



Global and China Automotive Wiring Harness Industry Report, 2009-2010

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4.2 China Automotive Wiring Harness Market

The market of automotive wiring harness was sized by RMB66.2 billion (excluding the demand from the maintenance of both new and old cars) in 2009, and promisingly, it can reach RMB67.5 billion (based on the calculation that the wiring harness value needed for every single car averages RMB4, 500) in 2010, but it will also face great challenges such as rising cost etc.

I. Automobile Output Explosion Promotes the Rapid Development of China Automotive Wiring Harness Industry

China's automobile industry has developed rapidly during the recent years. The automobile output has risen to last year's 13.79 million from 8.89 million in 2007, especially in Year 2009, the output saw an increase of 48.2% from a year earlier. It is estimated that, in 2010, China's automobile output will exceed 15 million, and there still exist factors to drive the development of China's automotive wiring harness industry through automobile output

Conservative estimate: if every single car needs an average 65 sets of wiring harness, the demand for automotive wiring harness in 2009 could be 896.35 million sets (excluding the maintenance demands of both new and old cars); if the average wiring harness value of every single car is RMB4800, the market size of automotive wiring harness in 2009 has reached RMB66.2 billion (excluding the maintenance demands of both new and old cars). As is predicted, automobile output of China in 2010 can reach 15 million, thus, about 1.02 billion sets of automotive wiring harness will be needed (based on the calculation that every single car calls for an average 68 sets of wiring harness), and the market size will hit RMB67.5 billion (calculated if the average value of wiring harness needed for every single car is RMB4500).

II. The Growing Demand in International Market Fuels the Export of China Automotive Wiring Harness Products

Besides the unceasing expansion of domestic market demands of China's automotive wiring harness industry, the attractiveness from the global automotive wiring harness market is also increasing. According to the statistics of Gasgoo, in 2009, the frequency of international purchasing agents' online releases of purchasing automotive wiring harness products was 1208 times, increasing by 45.7% from 656 times in 2008.

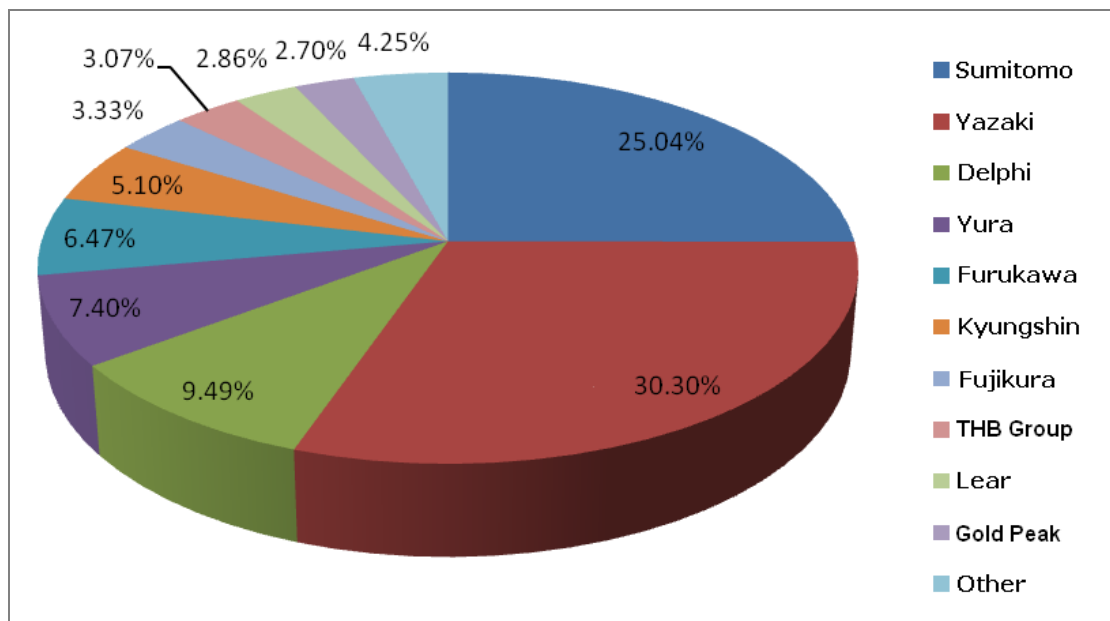
In addition, the export volume of China's automotive wiring harness products in 2005 reached 149 kilotons with the foreign exchange earning of US\$1.13 billion; in 2009, the export volume of automotive wiring harness products was 249 kilotons with the foreign exchange earning reaching US\$2.33 billion. During the five years, the average annual growth rate of export volume and export value of China's automotive wiring harness products was 63.7% and 65.9% respectively, the export business of China's automotive wiring harness made rapid progression.

