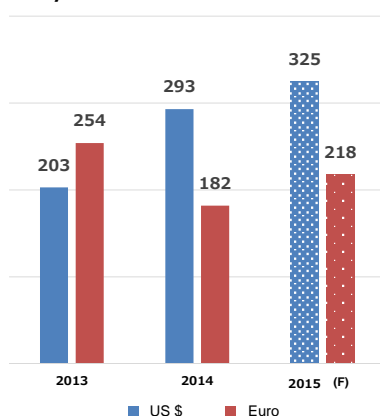
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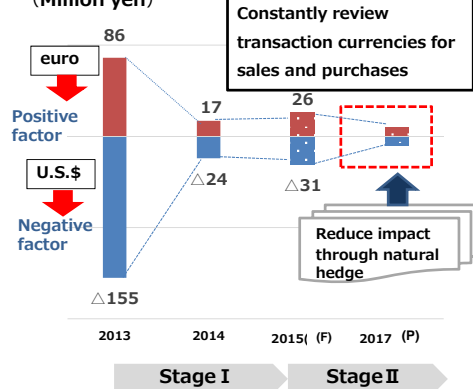
Impact of Foreign Exchange

[Impact of one yen drop in yen's value against U.S.\$ and euro on sales and operating income]

(Million yen) Sales



(Million yen) Operating Income



▶ **For profit in 2015, negative factors from strong dollar expected to exceed positive factors from strong euro.**

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Summary Review

Mid-Term Business Plan

Stage I (2012-2014)

Shigeyuki Yawata

Executive Officer & CEO

Summary Review of Mid-Term Business Plan Stage I (2012-2014)

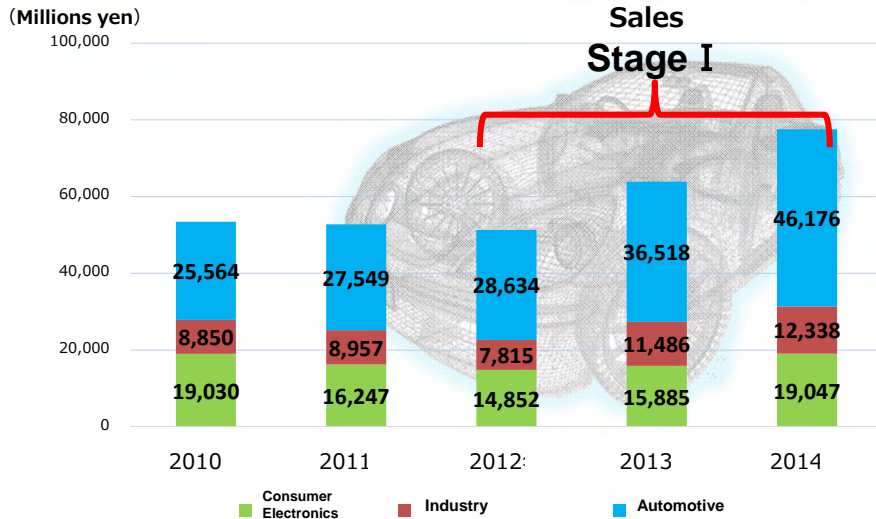
	Original Targets in 2011		FY2014 Actual
Sales	60 billion yen		77.5 billion yen
OP Income	5 billion yen		3.3 billion yen
Forex assumption	1 U.S.\$ = 77 yen	→	1 U.S.\$ = 104.99 yen※
	1 euro = 105 yen		1 euro = 140.19 yen※

※2014 average



**Sales target achieved but not operating income target
Business foundation strengthened during Stage I.**

Summary Review of Mid-Term Business Plan Stage I (2012 - 2014)

