

FY2010 Results and FY2011 Activities

~Towards Achievement of 12Vision~

Masayoshi Matsumoto

President and CEO



Table of Contents

FY2010 Result & FY2011 Forecast

1. FY2010 Results

1. FY2010 Executive Summary
2. Sales by Segment
3. Enhanced Overseas Bases and Streamlined Domestic Bases
4. Improved Overseas Sales and OP ratios
5. Improved OP Ratio and ROA by Segment
6. Improved OP
7. Sales and OP by Segment
8. Damages and Countermeasures for March 11 Earthquake
9. FY2010 PL
10. FY2010 BS

2. FY2011 Activities

1. FY2011 Executive Summary
2. Market Conditions and Sales Forecast
3. Plans of Investment into Fixed Assets and R & D
4. Sales and OP by Segment
5. Forecast towards Achievement of 12Vision
6. FY2011 Forecast

3. Achievements and Activities by Segment

1. Automotive
2. Sales Forecast of Wire Harness by Region
3. Global Optimization of Production Bases
4. Information & Communications
5. Electronics
6. Electric Wire, Cables and Energy
7. Industrial Materials
8. New Products and R&D

4. Dividend and Payout Ratio



1. FY2010 Results



1 – 1. FY2010 Executive Summary

FY2010 Result & FY2011 Forecast

- ✓ Taking advantage of growth of global market led by emerging countries, sales of Automotive and Industrial Materials segments increased.
- ✓ To capture larger share in growing global market, global production bases were enhanced. To become more competitive, domestic production bases were streamlined.
- ✓ Through continued efforts of business promotion and entire cost down, both OP ratio and ROA were improved significantly. Despite damages from March 11 earthquake, on top of unfavorable exchange rate and domestic market conditions, financial structure was improved and net profit, as planned one year ago, was secured. → Increased dividend
- ✓ Although March 11 earthquake brought about considerable damages (Extraordinary Loss of ¥8.8bn), taking this opportunity, we managed to realign production lines to attain stable operation under restricted condition of electric power supply.
- ✓ Most successful R&D is development of Molten Salt Battery (Product specification under examination). Biggest hit product in business is Aluminum Wire Harness.



1 – 2. Sales by Segment

FY2010 Result & FY2011 Forecast

Taking advantage of growth of global market led by emerging countries, sales of Automotive and Industrial Materials segments increased. Total sales increased by 11%, despite damages from March 11 earthquake and unfavorable exchange rate.

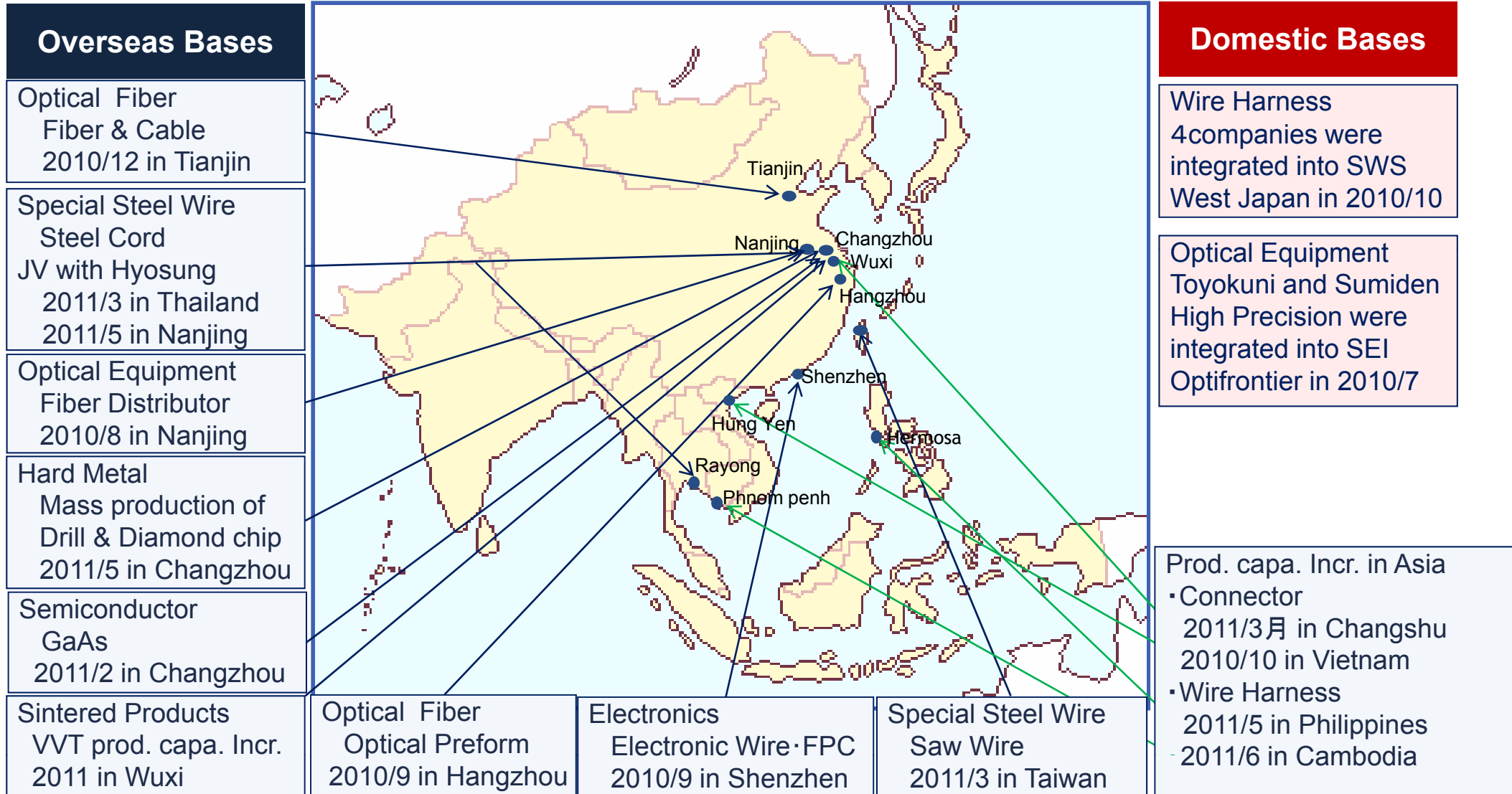
Unit:¥Billion	FY 2009	FY 2010	Diff.	Factors
Automotive	816.6	960.0	+143.4	Increase in Wire Harness in Europe, North America and China Wire Harness Market Share 22%→25%
Information & Communication	271.2	218.2	(53.0)	Commuture Corp., shareholding ratio 54%→22% (42.9)¥bn Decrease in NW equipment. Increase in Optical & Electric devices
Electronics	165.1	178.2	+13.1	Increase in Electronic wire, Fine Polymer & FPCs
Electric Wire & Cable, Energy	412.5	464.9	+52.4	Increase in copper price +33¥bn Growth of Magnet Wire market
Industrial Materials & Others	228.2	277.5	+49.3	Increase in Hard Metal, A.L.M.T (Diamond products), Special Steel Wires (Spring wire, Saw wire)
Eliminations	(57.2)	(65.0)	(7.8)	
Total	1,836.4	2,033.8	+197.4	



