

May 25, 2012

FY2011 Results and Efforts for FY2012

~Policies and Forecasts of the Last Year of 12Vision~

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1. FY2011 Results

- ✓ Although March 11 earthquake forced both sales and OP to decrease in 1st half, in 3Q and later both sales and OP were diverted to increase, as compared with the previous year. Unfortunately, at the time of turnaround after recovery from the earthquake in the midst of 3Q the flood occurred in Thailand. Therefore, because the result of the recovery was delayed to be posted in 4Q, actual OP was below FY2011 plan.

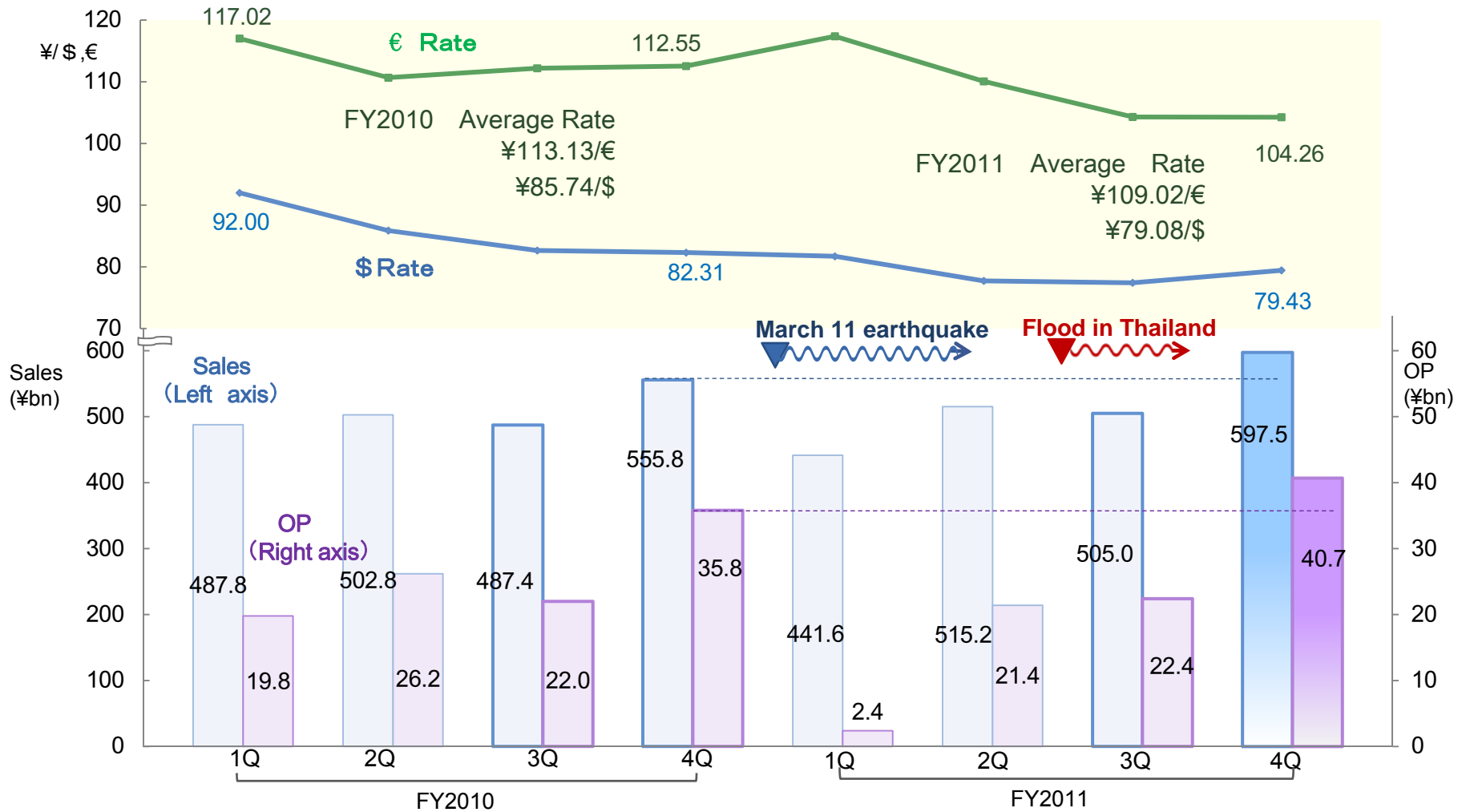
- ✓ Global production quantities of wire harness, hard metal and FPC in 2nd half hit record high. Thanks to sales increase in these products, total sales in 2nd half increased by 5.7% and OP by 9.2%, as compared with the previous year, even under an adverse circumstance of yen appreciation. Particularly OP in 4Q was substantially the highest level of past, after adjustments of Forex effects. Overseas sales ratio was 45.6%, up by 1.8 points from the previous year.