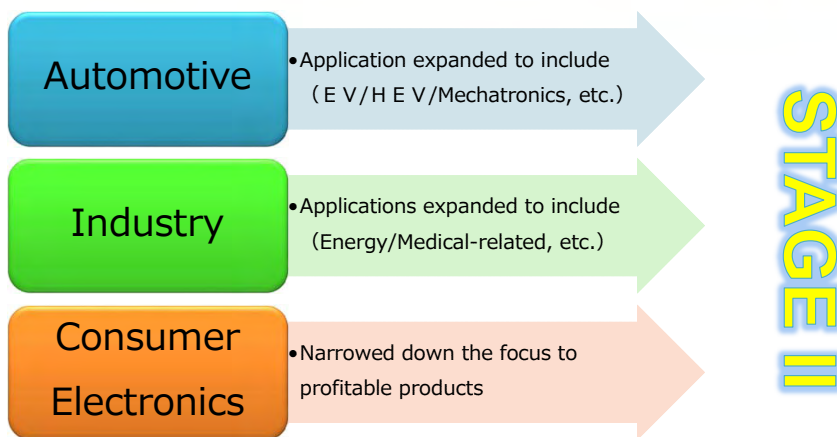


▶ **During Stage I, Automotive sales up 68% Industry sales up 38%.
Automotive sales account for approximately 60% of total sales.**

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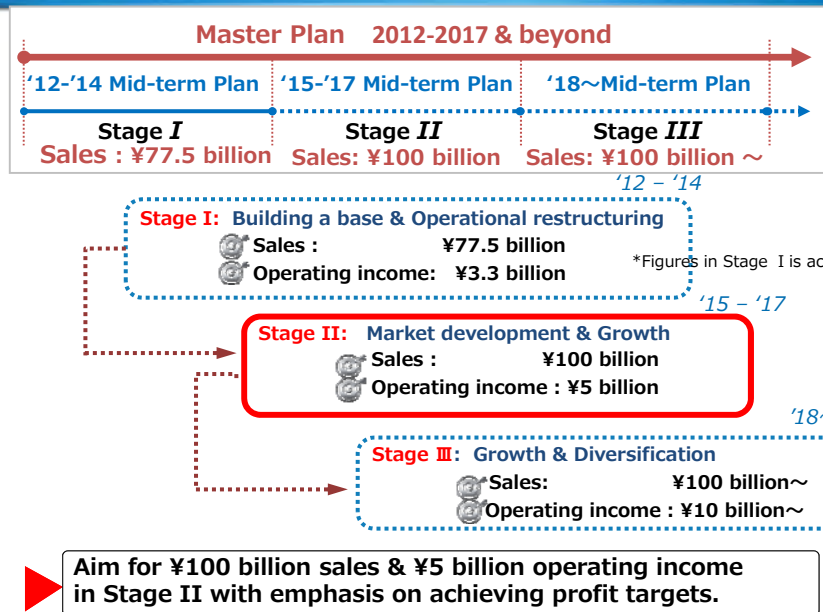
Development of Each Business in Stage I



▶ **Enhance profit in Stage II driven by Automotive and Industry on the foundations established in Stage I.**

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Mid-Term Business Plan

Stage II (2015-2017)

Executive Officer & President

Tomoharu Suseki

Executive Officer & CFO

Yoshiyuki Honda

Challenges to tackle in Stage II



Achievement of numerical targets

- Increase sales above 100 billion yen level and achieve operating income of 5%.

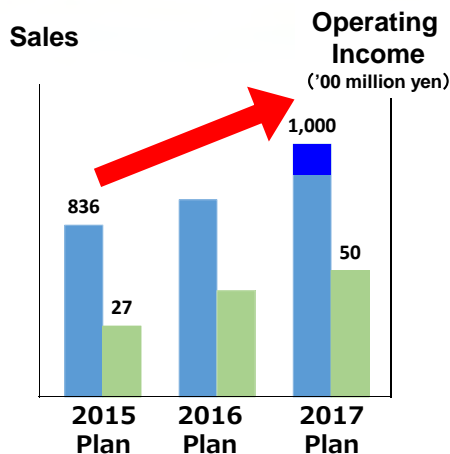
Business strategies in the focused markets

- Expand automotive/industry-related businesses.
- Put particular emphasis on profit in consumer electronics-related business.