1 – 3. Enhanced Overseas Bases and Streamlined Domestic Bases

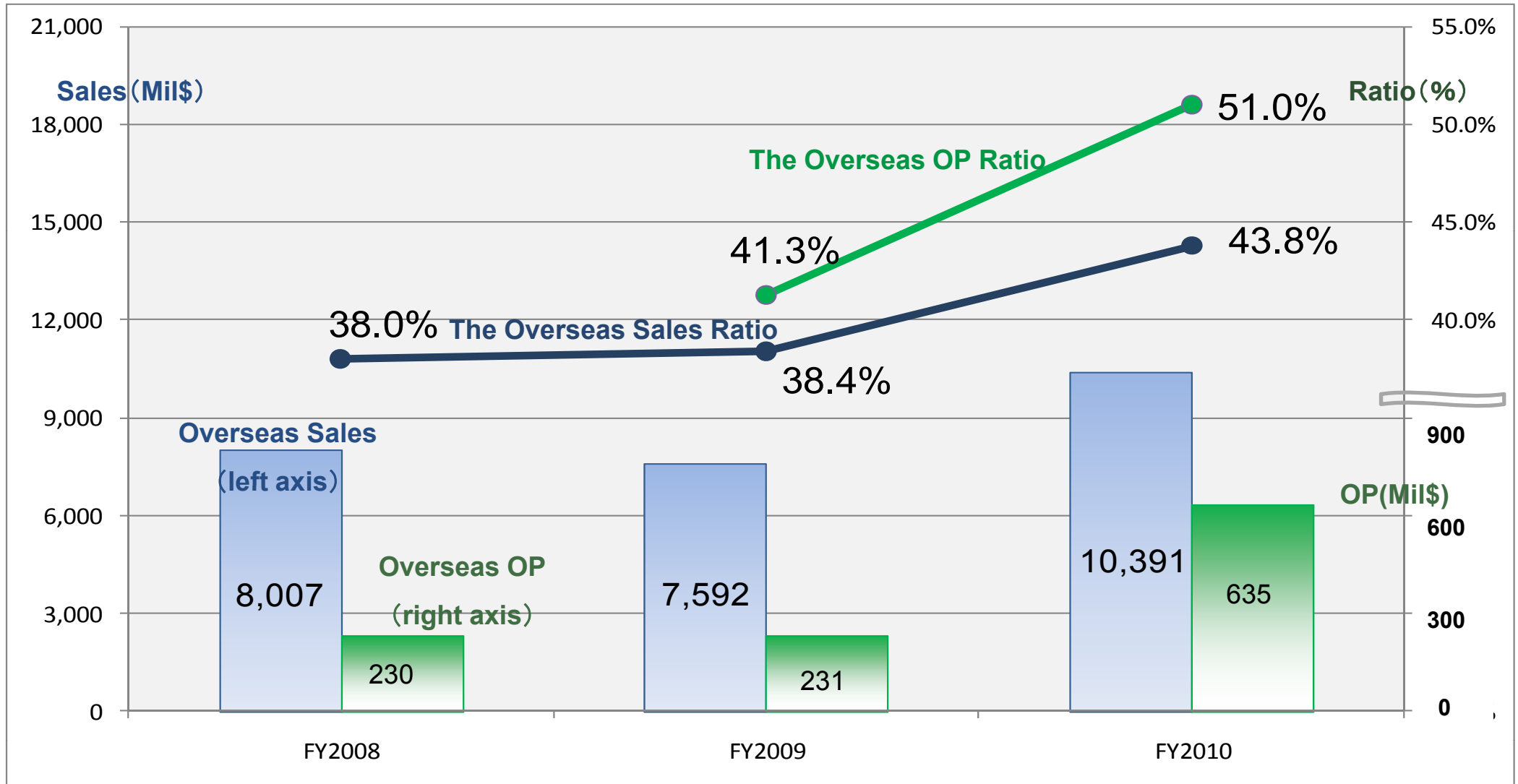
FY2010 Result & FY2011 Forecast

To capture larger share in growing global market, overseas production bases were enhanced. To become more competitive, domestic production bases were streamlined.



1-4. Improved Overseas Sales and OP ratios

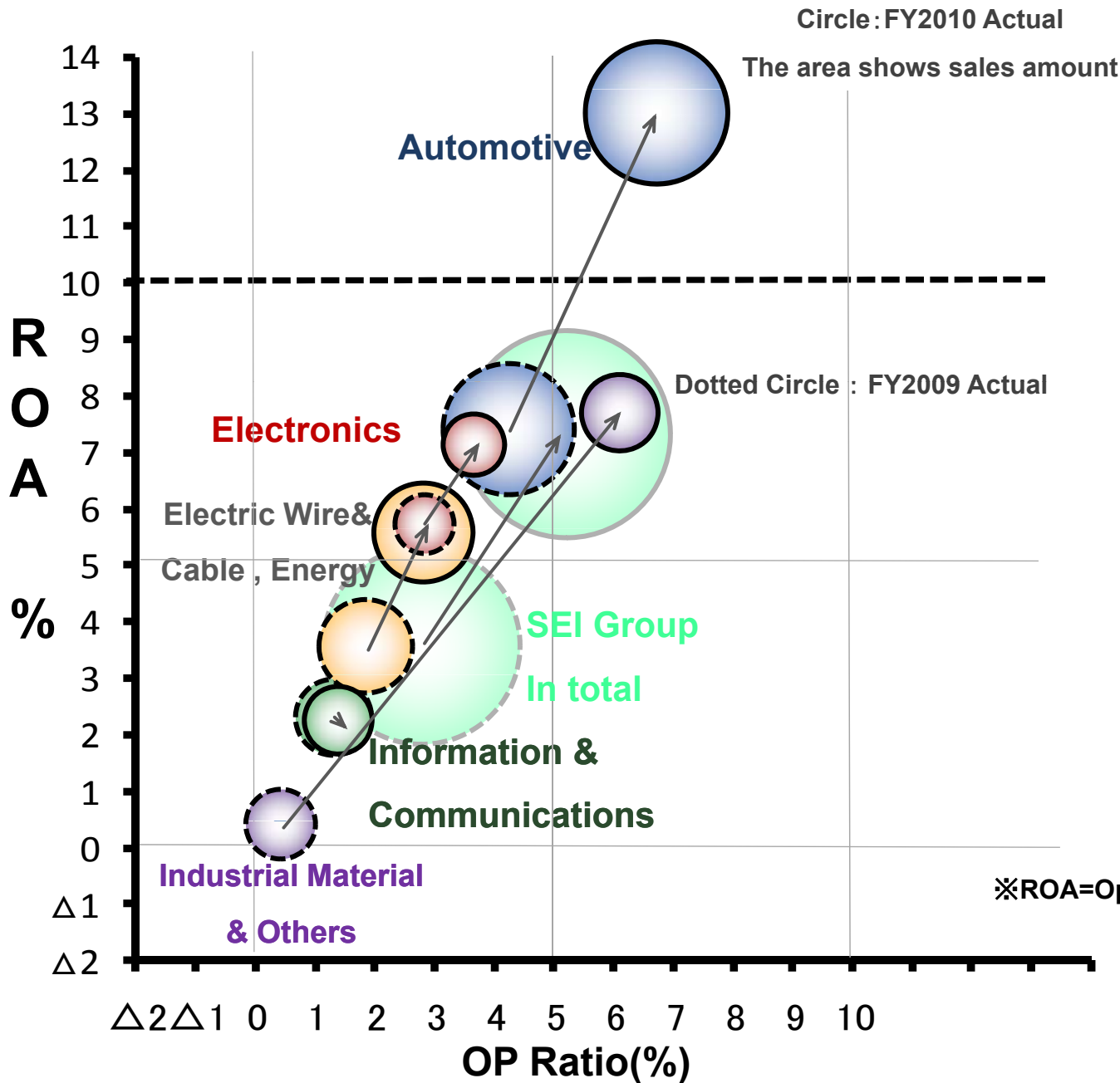
Through continued efforts to promote sales and to enhance production capacity in the growing global market, overseas sales and overseas OP increased significantly. Overseas sales ratio was 43.8% and overseas OP ratio was 51.0% in 2010. We will pursue more sales and profit in the growing market.





1-5. Improved OP Ratio and ROA by Segment

FY2010 Result & FY2011 Forecast



- Through continued efforts to promote business and to reduce cost, both OP ratio and ROA were improved significantly.

