



# Mid-term Business Plan

## 2012-2014

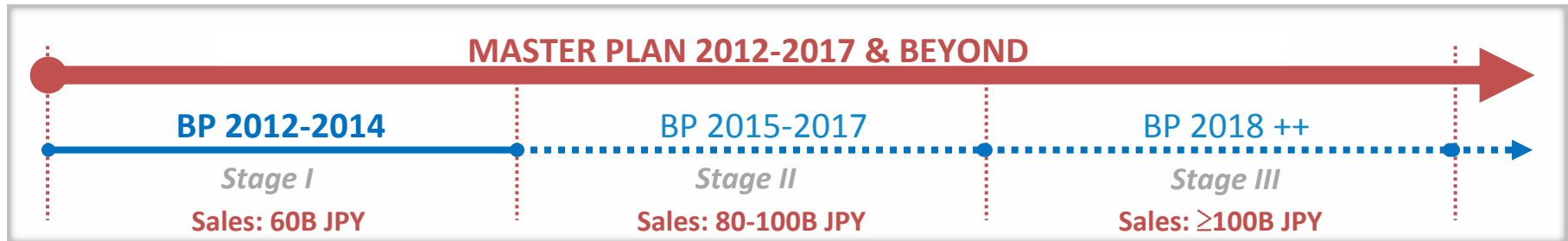
### (Elaboration)

*Thursday, 2 August 2012*

Presented by:  
**Shigeyuki Yawata**  
*Chief Executive Officer*

- As a result of the debt crisis, developed economies such as Europe, USA and Japan are facing some growth challenges.
- Although emerging economies such as the BRICs have high growth potential in the coming years, we are observing slow downs in the rate of growth.
- Low cost manufacturers are improving on their product quality & service offering.
- In developing countries such as China which have been historically known as production locations, GDP growth have reached levels indicating that they should also be treated as a market.

# Our Planning Approach



***“Improving profitability through cost reduction & optimisation of our product portfolio to suit market needs”***

## Key Targets to achieve by end of 2014

### ■ PROFITABILITY IMPROVEMENTS

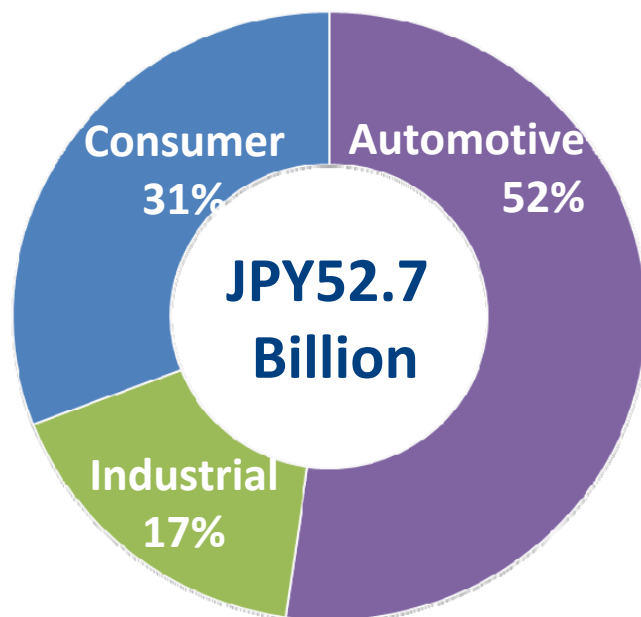
- Sales JPY 60 Billion
- OP JPY 5 Billion
- EBITDA JPY 8 Billion