Improvement of profitability

- Improve profitability by thoroughly cutting down production costs and overhead.
- Pursue management of the company with more emphasis on ROE.

Achieving targets for FY2017



Sales increase

- ▶ Existing business ¥93 billion (5% increase per annum)
- ▶ New business ¥7 billion (Includ.M&A)

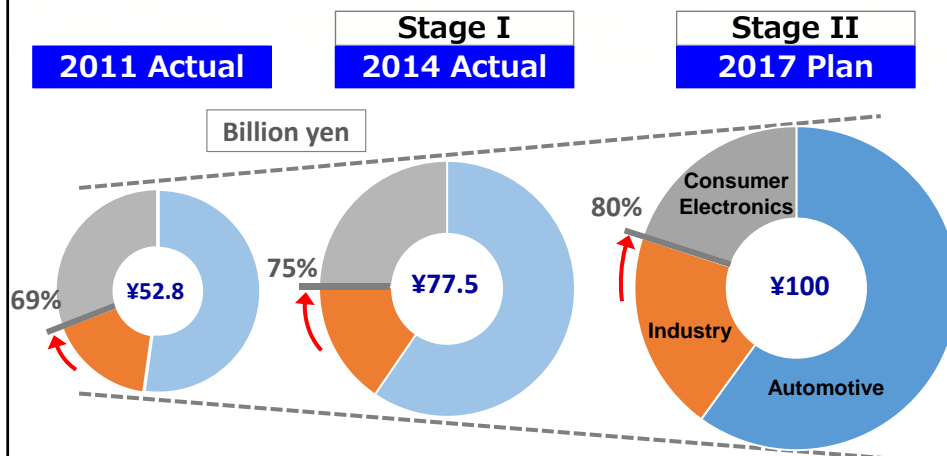
Profitability Improvement

- ▶ New products development
- ▶ Reduction of costs
 - ✓ Transfer production
 - ✓ Investment for streamlining
- ▶ Same currency transactions
- ▶ M&A

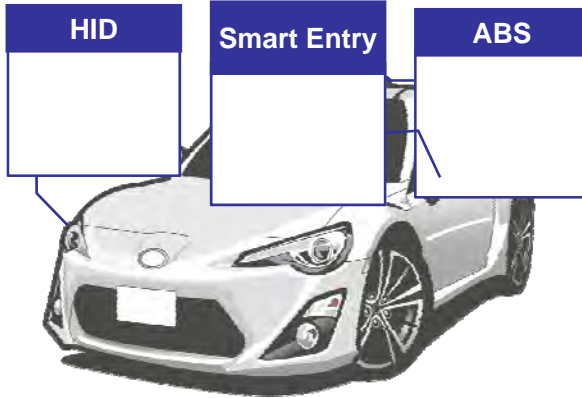
- ▶ In 1st half of Stage II, focus on reducing costs and building a base to make sure to achieve targets in 2017.

Stage II: Growth Strategies by Market

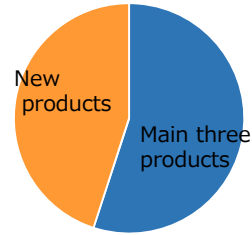
Sales by Market



▶ Increase sales of Automotive and Industry combined from 69% up to 80% of total sales.



Main three products
Vs
New products



▶ Further increase sales of main three products and add sales of new products by fully utilizing Sumida's core technologies and customer base.

Develop new products for EV / HEV



Developing new products with Tier 1 makers

Apply technologies developed for ABS coils to other mechatronics products

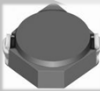

Expand mechatronics-related products



▶ Seeking new core product following the three main products.