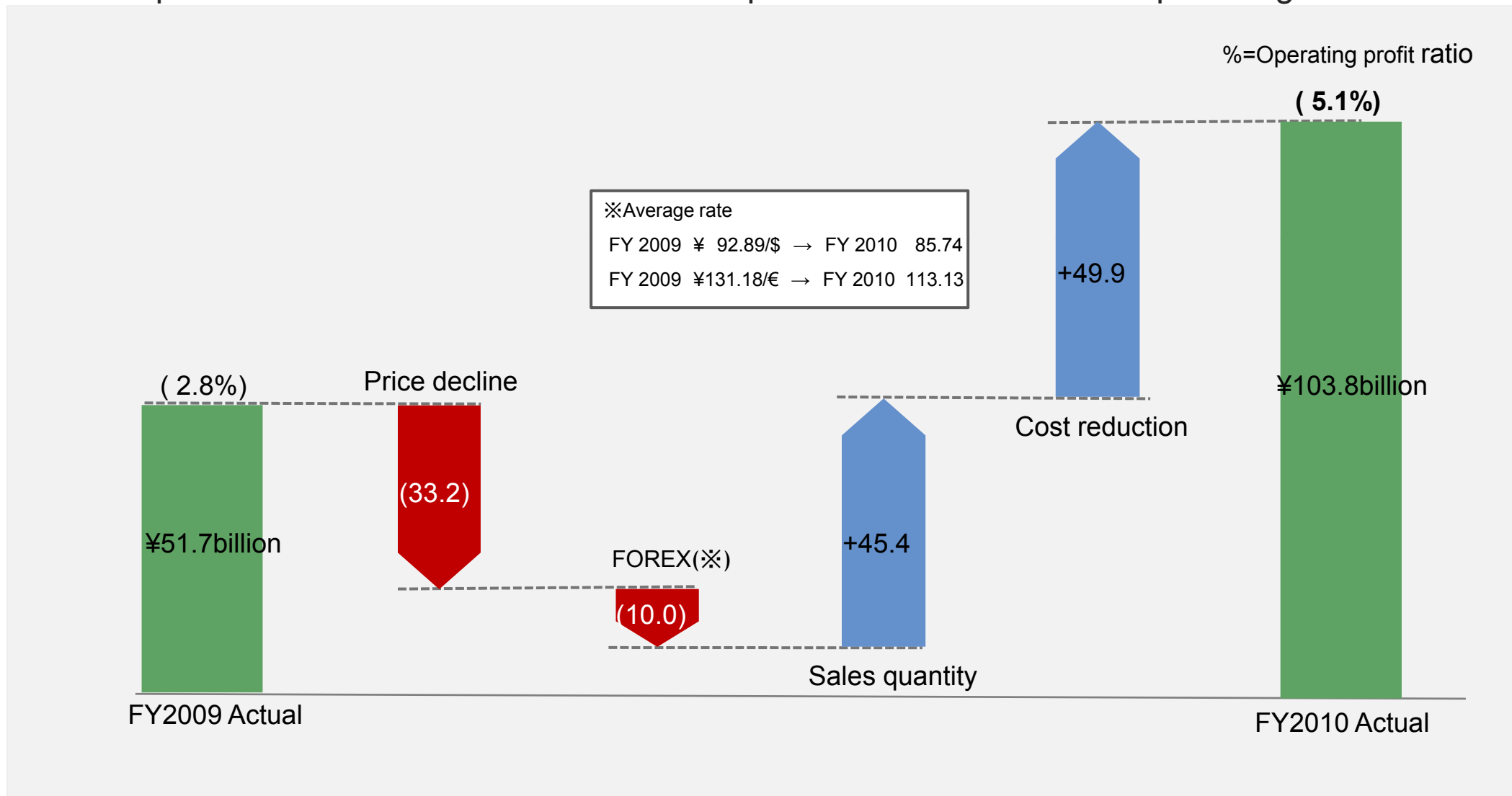
- Shortened lead time, improved yield ratio and tightened inventory control brought about reduced inventory, as a result, OP ratio and ROA were both improved.

※ROA=Operating Profit/Average capital employed during FY.

1-6. Improved OP

Through company-wide efforts to reduce direct cost, indirect expense and fixed expense (S.E.Q.C.D.D.), reduced cost of ¥50bn and achieved OP ratio of 5.1%.

We will pursue further reduction of cost and expenses to survive in a competitive global market.





1-7. Sales and OP by Segment

FY2010 Result & FY2011 Forecast

All segments achieved increases in both sales and OP from FY2009 to FY2010, except Information & Communications which spun off engineering subsidiaries into affiliates. Despite damages from March 11 earthquake and unfavorable exchange rate, actual OP (¥103.8bn) exceeded the plan of one year ago.

Unit:¥Billion	FY2009		FY2010				Increase Decrease		Increase Decrease	
	①		Plan②		Actual③		③-①		③-②	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	816.6	34.5	915.0	60.0	960.0	64.1	+143.4	+29.6	+45.0	+4.1
Information & Communication	271.2	3.6	220.0	2.0	218.2	3.0	(53.0)	(0.6)	(1.8)	+1.0
Electronics	165.1	4.9	200.0	12.0	178.2	6.6	+13.1	+1.7	(21.8)	(5.4)
Electric Wire & Cable, Energy	412.5	7.9	455.0	11.0	464.9	13.4	+52.4	+5.5	+9.9	+2.4
Industrial Materials & Others	228.2	0.9	280.0	15.0	277.5	16.9	+49.3	+16.0	(2.5)	+1.9
Eliminations	(57.2)	(0.1)	(70.0)	0.0	(65.0)	(0.2)	(7.8)	(0.1)	+5.0	(0.2)
Total	1,836.4	51.7	2,000.0	100.0	2,033.8	103.8	+197.4	+52.1	+33.8	+3.8



1 – 8. Damages and Countermeasures for March 11 Earthquake

FY2010 Result & FY2011 Forecast

Extraordinary Loss from March 11 Earthquake

✓ Extraordinary loss of ¥8.8bn was recorded including recovery expenses (such as an allowance of ¥4.1bn), inventory disposal loss, etc. at mainly Yokohama Works and an optical fiber manufacturing base in Tochigi Prefecture.

- **Written down by ¥11.3bn of optical fiber cable and other assets as Impairment loss related to March 11 earthquake.**

Recovery of Production Lines and Stable Operations

✓ **Recovery of production lines (11 bases were damaged)**

- 9 bases including Optical and Electronic Devices [Yokohama], Special Steel Wire (Steel Cord) [Utsunomiya] restarted operations on March 17, 2011.
 - Magnet Wire [Iwate Pref., Tochigi Pref.] restarted operations on April 5, 2011.
 - Optical Fiber Cable [Utsunomiya] restarted operations on April 15, 2011.
- ✓ Establishment of new systems for stable operation under restricted condition of electric power supply
- Realignment of shifts and installation of electric power generators (from July 2011)
→ Avoidance from vital risks for production of high value added products in Japan

Restructure of supply chain

✓ **Promotion of multi source procurement**

1-9. FY2010 PL

FY2010 Result & FY2011 Forecast

In 2010 increases in OP and Equity in Earnings of Affiliates enabled us to secure 2.5 times increase in Net Profit as compared with the last year. Despite Extraordinary Loss from March 11 earthquake, all items as planned one year ago were achieved.

Unit: ¥Billion	FY 2009 ①	FY 2010 Plan ②	FY 2010 Actual ③	%Growth ③-①	%Growth ③-②
Net Sales	1,836.4	2,000.0	2,033.8	+11%	+2%
Operating Profit	51.7	100.0	103.8	+101%	+4%
Equity in net income	12.2	18.0	23.9	+96%	+33%
Ordinary Income	68.2	120.0	129.1	+89%	+8%
Net Extraordinary Income	(12.8)	(10.0)	(15.3)	—	—
Income before Income Taxes and Minority Interests	55.4	110.0	113.8	+105%	+3%
Income Taxes, Minority Interests	(26.7)	(50.0)	(43.2)	—	—
Net Income	28.7	60.0	70.6	+146%	+18%
R O A ※	3.6%	7.1%	7.3%	+3.7%	+0.2%
R O E	3.3%	6.5%	7.6%	+4.3%	+1.1%

※ROA=Operating Profit/Average capital employed during FY.



1-10. FY2010 BS

FY2010 Result & FY2011 Forecast

Unit: ¥Billion	FY 2008	FY 2009	FY 2010
Current assets	868.8	960.0	988.8
Noncurrent assets	999.4	980.0	967.5
Current liabilities	555.2	557.9	531.0
Noncurrent liabilities	298.9	317.5	332.7
(Interest-bearing debt)	405.5	355.6	341.9
(Net Interest-bearing debt)	261.6	180.0	149.8
Shareholders' equity	892.3	907.6	966.9
Accumulated other comprehensive income	(30.2)	(3.5)	(17.8)
Minority interests / Share warrants	152.0	160.4	143.5
Total Assets	1,868.2	1,939.9	1,956.3
Shareholder's equity ratio	46.1%	46.6%	48.5%
Debt / equity ratio	0.47	0.39	0.36



2. FY2011 Activities



2-1. FY2011 Executive Summary

FY2010 Result & FY2011 Forecast

- ✓ Although market conditions are mostly unforeseeable, such as destructed supply chain for automotive industries caused by March 11 earthquake, global market will continue growing, because there is no global damage to the market, **unlike Lehman Shock.**
- ✓ **FY2011 forecast was formulated based on presumptions that ①stagnation of production by the earthquake would finish largely at the end of 2Q and that ②demand to compensate for loss of production by the earthquake was not taken into account. We will be flexible enough to adjust the forecast to actual conditions of market during 1Q and 2Q by watching the market very closely. Additionally, we will also be flexible to meet demands to compensate for losses of production by the earthquake through enhanced supply chain and production lines.**
- ✓ **Through steady execution of medium term plans of enhanced overseas bases and streamlined domestic bases, each segment will reinforce business structure and achieve ¥80bn as total OP for the second half towards 12V.**
- ✓ **Two major issues of R&D are;**
 - ①**Strengthening research activities of themes targeted for 12V to be accomplished within this substantially final year.**
 - ②**Enlargement and amalgamation of R&D areas to get a foothold to grow beyond 12V.**