### ■ BALANCE SHEET IMPROVEMENTS

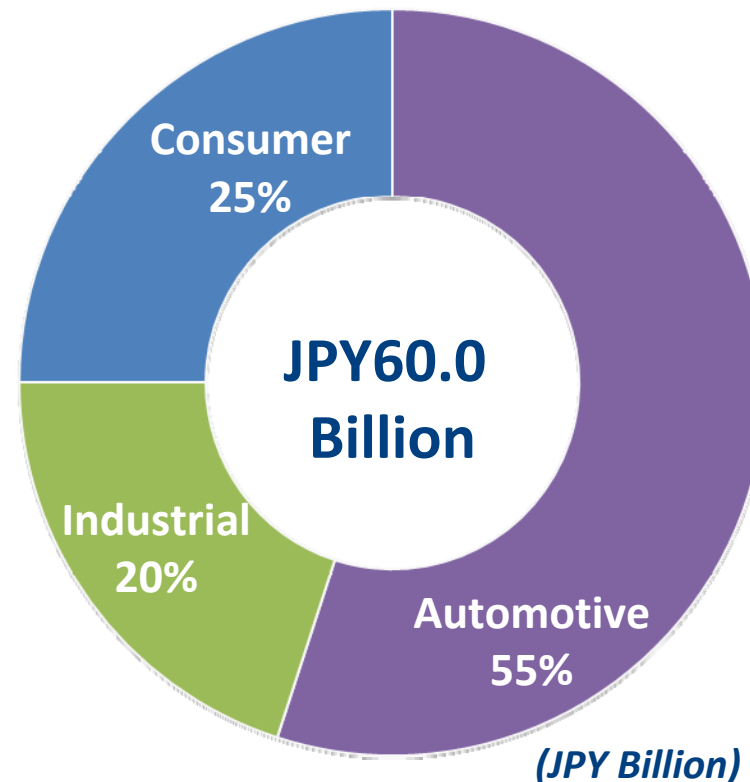
- D/E Ratio 1.4
- Cash Conversion Cycle (CCC) 50 days

Exchange Rate: 77JPY/1USD 105JPY/1EUR

## FY2011 Results



## FY2014 Targets



	2011 (actual)		2014 (targets)		CAGR ('12-'14)
Automotive	27.5	(52%)	33.0	(55%)	6.2%
Industrial	9.0	(17%)	12.0	(20%)	10.2%
Consumer Electronics	16.2	(31%)	15.0	(25%)	-2.6%

## Leveraging Our Expertise to Develop Products for New Applications

- Further expansion of products with which we have high market share



**ABS/ESC Coils**



**Smart Entry Systems**



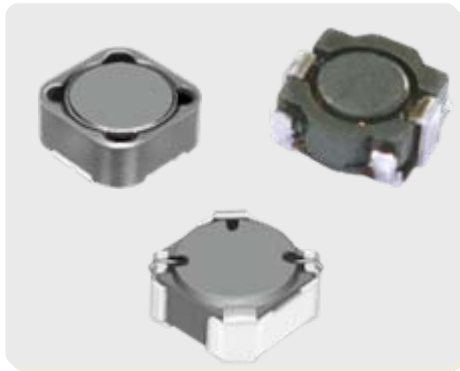
**HID Module**

- Business Expansion into new fields

▶ <b>Mechatronics</b>	Use knowledge gained from our long-term history with ABS coils to develop other Actuator products.
▶ <b>Sensors</b>	Expansion of products for a variety of in-vehicle sensors.
▶ <b>EV/HV Applications</b>	Expansion in the fields of reactors, transformers, battery charging and power management related products.

## Specialise in Growth Segments with Emphasis on Profitability

- Further expansion of products which we have high market share



Power Inductors



Power Transformers



Chip Inductors

- Business expansion into new fields

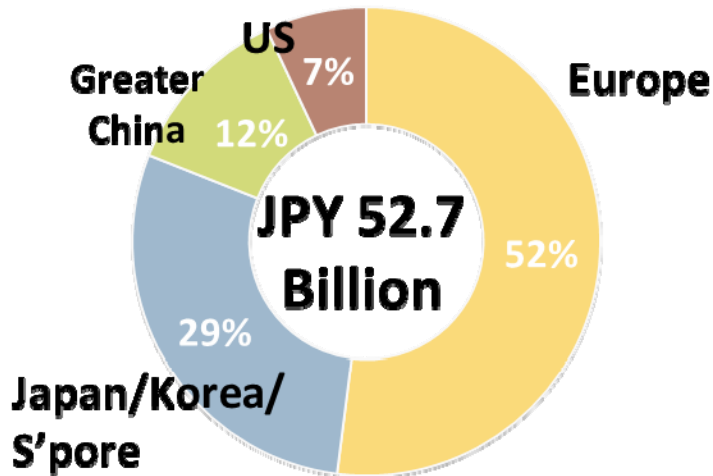
▶ <b>Smart Phone, Tablet PCs</b>	Positioning ourselves in growth fields, promote new developing products for inductors and transformers.
▶ <b>Digital SLR Cameras</b>	Components designed for high-end models.
▶ <b>Wireless Charging Systems</b>	Expansion of newly developed wireless power transfer coils.