Conservative estimate: if every single car needs an average 65 sets of wiring harness, the demands for automotive wiring harness in 2009 could be 896.35 million; if the average wiring harness value of every single car is RMB4800, the market size of automotive wiring harness in 2009 has reached RMB66.2 billion. Promisingly, China's automobile output in 2010 can reach 15 million, so, about 1020 million sets of automotive wiring harness will be needed (based on the calculation that every single car needs an average 68 sets of wiring harness), and the market size will reach RMB67.5 billion (calculated if the average value of wiring harness needed for every single car is RMB4500). The figure indicates that there can be a large demand of automotive wiring harness in 2010.

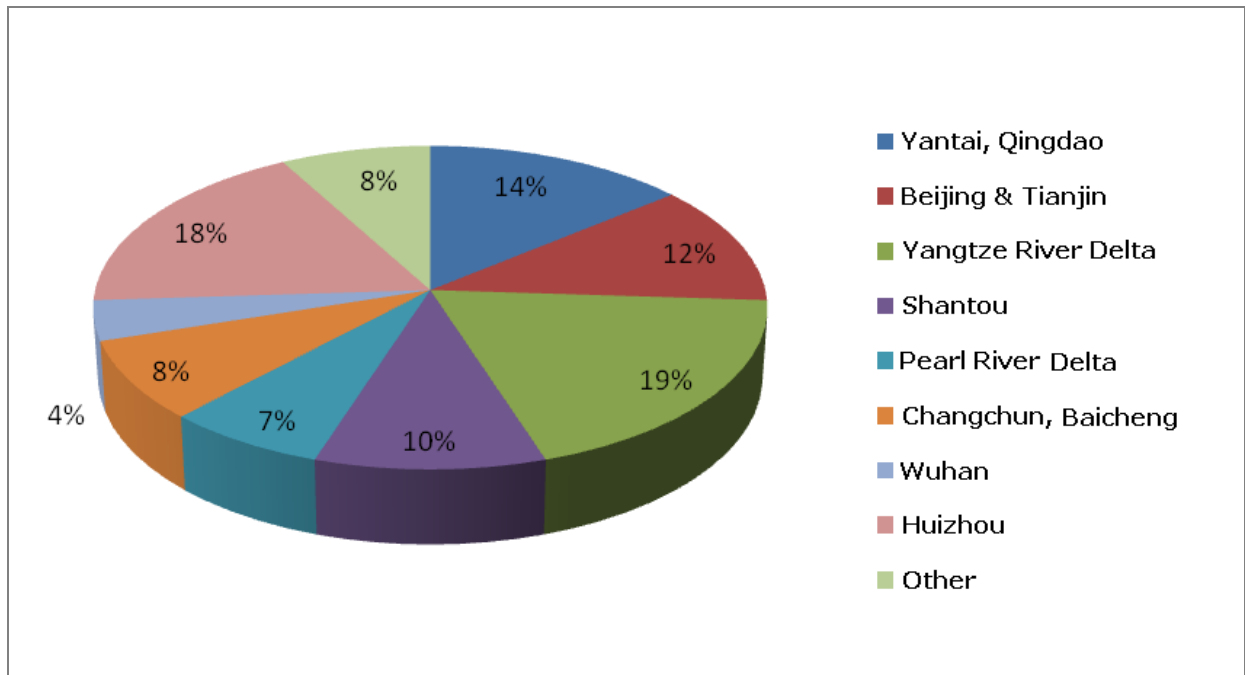
4.4 China Automotive Wiring Harness Industry

Like the global automotive wiring harness industry, Japanese enterprises occupy about 60% market shares in Chinese automotive wiring harness industry, followed by Korean manufacturers- Yura, Kyungshin, and Yujin occupy 15% or so. Among the 42 manufacturers whose sales in 2009 exceeding RMB100 million, only 5 are local manufacturers, the rest are joint ventures or sole proprietorships. Hebi-based THB Group is the most outstanding among the local manufacturers, followed by Kunshan Huguang, Nantong Unistar, JAC Xinfra and Brilliance Taian. JAC Xinfra and Brilliance Taian are associated with automobile manufacturers. Nantong Unistar focuses on coaches.