2-2. Market Conditions and Sales Forecast

FY2010 Result & FY2011 Forecast

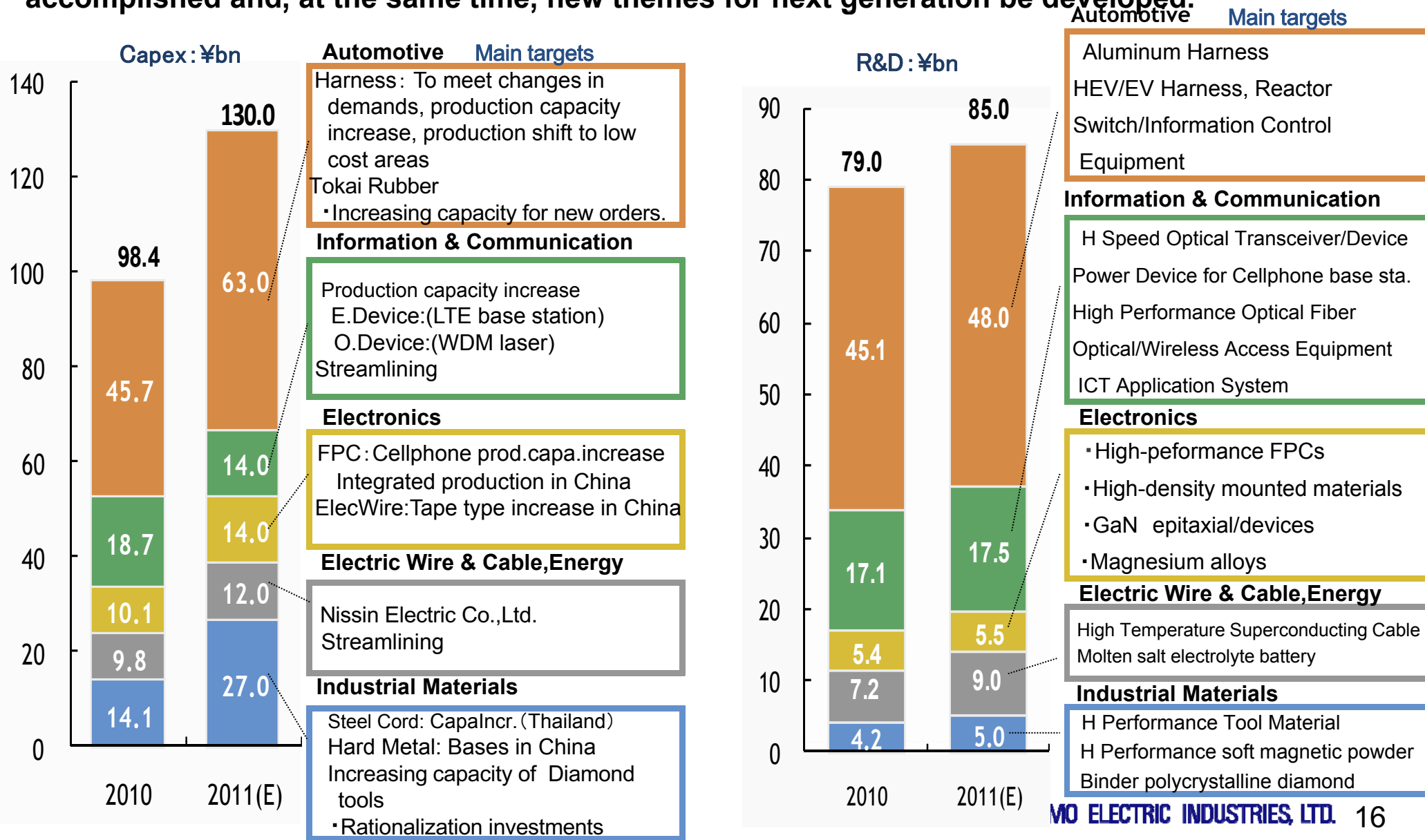
Although there are concerned factors for recession in USA, Europe and emerging countries and market conditions are mostly unforeseeable, such as destructed supply chain for automotive industries caused by March 11 earthquake, global market will continue growing. As it is more difficult to formulate FY2011 forecast than ever before, presumptions were made to the forecast (to be reviewed in 1Q, 2Q) and the plans would be executed steadily.

Unit: ¥Billion	FY2010		FY2011		
	1H Actual	2H Actual	Demand environment (prior conditions)	1H Plan	2H Plan
Automotive	468.9	491.1	World Automobile Output Forecast before the Great East Japan Earthquake: +5% increase over the previous year ⇒ Japan ↓ ↑、Asia ↓ ↑、North America → ↑、Europe → ↑	430.0	530.0
Information & Communication	119.4	98.8	Despite concerned factors, such as stagnation of Japanese market, inflation or economic overheating in emerging countries, global market will continue growing.	75.0	95.0
Electronics	86.0	92.2		85.0	100.0
Electric Wire & Cable, Energy	214.6	250.3	While Japanese market slowed down temporarily due to the earthquake, global market of basic industrial materials, such as magnet wire, hard metal tool, is stable. Domestic demand for construction materials is increasing.	225.0	270.0
Industrial Materials & Others	133.1	144.4		135.0	155.0
Eliminations	(31.4)	(33.6)		(50.0)	(50.0)
Total	990.6	1,043.2		900.0	1,100.0

2-3. Plans of Investment into Fixed Assets and R & D

FY2010 Result & FY2011 Forecast

¥130bn investments into fixed assets were planned primarily for increase in production capacity in growing markets. As for R & D those themes targeted for 12V shall be accomplished and, at the same time, new themes for next generation be developed.





2-4. Sales and OP by Segment

FY2010 Result & FY2011 Forecast

While in 1st half year automotive and domestic markets are foreseen stagnant, in 2nd half the markets are expected to recover and OP of ¥80bn is planned to be secured. In total the same level of OP as FY2010 is planned. Although demand to compensate for loss of production by the earthquake was not taken into account, preparation work will be made to meet increasing demands from customers through enhanced supply chain and production lines.

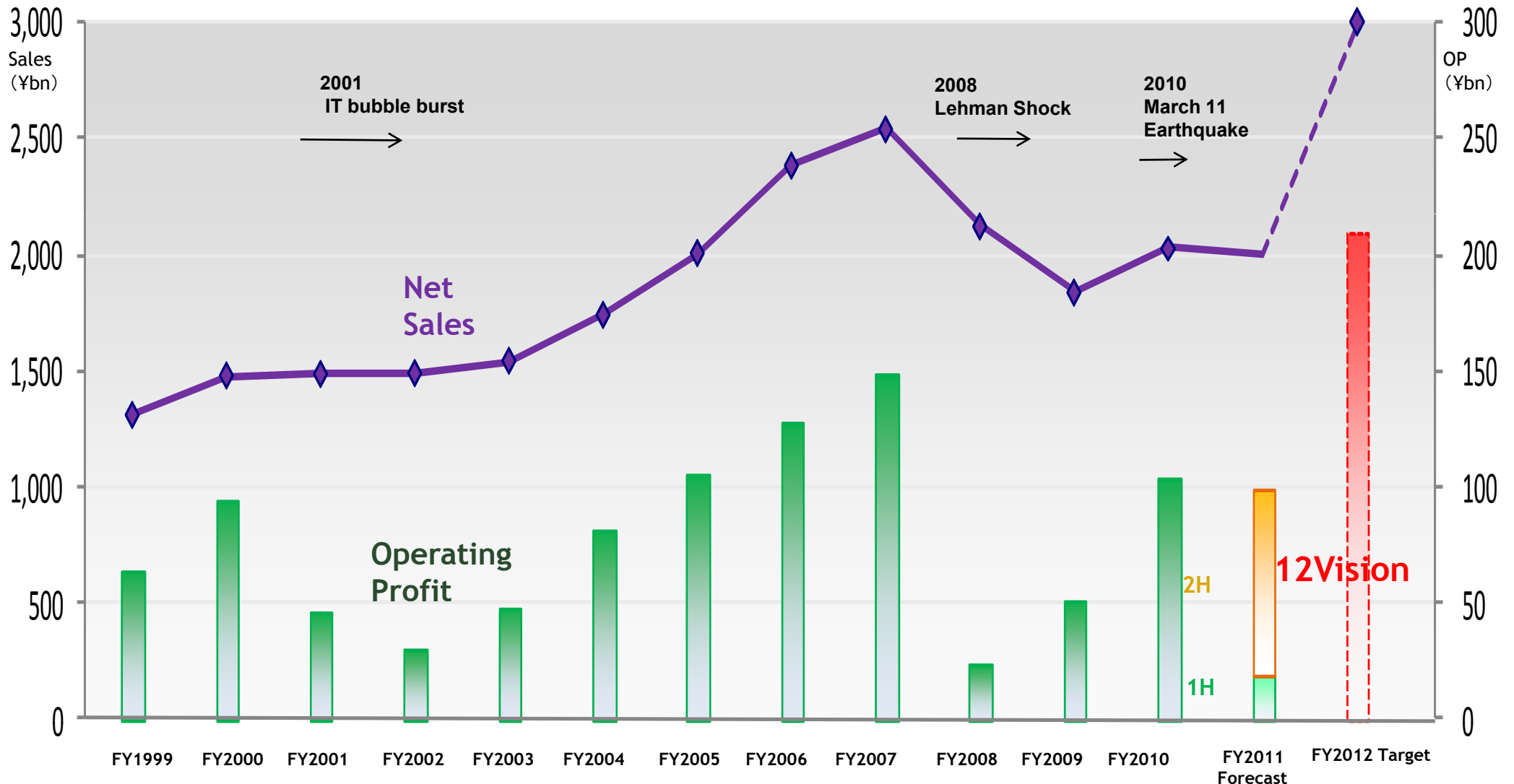
Unit: ¥Billion	FY 2010		FY 2011				Change			
	①		1H Plan		2H Plan		Annual Plan②		②-①	
	Sales	OP	Sales	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	960.0	64.1	430.0	10.0	530.0	38.0	960.0	48.0	0.0	(16.1)
Information & Communication	218.2	3.0	75.0	(6.0)	95.0	7.0	170.0	1.0	(48.2)	(2.0)
Electronics	178.2	6.6	85.0	4.0	100.0	7.0	185.0	11.0	6.8	4.4
Electric Wire & Cable, Energy	464.9	13.4	225.0	2.0	270.0	13.0	495.0	15.0	30.1	1.6
Industrial Materials & Others	277.5	16.9	135.0	10.0	155.0	15.0	290.0	25.0	12.5	8.1
Eliminations	(65.0)	(0.2)	(50.0)	0.0	(50.0)	0.0	(100.0)	0.0	(35.0)	0.2
Total	2,033.8	103.8	900.0	20.0	1,100.0	80.0	2,000.0	100.0	(33.8)	(3.8)