## Business expansion in the following 6 fields will play an important role in the coming years

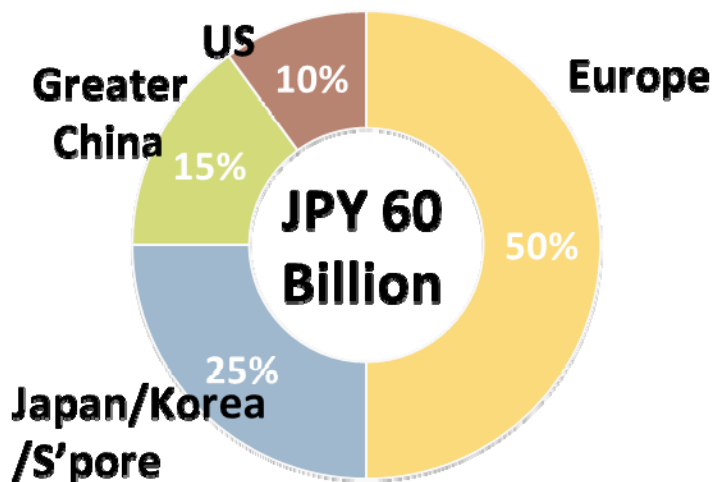
<b>Industrial Machinery &amp; Tools</b>	Factory automation related machinery and tools, construction machinery, etc...
<b>Energy</b>	Power conditioning (inverter) oriented reactors and transformers.
<b>Medical • Healthcare</b>	Continuous expansion of high reliability components business.
<b>Identification System</b>	Expansion and development of small size and lightweight RFID products (ear tags) for use in livestock management.
<b>Security</b>	In addition to our product development to date, expansion of RFID related products.
<b>Lighting</b>	Investment into module development targeted for use with LED lighting.



FY2011 Results



FY2014 Targets



## ① Expanding US Sales:

In addition to our existing Automotive business, we will focus on high technology applications such as Energy, Medical and Security related areas which have very high potential for growth.

## ② Expanding China Sales:

- Strengthen design-in capabilities in Japan, US, and Europe to support sales increase in China
- For expansion of business with Chinese Companies, we are re-engineering our distribution system within China.

## ③ Further development and expansion of Global Key Account Management System to improve support of our global customers.

## 1. **Further Implementation of Automated Production Lines:**

Further production optimisation through accelerated automation of processes, particularly for automotive related products with long product life cycles and lower volume fluctuations.

## 2. **Strengthening our purchasing power as a Global One company:**

Strengthening our purchasing power through the unification of our procurement system and focusing on a single contact window to suppliers within Sumida Group Globally to expedite improvements.

## 3. **Production Transfer to Low Cost Sites:**

In addition to further automation of product lines, production transfers to low cost sites (satellite factories) will enable us to lower direct labour costs by 10-30%. Combined with the on-going development of new low cost sites for both Asia and Europe, additional cost reductions will be achieved.



## R&D: US, Germany & Japan

R&D bases in developed countries focus on the development of new products and technologies.

- New Material Development
- Transition from component to module development
- Development of magnetics products

## R&D: China

As the base for application engineering, fast response times to design changes and sample requests are used as the fundamental focus for further development in this region. In addition, alternative material (2<sup>nd</sup> source) development will also be researched here.

- Increased profitability through focused actions for productivity improvements.
- Cash creation through emphasis on management goals:
  - 1. Global Cash Management**

Putting emphasis on global cash flow management in relation to debt repayment, better utilise cash on hand. Use cash pooling to hasten repayment of debts.
  - 2. Cash Conversion Cycle (CCC)**

Through inventory reductions and reconsideration of accounts receivable and payable terms, focus is on reducing our CCC from 106 days down to 50 days to raise our capital efficiency.

# Income Statement & Balance Sheet

## Income Statement

	<u>FY2011</u>	<u>FY2014</u>	(Million JPY)
Sales	52,759	60,000	
<b>Gross Profit</b>	<b>10,103</b>	<b>14,100</b>	
GPR	19.1%	23.5%	
<b>SGA Expenses</b>	<b>7,993</b>	<b>9,100</b>	
<b>SGA/Sales Ratio</b>	<b>15.2%</b>	<b>*15.2%</b>	<i>*Note: SGA/Sales Ratio remains flat due to planned additional investment into R&amp;D.</i>
<b>Operating Income</b>	<b>2,110</b>	<b>5,000</b>	
OIR	4.0%	8.3%	
<b>EBITDA (OP + Depreciation/Amortisation)</b>	<b>4,605</b>	<b>8,000</b>	