- ✓ ¥135bn investment was made globally into fixed assets and ¥86.6bn was expensed for R&D for our further growth in the future.

1-2. March 11 Earthquake·Flood, Forex and FY2011 Results

FY2011 Result & FY2012 Forecast

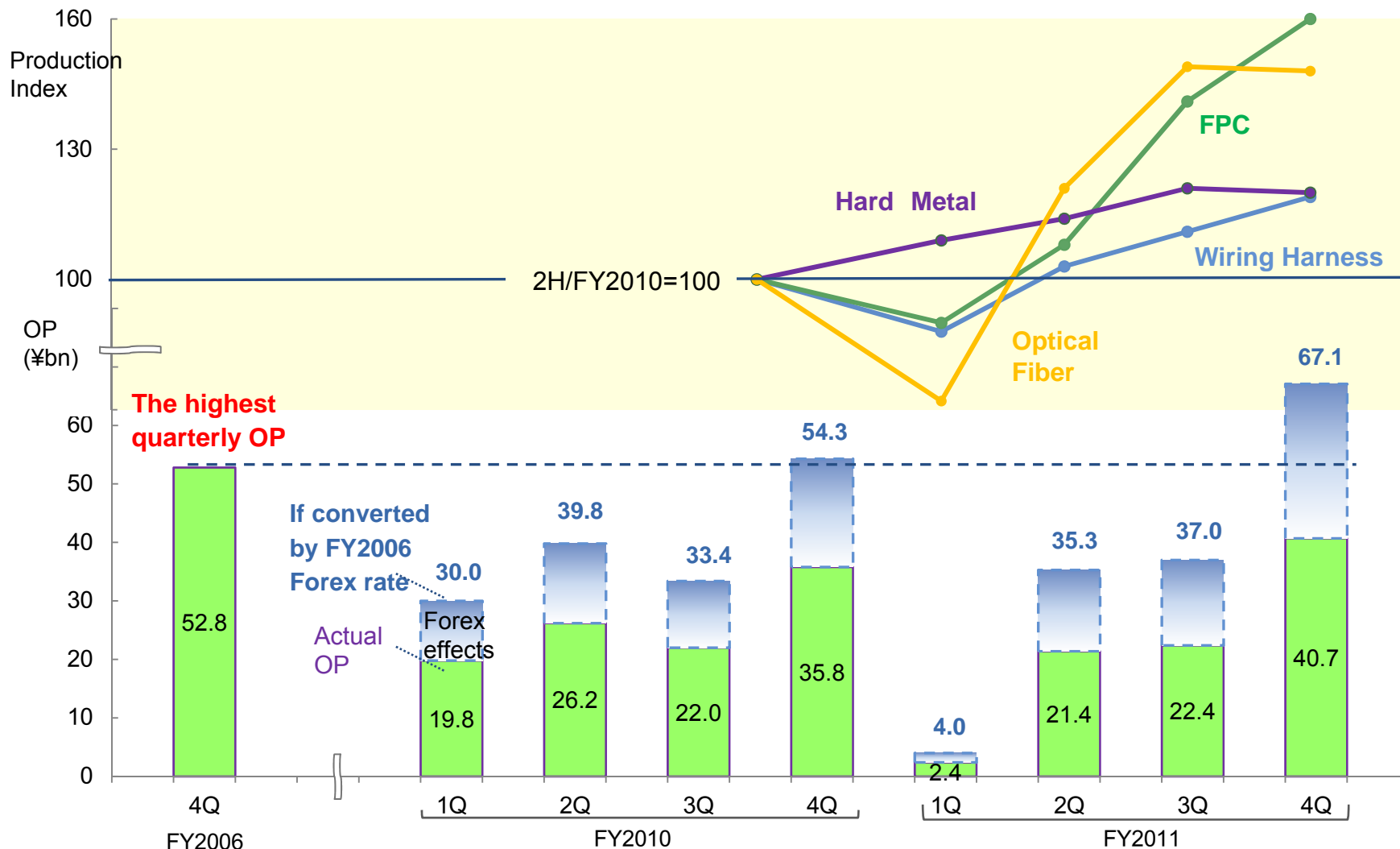
- In 3Q and later both sales and OP were diverted to increase, as compared with the previous year, even under an adverse circumstance of yen appreciation.
- Although damages from the flood in Thailand in 3Q delayed full-scale recovery until 4Q, sales in 2nd half increased by 6% and OP by 9%.



1-3. Production Recovery from March 11 Earthquake and Transition of Quarterly OP (After Forex Adjustments)

FY2011 Result & FY2012 Forecast

- Global production quantities of wire harness, hard metal and FPC in 2nd half hit record high.
- OP in 4Q was substantially the highest level of past, if converted by FY2006 Forex rate.