Directions for Industry Business ① sumida


For industrial equipments

Inductor
Transformer


Product groups grew big in Stage I

For Communication infrastructure



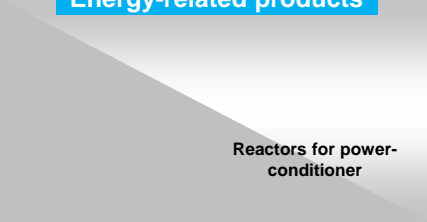
Inductor

RFID products



12mm
23mm
32mm

Energy-related products



Reactors for power-conditioner


▶ **New businesses grew up in the industry market during Stage I.**

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Directions for Industry Business ② Medical-related sumida

Medical Equipments

Focus R&D resources on medical-related new products

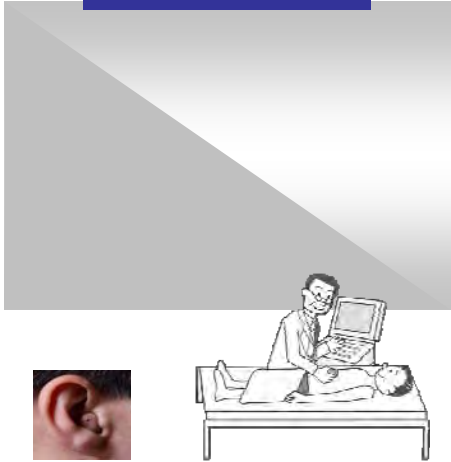


NIHON KOHDEN
Transformer

Sumida Power Technology Co.

Sumida Resources

Healthcare Products

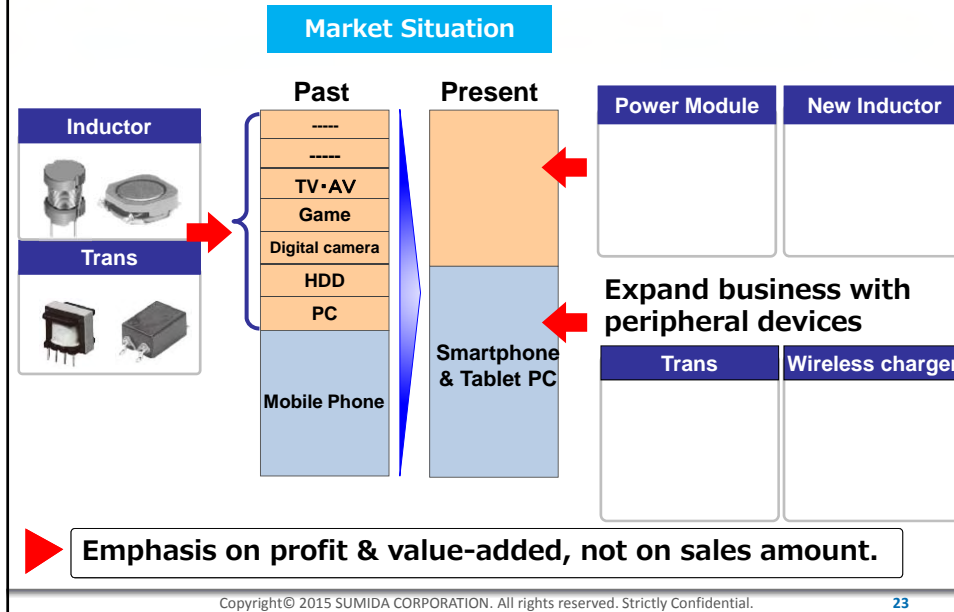


Stage I
Establishment of Sumida Power Technology Co. to develop medical-related products

Stage II
Seeking medical-related M&A in US & Europe

▶ **Highly-profitable business to expand with M&A.**

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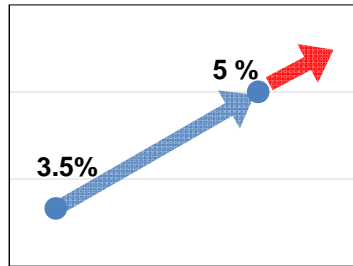