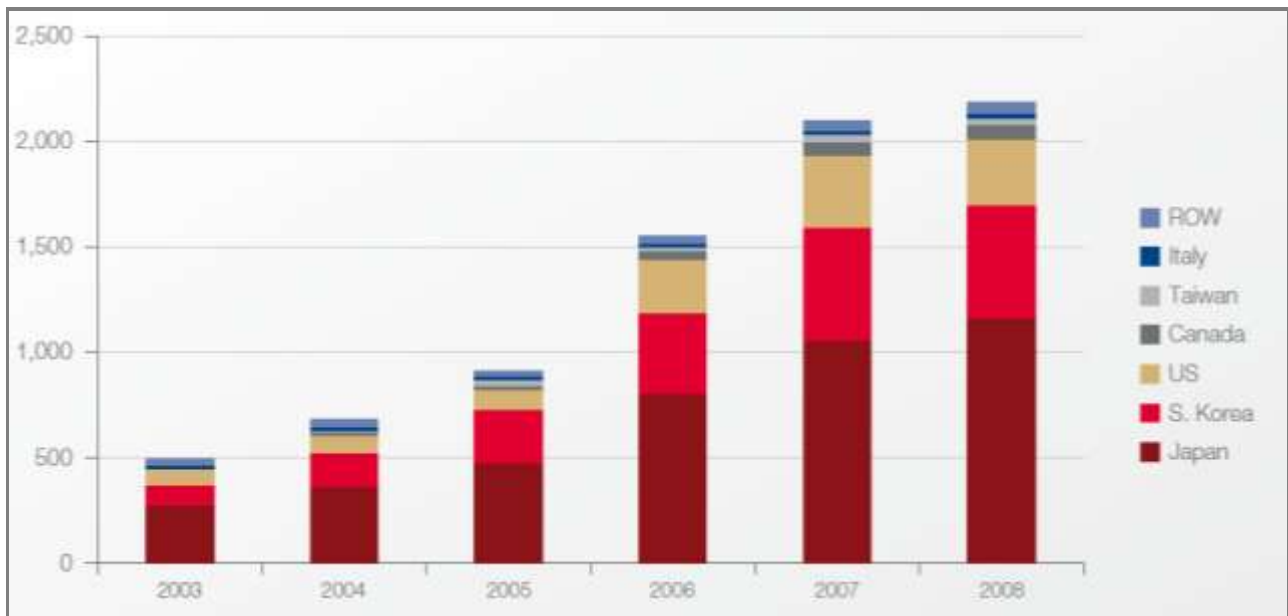
Market Shares of Major Automotive Wiring Harness Manufacturers in China, 2009



Output Value of Automotive Wiring Harness in China by Region, 2009



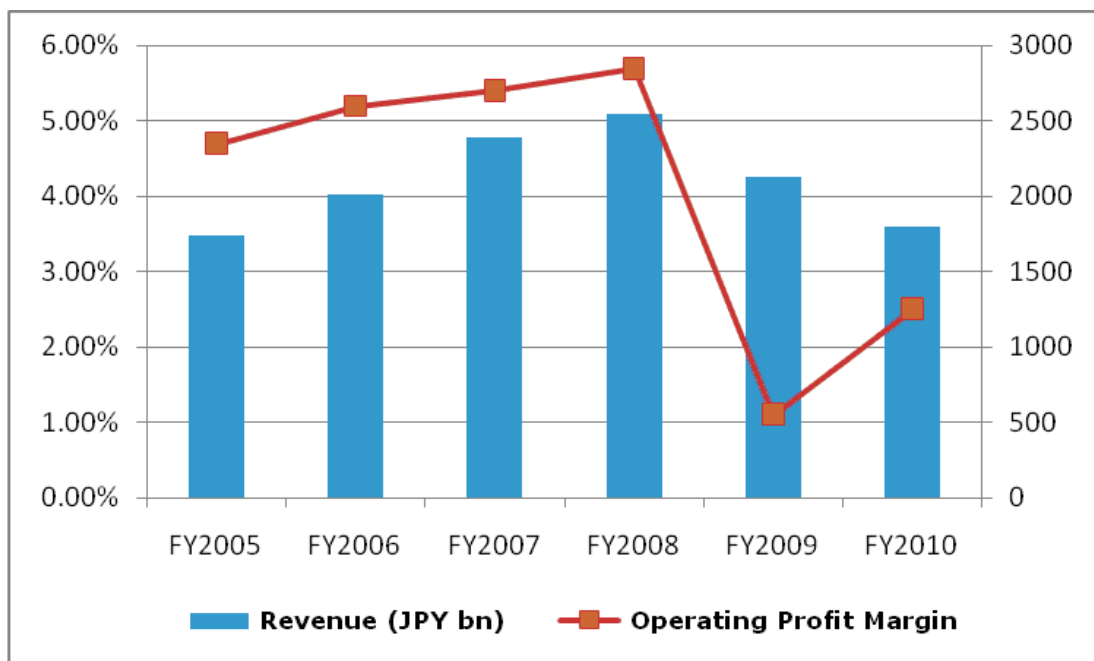
Export of Automotive Wiring Harness in China by Region, 2003-2008