1-4. Capital Investment

FY2011 Result & FY2012 Forecast

- ¥135bn capital investment was made in FY2011 primarily to increase production capacity for Automotive.
- Overseas capital investment ratios were; FY2009:26%→2010:38%→2011:40%. Breakdown of FY2011 capital investment is shown below.

Europe & others : ¥9.2bn

Automotive ¥8.6bn

- Increased production capacity of WH in Morocco, Tunisia, Eastern Europe for Renault, PSA, VW group, FIAT group, Japanese car makers.

N & S America: ¥6.7bn

Automotive ¥4.8bn

- WH & components ; Increased production capacity in Mexico , Brazil, USA.
 - Vibration-proof rubber ; Increased production capa.
- Industrial Materials ¥ 1.5bn.

China , Asia: ¥38.2bn

Automotive ¥18.7bn

- WH & components ; Increased production capacity in China (Huizhou, Tianjin, Shanghai, Changshu), Thailand , Vietnam , Philippines , Indonesia.
- Vibration-proof rubber; Increased production capacity

Electronics ¥8.9bn

- FPC; Increased production capacity in China (Shenzhen), Thailand.

Industrial Materials ¥ 8.6bn

- Hard metal drill, Diamond tool ; Set-up of production base in China (Changzhou)

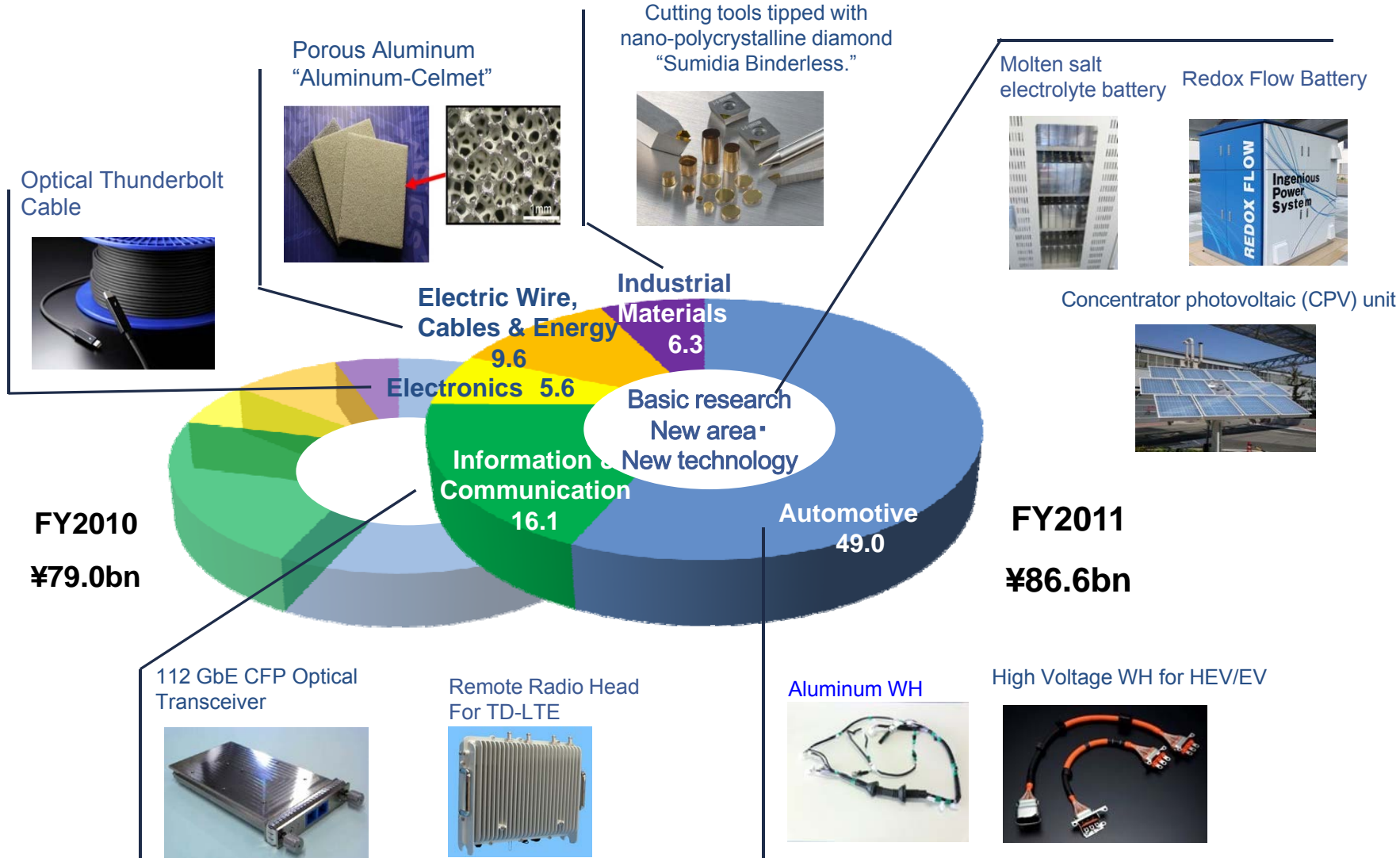
In Japan ¥80.9bn Investment was made to enhance export competitiveness for Information & Communications and Industrial Materials, to promote development as a mother factory for Automotive and to develop new products at R&D.