2-5. Forecast towards Achievement of 12Vision

FY2010 Result & FY2011 Forecast

Taking account of current market conditions, FOREX and economic situation, the targets of 12V look high hurdles. However, we are determined to achieve OP forecast in 2nd half year of 2011 and make it a foothold to reach the 12V targets.





2-6. FY2011 Forecast

FY2010 Result & FY2011 Forecast

Preconditions for forecast : FOREX : ¥85/\$US, ¥115/€

Copper: ¥0.85 million/t (LME 9,500 \$US/t)

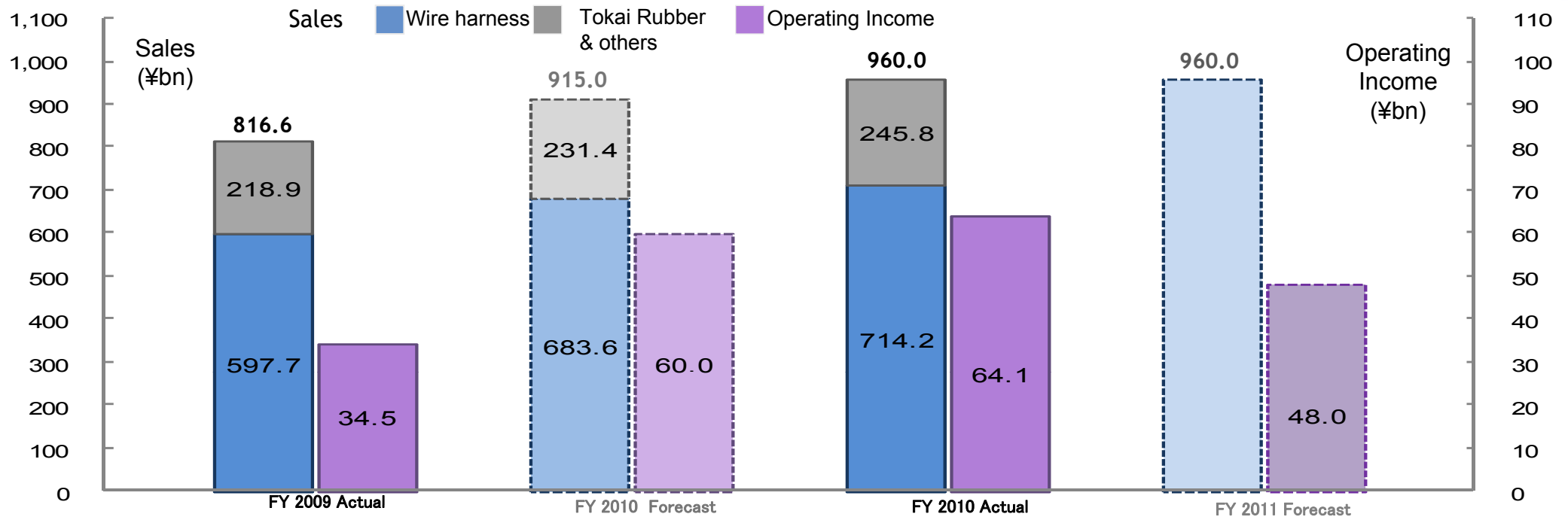
Unit: ¥Billion	FY 2010 Actual	FY 2011 Plan	Change
Net Sales	2,033.8	2,000.0	▲2%
Operating Profit	103.8	100.0	▲4%
Ordinary Income	129.1	115.0	▲11%
Net Income	70.6	65.0	▲8%
Capital Expenditure	98.4	130.0	+32%
R&D Expenses	79.0	85.0	+8%



3. Achievements and Activities by Segment



3-1. Automotive



FY2010

- WH global market share 22% (2009) → 25% (2010)
- 18% sales increase due to WH sales increase in North America, Europe and China
- 6.7% OP improvement by optimum location of production and entire cost down
- Development and sales promotion of products for HEV·EV
- Mass production of aluminum harness

FY2011

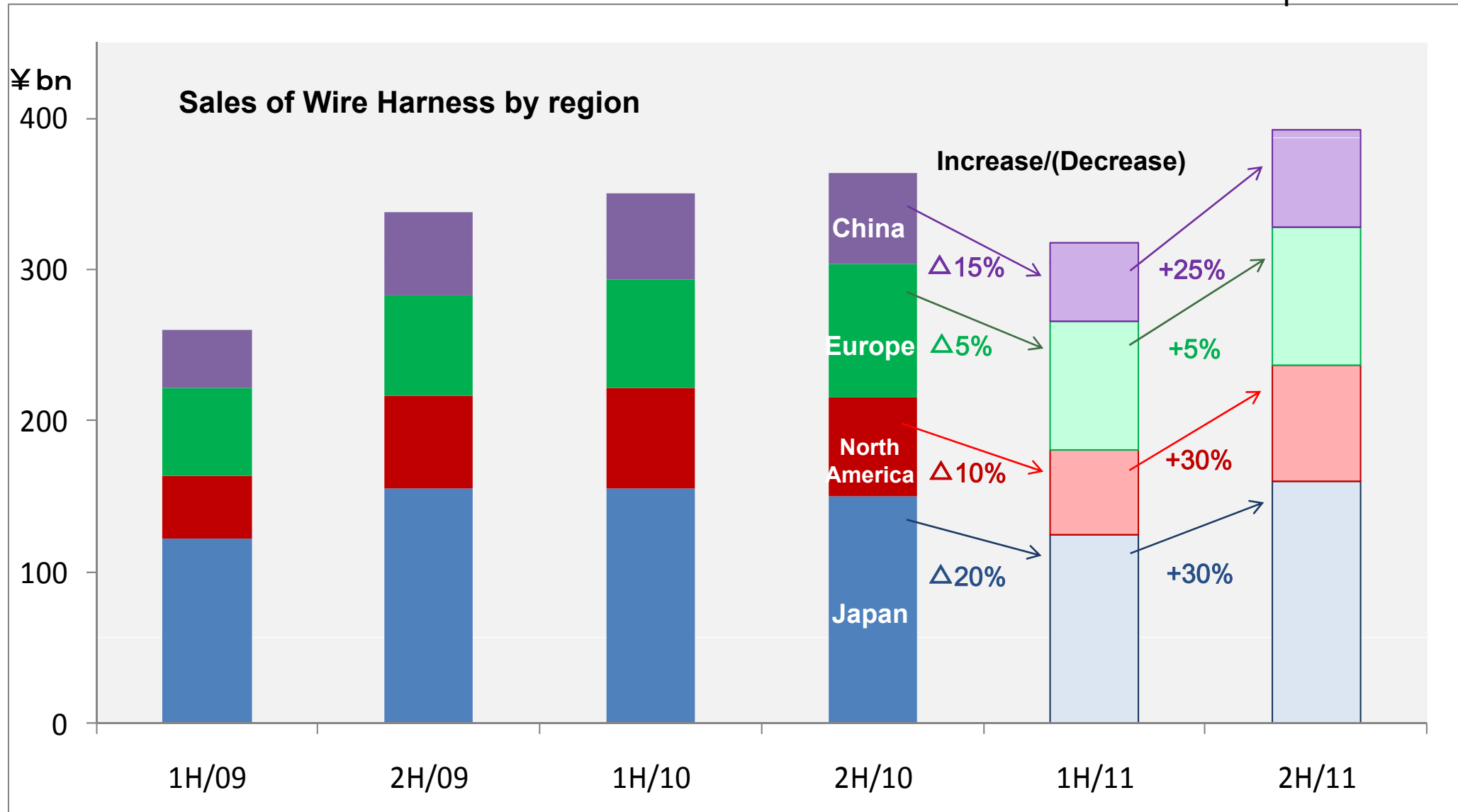
- Agile production adjustment to unforeseeable demand change by March 11 earthquake
- Increase in production capa to stable customers (Europe etc)
- Expansion of global production lines for medium term demands
- Production efficiency improvement for higher OP and ROA
- Development of new products for HEV·EV
- Sales promotion of aluminum harness system, optical harness