Stage II: Improvement of Profitability

Measures to Improve Profitability



Operating Income ratio (%)



Stage I
Average

Stage II
Target

■ New products release

- ✓ Expand high value-added products
- ✓ Reorganization of R&D departments

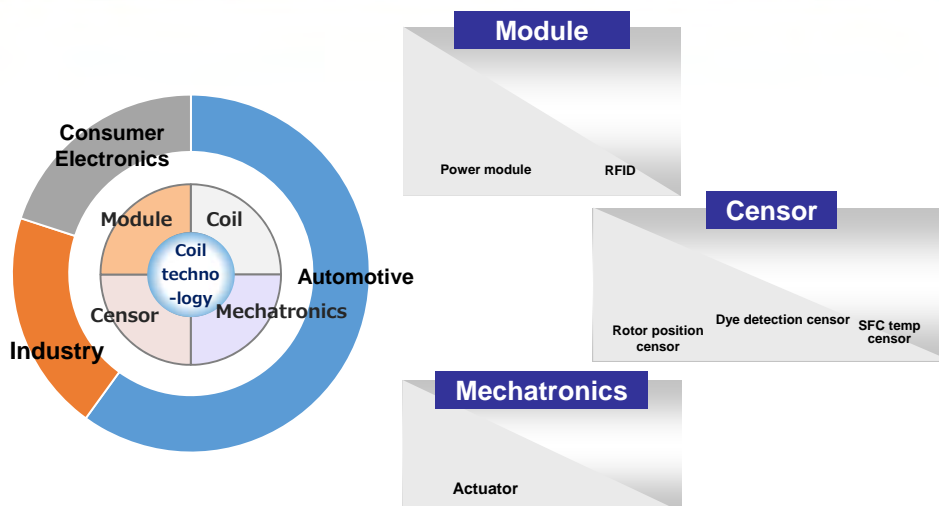
■ Reduction of direct labor & law materials

- ✓ Promote new production strategies

■ Cutting down production overhead & SG&A Exp.

- ✓ Improve total efficiency by promoting "Global One" concept

Expansion of High Value-Added products



▶ Focus on higher value-added products.

Global R&D Organization for Sustainable Growth

E-Lab (Germany)
New products & technology

A-Lab (U.S.A.)
New products

K-Lab (Canada)
Power module

C-Lab (China)
New products
Manufacturing technology

M-Lab (日本)
New products & new technology

- **Stage I** ---
 - Established new Lab in Canada in cooperation with local university specializing in next-generation power-module
 - Established new lab in U.S. specializing in application engineering aiming to expand business there.
- **Stage II** ---
 - Added in C-Lab (China) new manufacturing technology center to improve manufacturing technology

▶ **Accelerate development of new products and manufacturing technology by adding 50 more R&D engineers in coming three years.**

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Reduction of Production Costs (Direct Labor)

■ **Transfer production to lower-costs area**

High-costs areas

China (Guangzhou area)

- Panyu
- Taiping

Satellite plants

- China (Nanning, Changde, Ji'an, Suqian)
- Vietnam (Haiphong)

Low-costs areas

- New Ji'an plant (to be built in March '15)
- New Vietnam plant (to be built in Dec '15)

% of man power

Year	High-costs areas	Low-costs areas (include. Satellite plant)
2008	100%	0%
2011	~65%	~35%
2014	~55%	~45%
2017	~25%	~75%

New Ji'an plant

▶ **Reduce direct labor wages by moving to lower-costs areas**

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Reduction of Production Costs (Direct Labor) ②

■ Promote automated production lines in high-costs areas

High-costs areas

Install automated production lines for automotive products

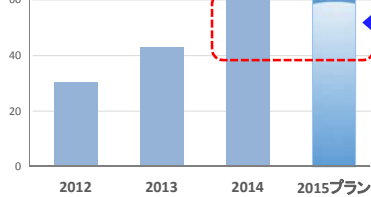
Old production lines



New production lines



Capital investment ('00 million yen)