5.1 Sumitomo Electric

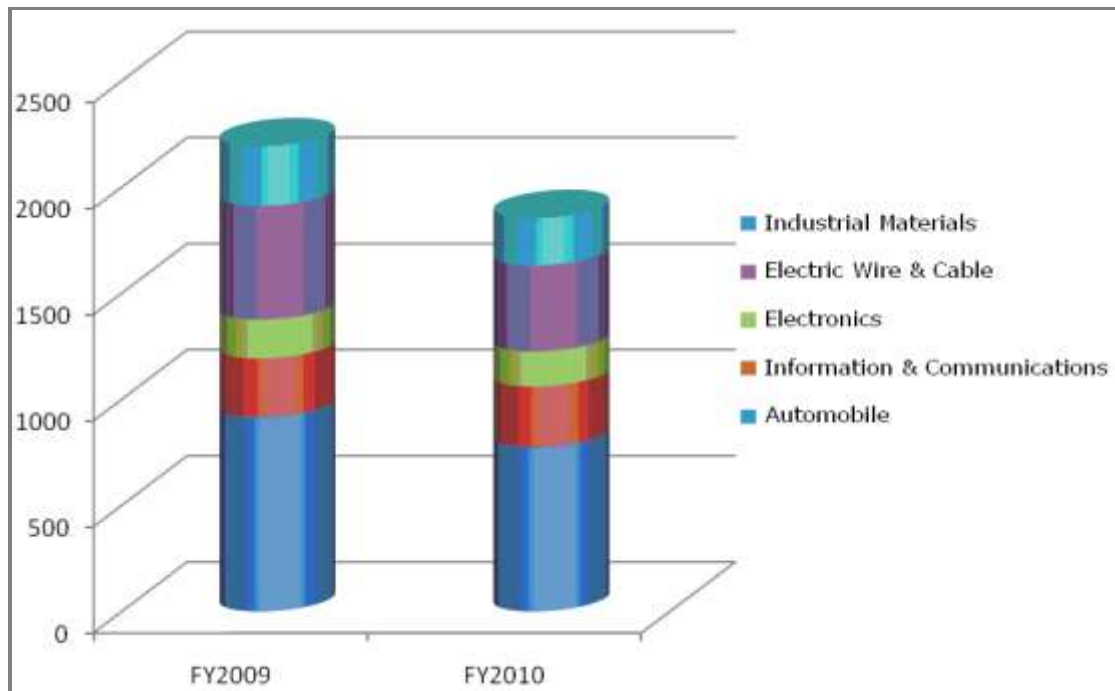
Sumitomo Electric was founded in 1897, starting from wire business. Sumitomo Electric is engaged in five business fields: "Automobile", "Information & Communications", "Electronics", "Electric Wire & Cable" and "Industrial Materials". Automotive wire harness is in the charge of Automobile Division.

Revenue of Operating Profit Margin of Sumitomo Electric, FY2005-FY2010



	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Revenue (JPY bn)	1740	2007	2384	2541	2122	1800
Operating Profit (JPY bn)	81	105	129	149	24	45
Operating Profit Margin	4.7%	5.2%	5.4%	5.7%	1.1%	2.5%

Revenue of Sumitomo Electric by Product, FY2009 vs. FY2010



	Automobile	Information & Communications	Electronics	Electric Wire & Cable	Industrial Materials
FY2009	917	275	183	536	282
FY2010	775	285	165	405	225

Operating Profit of Sumitomo Electric by Dept., FY2009

	Automobile	Information & Communications	Electronics	Electric Wire & Cable	Industrial Materials
FY2009	917	275	183	536	282
Operating Profit (JPY100 mln)	17	6.5	4.5	4.5	0

Revenue of Sumitomo Electric in Automotive Wire harness Business, Q1 2008-Q3 2009

	08Q1	08Q2	08Q3	08Q4	09Q1	09Q2	09Q3
Revenue (JPY 100 mln)	2058	2181	1842	471	1147	1452	1641