3-2. Sales Forecast of Wire Harness by Region

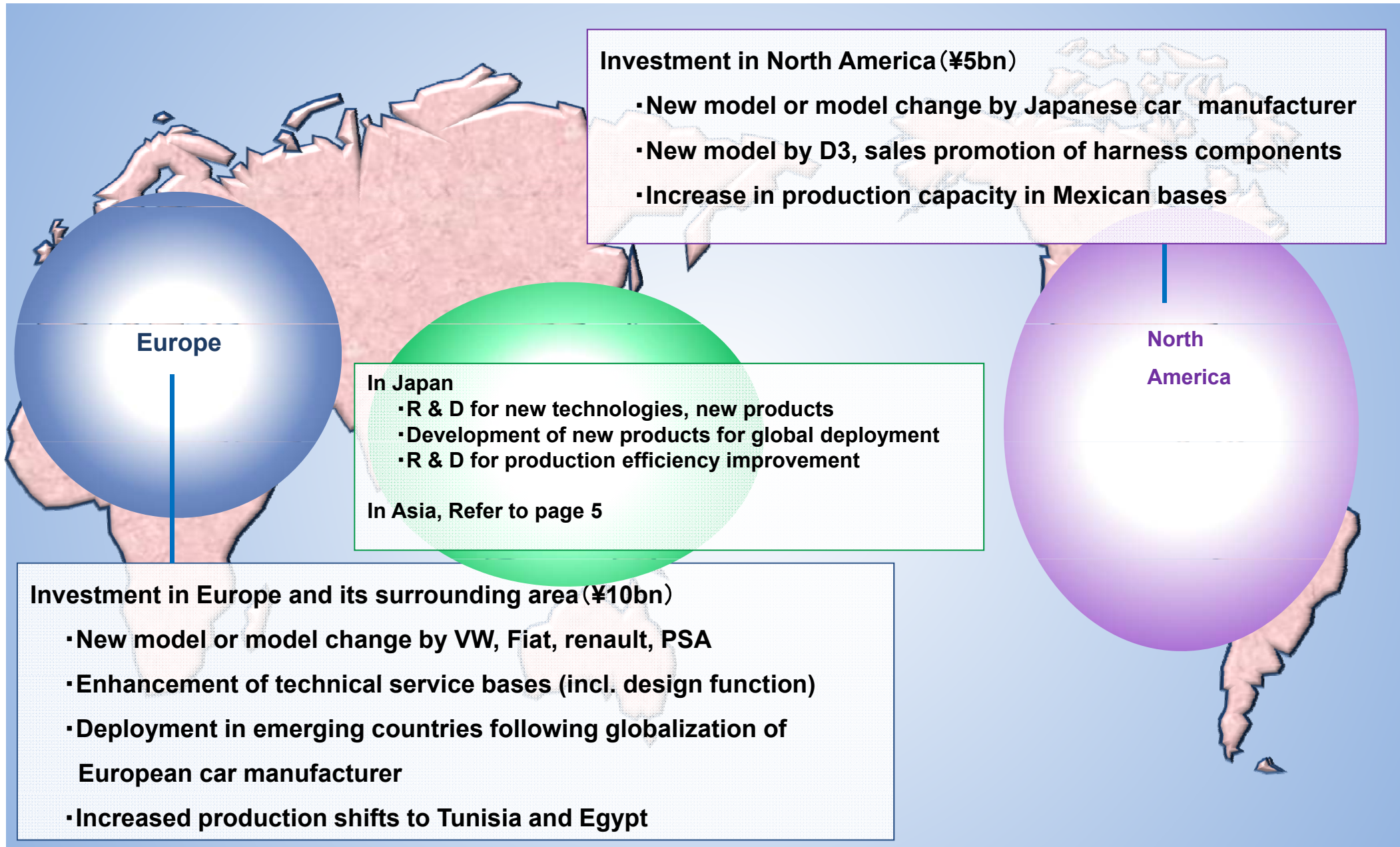
FY2010 Result & FY2011 Forecast

In 1st half year of 2011 sales are supposed to decrease in all regions.

In 2nd half sales are forecasted to recover to the level foreseen before March 11 earthquake.



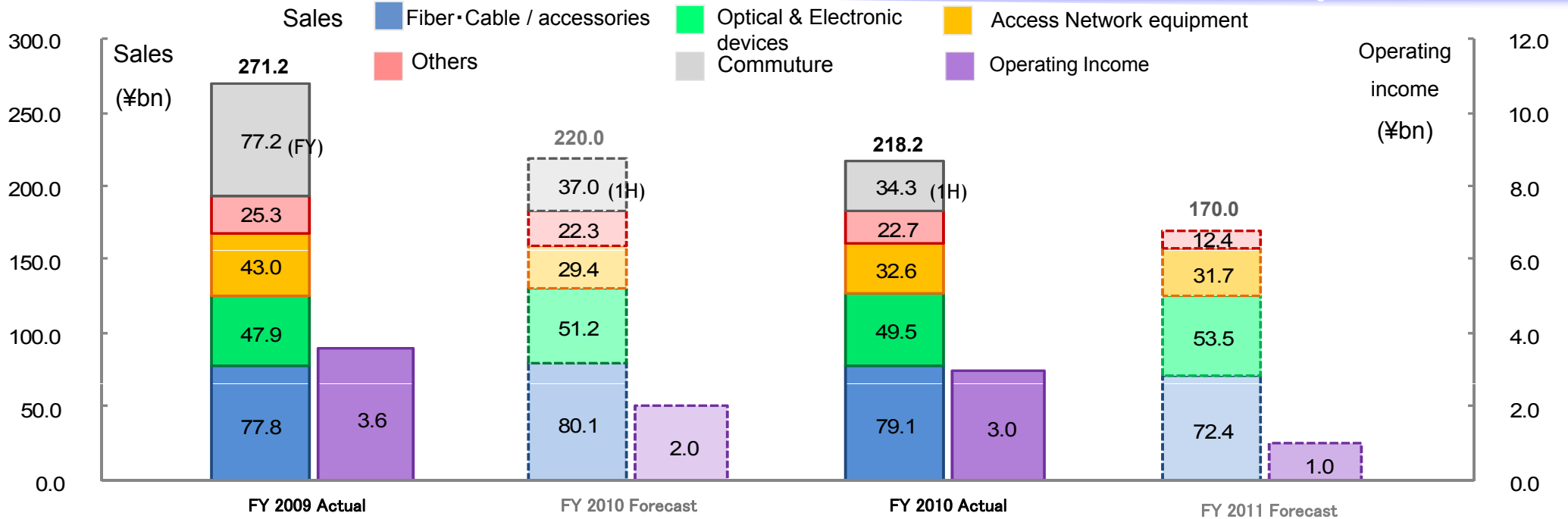
3-3. Global Optimization of Production Bases





3-4. Information & Communications

FY2010 Result & FY2011 Forecast



FY2010

- Increased sales of fiber, cable and optical & electronic devices under appreciated ¥ situation (against \$:+9.2%)
- More OP secured than forecasted by cost down and production efficiency improvement
- Extraordinary & impairment losses by the earthquake
- Operation start at optical fiber & cable JV with Futong
- Toyokuni, Sumiden High Precision integrated into SEI Optifrontier
- Commutere Corp., shareholding ratio 54→22%