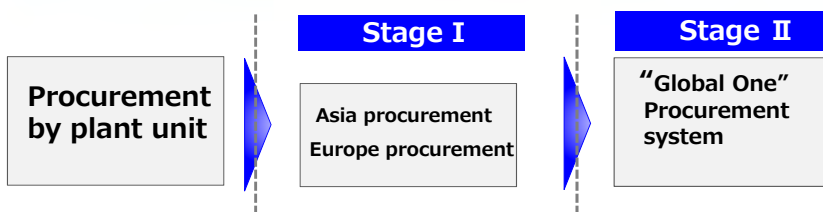
Capital investments for productivity enhancement and production increase

- For production enhancement in China plants
- For plant expansion in Europe and Mexico

▶ Aiming for costs reduction, capacity increase & quality improvement.

Reduction of Production Costs (law materials)

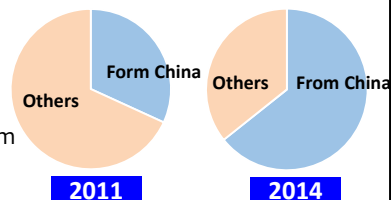
■ Consolidate procurement depts. to reduce purchase costs



■ Review suppliers

- ▶ Expansion of purchase from local suppliers in China
- ▶ Introduction of "Preferable Supplier" system

(Ex.) Equipment purchase



▶ Consolidation of procurement (Globally) to reduce purchase costs.

Improve total efficiency by further promoting “Global One” concept

■ Restructuring of global management system

- ✓ Establish market data gathering system
- ✓ Review sales management system
- ✓ Review capital investment management system
- ✓ Introduce IFRS across the group

■ Areas for improvement of total efficiency

- ✓ Procurement
- ✓ SCM (Logistics)
- ✓ Forming/Molding development
- ✓ HR management



▶ Improve company-wide efficiency by strengthening
“Global One” concept.

Stage II: Financial Initiatives

P/L Target for FY2015 vs. FY2014



(Million yen)

	FY2014 Actual	FY2015 Forecast	FY2017 Plan
S a l e s	77,562	83,630	100,000
Operating Income	3,345	2,700	5,000
%	4.3%	3.2%	5.0%
Ordinary Income	2,799	2,000	4,100
Net Income	1,346	1,000	2,600
Forex. rate			
U.S.dollar/Yen	104.99	118.00	118.00
Euro/Yen	140.20	137.00	137.00

▶ Aiming for doubling of net income in 2017 from 2014 through implementation of the measures focusing on profitability.

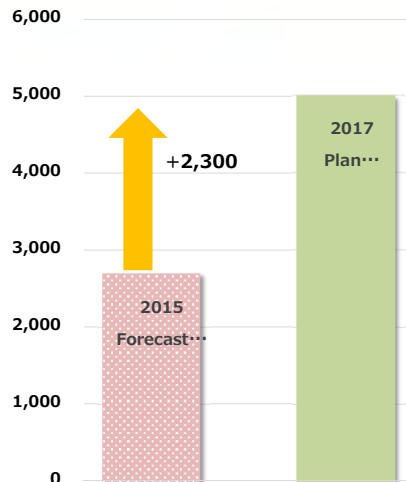
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2015→2017 Operating Income Change Analysis



(Million yen)



Positive factors

Revenue up	2,110
Costs reduction	3,650
Non-amortization of good-will	380
M&A and others	500
TOTAL	6,640

Negative factors

Wages up	△2,580
China welfare exp. up	△670
Additional R&D exp.	△450
Products mix	△400
SG&A exp. up	△240
TOTAL	△4,340

TOTAL △4,340

NET +2,300

▶ Positive factors exceeds negative ones by ¥2,300 million despite of the costs increases.