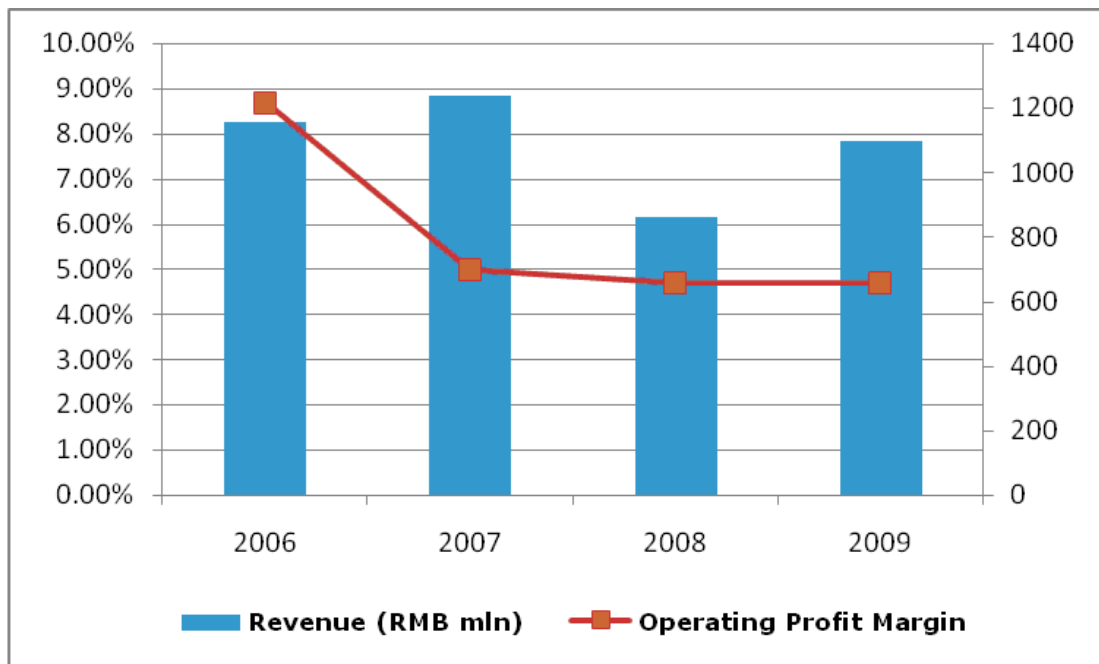
Revenue of Sumitomo Electric, FY2006-FY2010

	FY2006	FY2007	FY2008	FY2009	FY2010
Revenue (JPY 100 mln)	3387	3904	4285	3480	3300

5.1.2 Tianjin Jin Zhu Wiring System Co., Ltd

Tianjin Jin Zhu Wiring System Co., Ltd is a joint venture which is subject to Tianjin Automotive Industry (Group) Co., Ltd. Its shareholders include Tianjin Automotive Industry (Group) Co., Ltd, Japan Sumitomo Electric Industries, Ltd, Japan Sumitomo Denso Corporation, Japan Sumitomo Corporation, Singapore Technologies Industrial Co., Ltd. The investment valued RMB35 million. Foreign shareholders hold 90% shares, while Chinese shareholder holds 10%. The fixed assets valued RMB195.66 million. The company covers an area of 40,000 square meters, with 4937 employees, including 87 technology managers. The current annual output reaches 1 million sets. In 2008, it achieved the sales income of RMB860 million, the export value of RMB40 million, the profit of more than RMB40 million. In 2009, the sales revenue was over RMB1 billion, and the output reached more than 10 million units.

Revenue and Operating Profit Margin of Tianjin Jinzhu Automotive Wire harness, 2006-2009



	2006	2007	2008	2009
Revenue (RMB mln)	1156	1238	860	1098
Operating Profit (RMB mln)	10007	6167	4012	5200
Operating Profit Margin	8.7%	5.0%	4.7%	4.7%

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5.1.4 Chongqing Jin Zhu Wiring System Co., Ltd

Chongqing Jin Zhu Wiring System Co., Ltd was established in 2004, with the registered capital of RMB18 million and 500 people. The shareholders include Tianjin Jin Zhu Wiring System Co., Ltd and Chongqing Yafeng Electric Co., Ltd. the company is the wire harness production base of Japan Sumitomo Group in southwest China.

Brief Financial Data of Chongqing Jin Zhu Wiring System Co., Ltd, 2007-2009

	Number of Employees	Business Revenue	Export Value	Main Business Cost	Operating Profit	Total Industrial Intermediate Input	Direct Materials
2007	201	90348	66434	81706	72716	7273	70704
2008		92398					
2009		103328					

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