## Balance Sheet

Cash and cash equivalent	6,912	2,500
Trade receivables	9,581	9,863
Inventories	8,027	6,288
Other assets	22,977	24,768
<b>Total Assets</b>	<b>47,497</b>	<b>43,419</b>
Trade payables	3,397	7,545
Debts	31,752	17,792
Other liabilities	5,161	5,400
<b>Total liabilities</b>	<b>40,310</b>	<b>30,737</b>
Equity	7,187	12,682
<b>Total equity and liabilities</b>	<b>47,497</b>	<b>43,419</b>
CCC Days	106	50
<b>D/E Ratio</b>	<b>4.4</b>	<b>1.4</b>

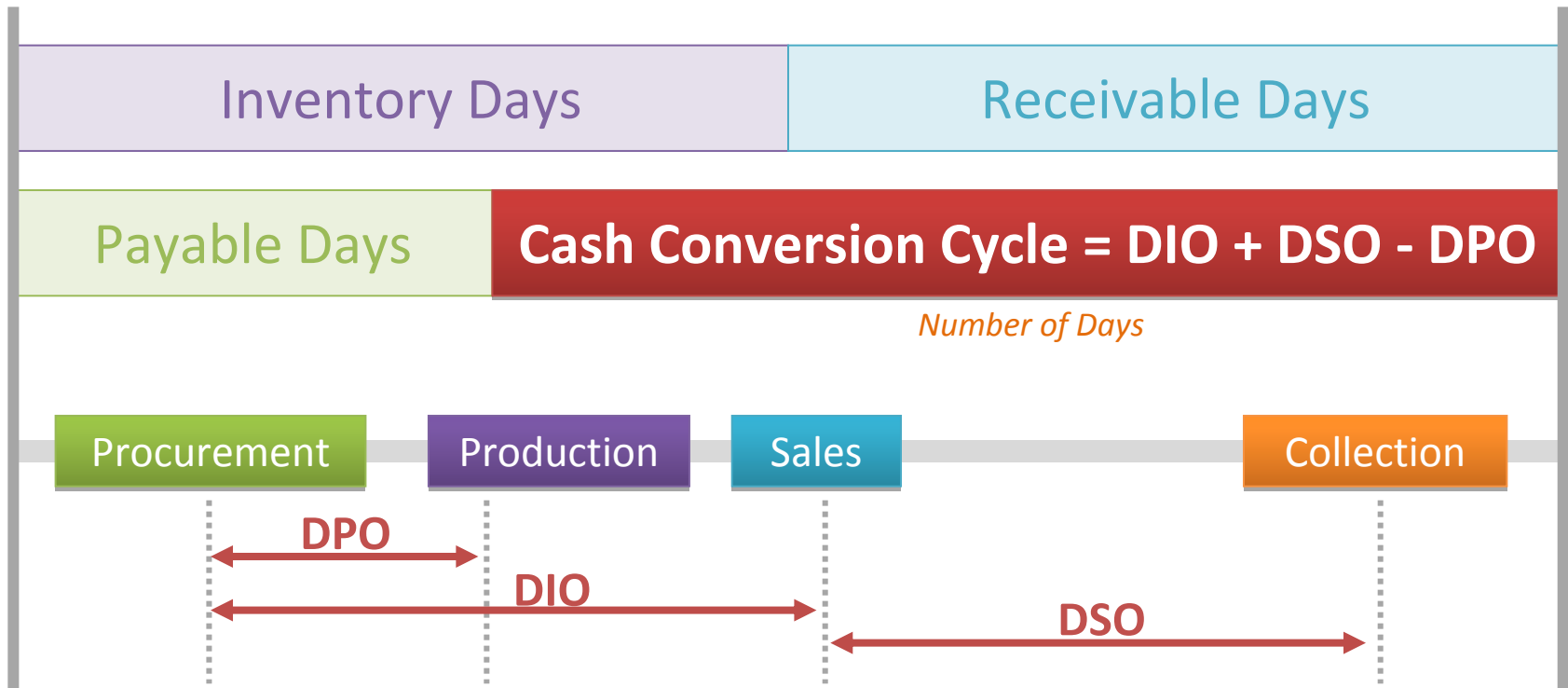
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# APPENDIX

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**DIO** = Days Inventory Outstanding

**DSO** = Days Sales Outstanding

**DPO** = Days Payable Outstanding