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From D/E to ROE

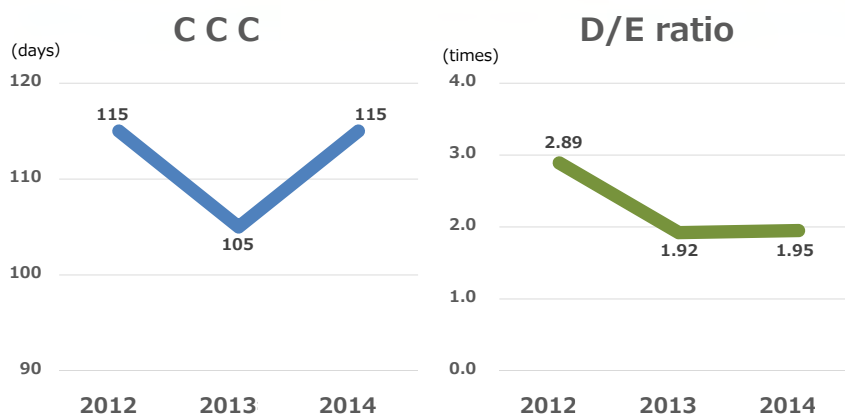


In Mid-Term Business Plan Stage I
announced in August 2012

- Cash Conversion Cycle (CCC)
- & • D/E ratio

were positioned as tools to improve Balance Sheet
because there were concerns at that time that easy
financing due to credit relaxation and low interest rate
may not last long in the future.

Cash Conversion Cycle (CCC) & D/E ratio



D/E ratio shows some improvement.

Change of Financial Target



Easy financing with ultra-low interest rate continues due to global credit relaxation.
 →D/E ratio considers to be one of the factors consisting of ROE.

CCC considers to be one of the fair guidelines for operations due to change of products mix and business structure.

At 2014 end 115 days

Proper level 100 days



ROE replaced D/E ratio & CCC as financial target in Stage II placing more emphasis on shareholders' point of view.

Composing Elements of ROE/Monitoring Indicators

	<u>2014 (Actual)</u>	<u>2017年 (Plan)</u>
Net Income Ratio	1.7%	2.6%
Sales/Total Assets	1.2 times	1.2 times
Total Assets/Equity	4.2 times	3.7 times
<i>(Net D/E ratio)</i>	<i>(1.74 times)</i>	<i>(1.55 times)</i>
ROE	9%	More than 12%



Aiming for more than 12% ROE with healthy financial indicators.

Adoption of IFRS



- **Adopt unified accounting standards (IFRS) across Sumida group.**
 - ▶ **Sumida's current consolidated accounting data include Japan Standards, IFRS and U.S. standards. However, more than 80% sales and 97% production are from overseas.**

- **Good-will cannot be amortized under IFRS. Thus, 380 million yen operating income will be added in 2017 when IFRS is adopted**

▶ **IFRS will be voluntarily adopted from 2017 considering Sumida's global operations.**

Dividend Policy



- ◎ **20 yen/share dividend continues to be paid annually.**
- ◎ **5 yen/share dividend is paid every quarter.**
- ◎ **Reflecting consolidated financial results, additional dividend will be paid if dividend calculated by using net income & base dividend ratio (20-30%) exceeds annual base dividend of 20 yen/share.**

Dividend payout : yen	1Q	2Q	3Q	4Q	Full-year	Dividend Ratio
2013 (Actual)	5.00	5.00	5.00	5.00	20.00	–
2014 (Actual)	5.00	5.00	5.00	5.00	20.00	34.5%
2015 (Forecast)	5.00	5.00	5.00	5.00	20.00	46.%

▶ **Continue to pay stable dividend.**

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These risks include but are not limited to domestic and global economic business conditions, successful execution of our strategy and our ability to realise the resulting benefits, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, actuarial assumptions, raw materials and employee costs, our ability to restructure our operations, the rate of technological changes, political, economic and other developments in countries where Sumida operates, industry consolidation and competition. As a result, Sumida's actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. Sumida is under no obligation to, and expressly disclaims any obligations to, update or alter its forward-looking statements, whether as a result of new information, subsequent or otherwise.

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