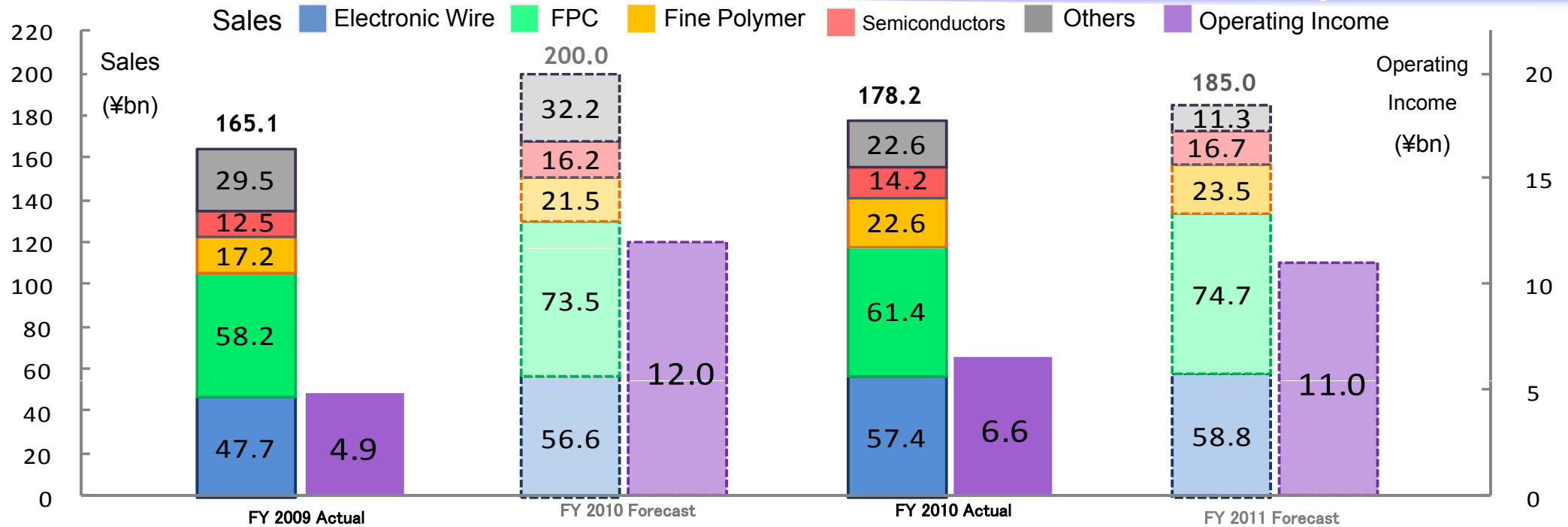
FY2011

- Capture of optical fiber & cable markets in China (JV with Futong)
- Capture of optical fiber distribution equipment market in China (JV with Nanjing Futong)
- Early and perfect restoration of fiber & cable manufacturing facilities to achieve stable operation in Summer
- Sales promotion of GaN device for LTE
- Sales promotion of 40/100Gbps device
- Sales promotion of network equipment, such as WiMAX, high vision



3-5. Electronics

FY2010 Result & FY2011 Forecast



FY2010

- 8% sales increase due to recovered electronics wire market and increase in fine polymers sales
- 35% OP improvement by optimum location of production and entire cost down
- Operation start at Shenzhen to manufacture and sell electronic wire and FPC
- Mass production and sales promotion of tab-lead for Li-ion battery

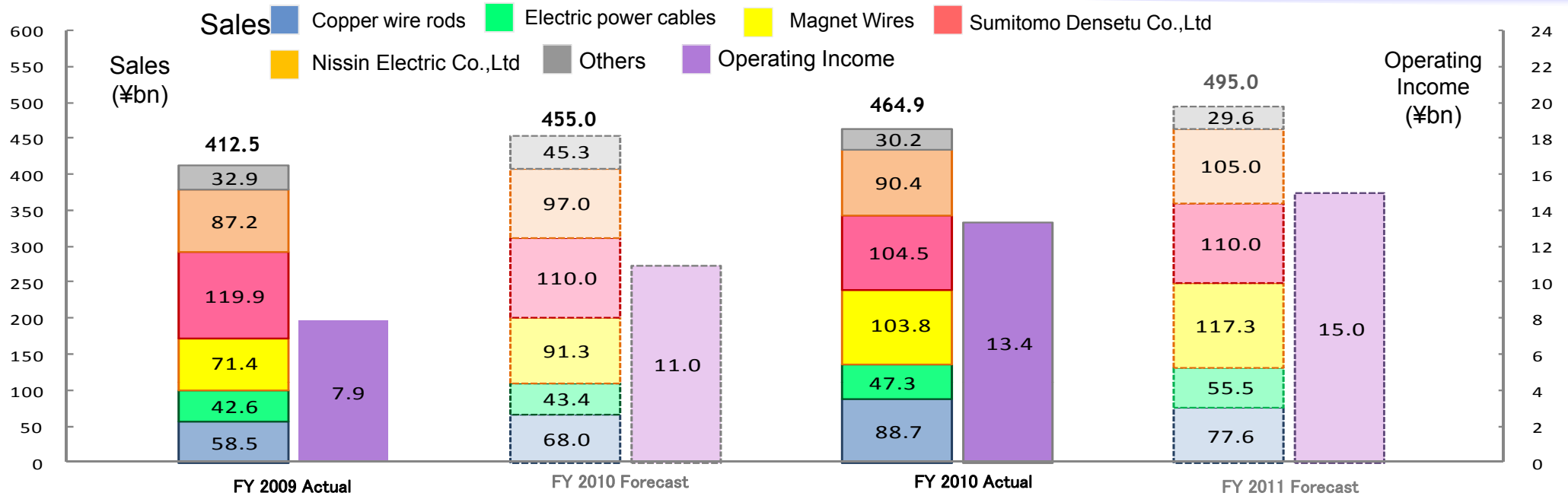
FY2011

- Electronic Wire: Sales promotion of wires for automotive, harness for medical and tab-lead
- FPC: tablet-type device, HDD, LCD
- Integrated production of FPC, production transfer of wire in China
- Sales promotion of GaAs at production and sales base in China
- Cost reduction of GaN substrate (6inch substrate for white LED)
- Commercialization of GaN substrate for green laser



3-6. Electric Wire, Cables and Energy

FY2010 Result & FY2011 Forecast



FY2010

- 12.7% sales increase due to growth of magnet wire market and increase in copper price (¥33bn) despite stagnant domestic market
- 70% OP improvement by global activities for entire cost reduction
- Sales promotion of electron beam and vacuum equipment by Nissin Electric

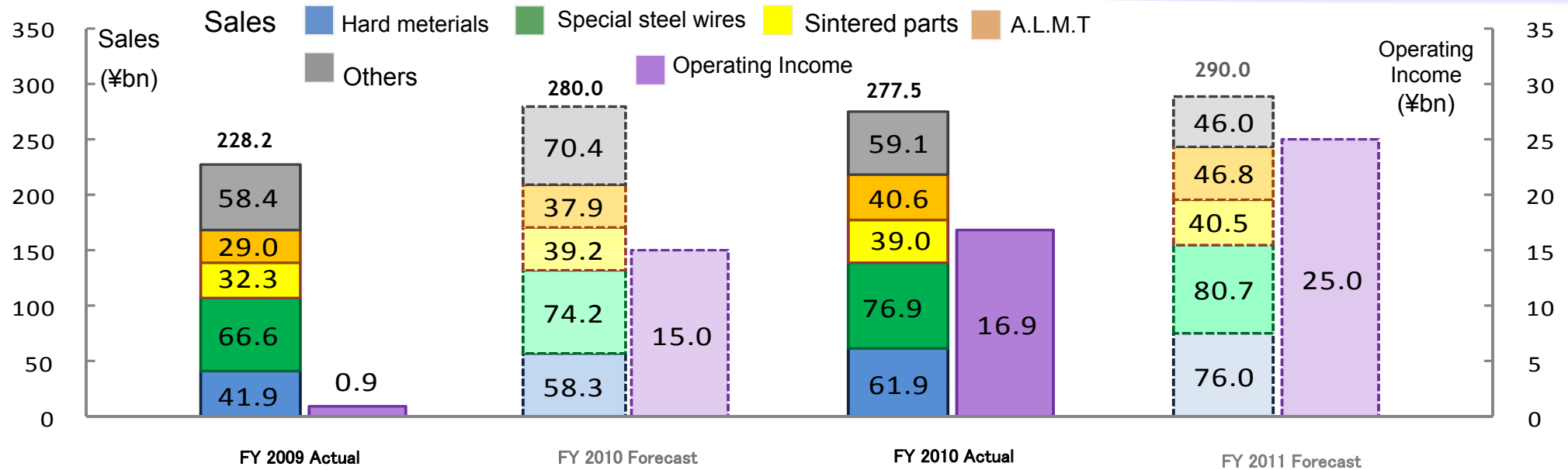
FY2011

- Meeting demand for recovery from disaster caused by March 11 earthquake (VVF, LVCV, construction materials)
- Capture of power infrastructure demand in Asia and Middle East, Global deployment of high voltage power cable (JPS production bases in Saudi Arabia and India start in 2012)
- Sales promotion of magnet wire for HEV, Total cost down
- Development of renewable energy related products



3-7. Industrial Materials

FY2010 Result & FY2011 Forecast



FY2010

- 22% sales increase due to hard metal, diamond product from ALMT, special steel (spring wire, steel cord, saw wire)
- ¥16.9bn of OP achieved from ¥0.9bn of last year
- Domestic market share of hard metal increased from 19.2%(2009)→19.7%(2010)
- Establishment of production and sales bases of saw wire in China and Taiwan

FY2011

- Operation start at JV with Hyosung for steel cord in China and Thailand
- Operation start at Tungsten recycling plant for hard metal
- Enhanced development of eco-friendly power metal(VVT,CVT)
- Enhanced bases for hard metal and powder metal in China
- Sales promotion of precision saw wire for solar panel and heat sink for cellular base station and electricity control



3-8. New Products and R&D ~ Towards Continued Growth after 12V ~

FY2010 Result & FY2011 Forecast



Components for eco-car



Nano-polycrystalline diamond
CBN-ceramics composite
Raw materials recycling technology

Innovative low environmental impact materials and systems

Thin coated superconducting wire for ship
Superconducting coil
High performance motor



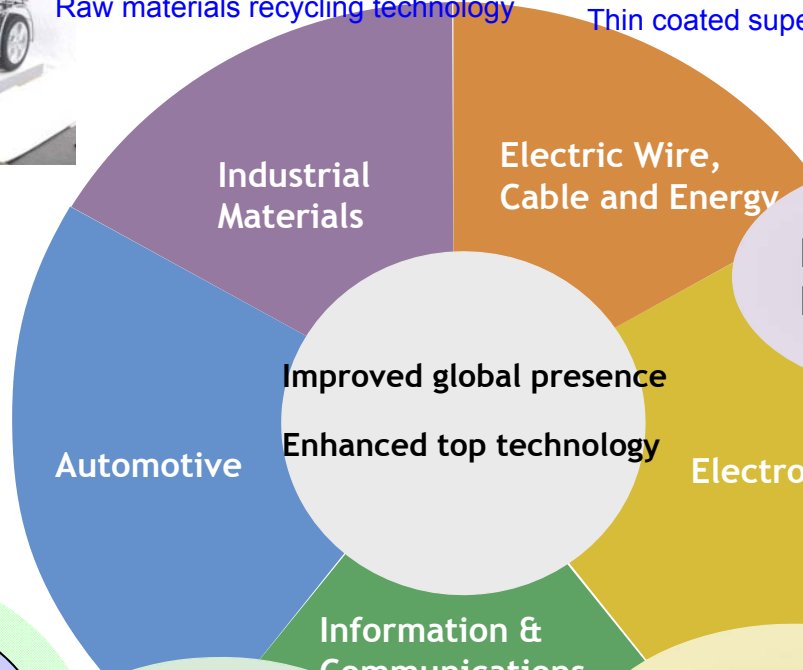
Bismuth-based high-temperature superconducting wire



Reactor

Innovative technology for next generation vehicles

HEV/EV
Light weight harness
Car LAN, Reactor



Ballast Water Treatment Equipment
High Density Battery Materials, Molten salt electrolyte battery

Innovation for eco-friendly material

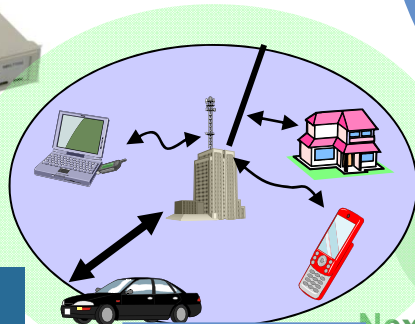
Green semiconductor laser
Power device, Mg alloy



Mg alloy



Femtocell small base station

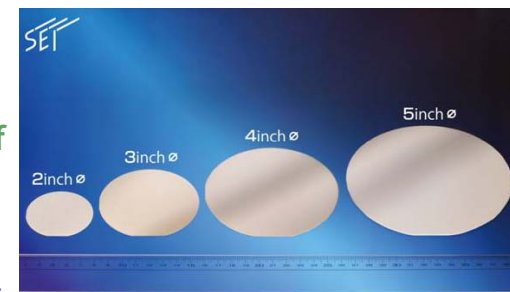


Peace mind, Safety and Ubiquitous

Next generation optical communications

Life Science

Creation of non-communication business of optical technology



GaN substrate



High efficiency wireless amplifier

Cellular base station unit
Femtocell base station
High efficiency wireless amplifier
GaN HEMT devices
MMIC

PON (40G-100Gbit/s)
Photonic crystal fiber
Optical USB



Large capacity high speed optical transceiver

Blue violet laser component
Fiber laser, High performance glass
Near-infrared light composition imaging system

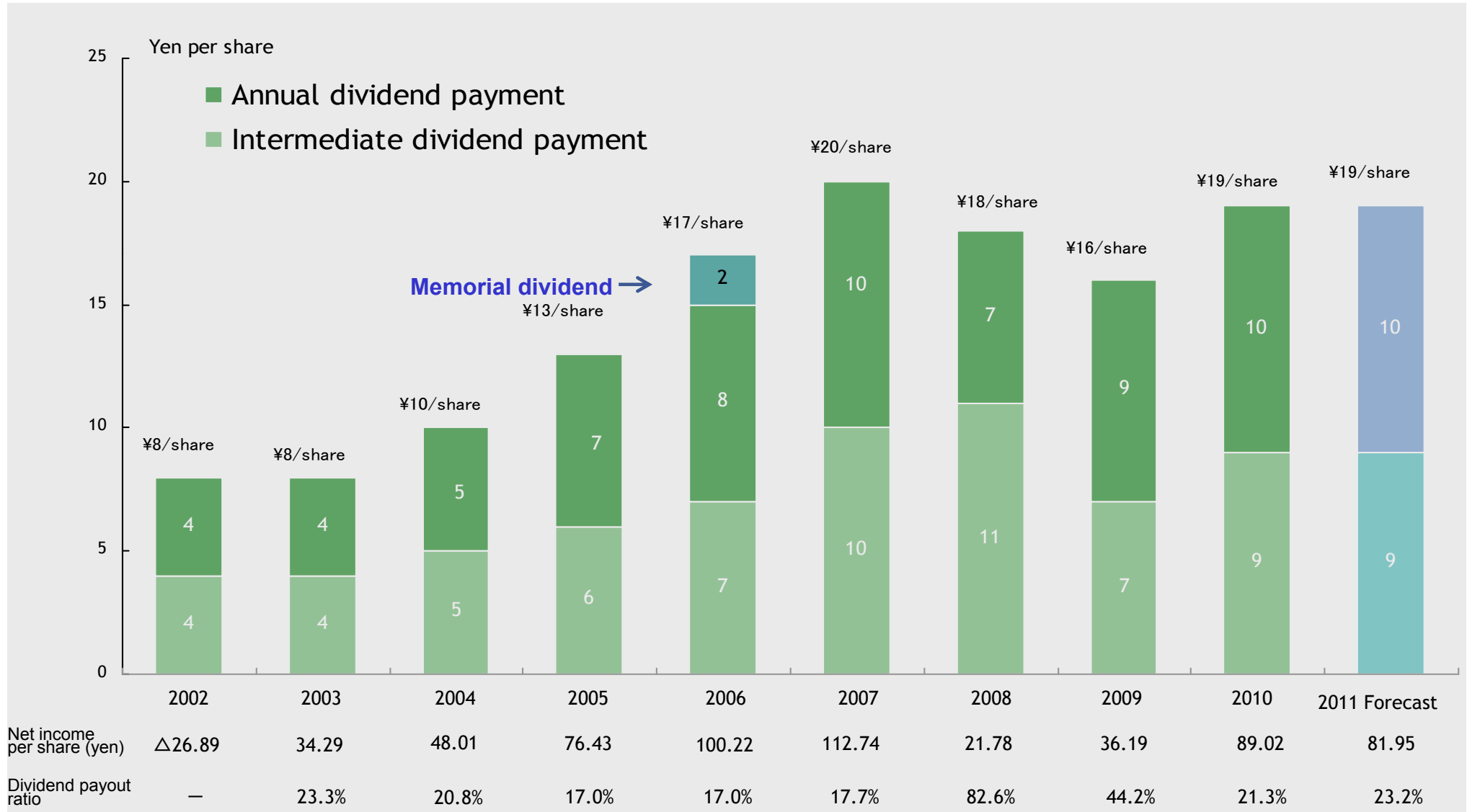
Wireless broadband access business



4. Dividend and Payout Ratio

FY2010 Result & FY2011 Forecast

In FY2010 dividend will be increase to ¥19/share including year end dividend of ¥10/share.
 In FY2011 dividend is planned to be the same as FY2010 based on the current forecast.





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 are 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.

There are possibilities that actual sales and profits may be different materially from those described in This material. Sumitomo Electric and its affiliated companies are not obliged to update or make public any future performances, projections or business plans after releasing this material.