1-5. R & D

FY2011 Result & FY2012 Forecast

•¥86.6bn, 9.6% up from the previous year, was expensed for R&D in FY2011.

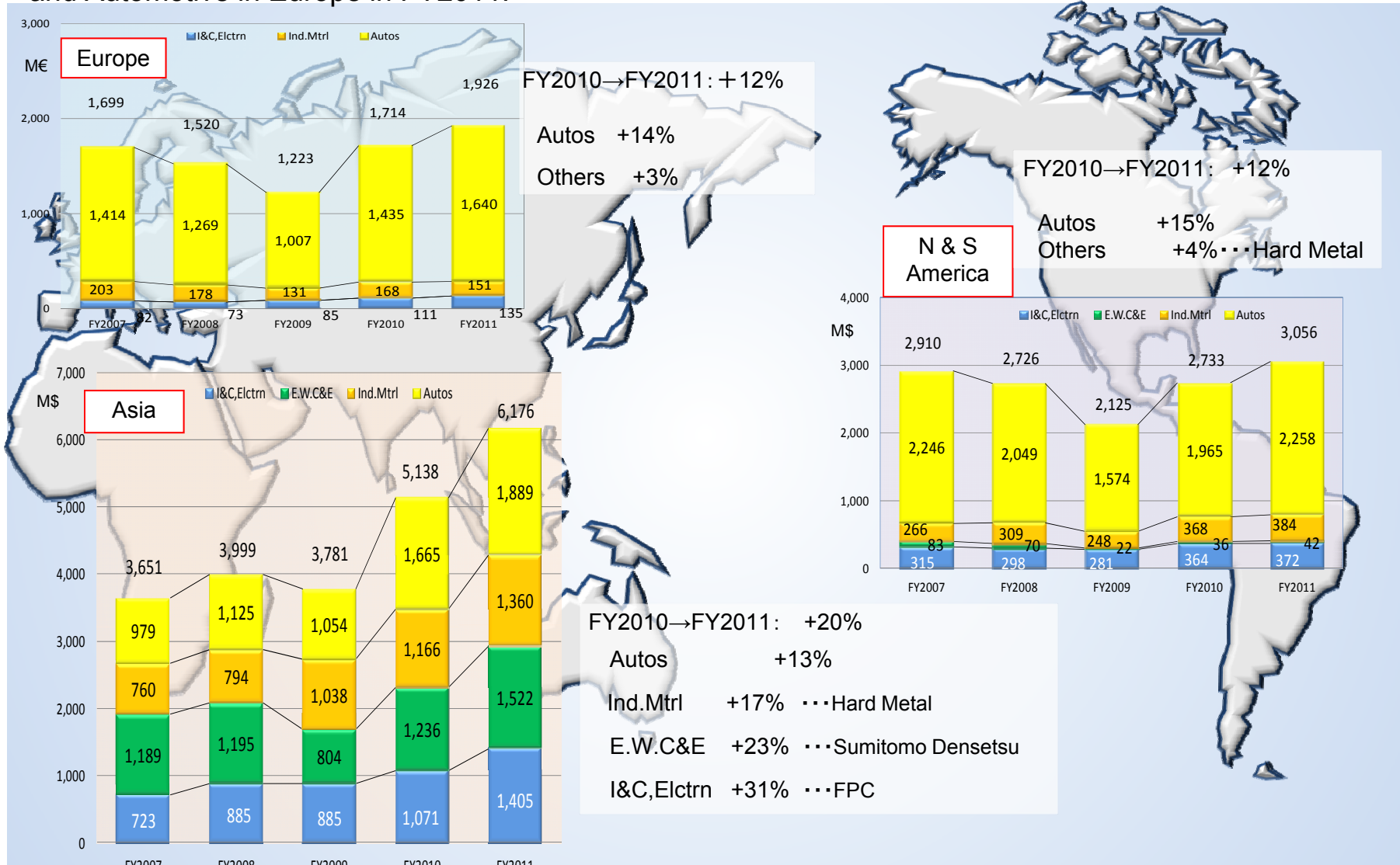




1-6. Overseas Sales

FY2011 Result & FY2012 Forecast

- Sales increased for Automotive in N & S America, Electronics and Electric Wire, Cables and Energy in Asia and Automotive in Europe in FY2011.

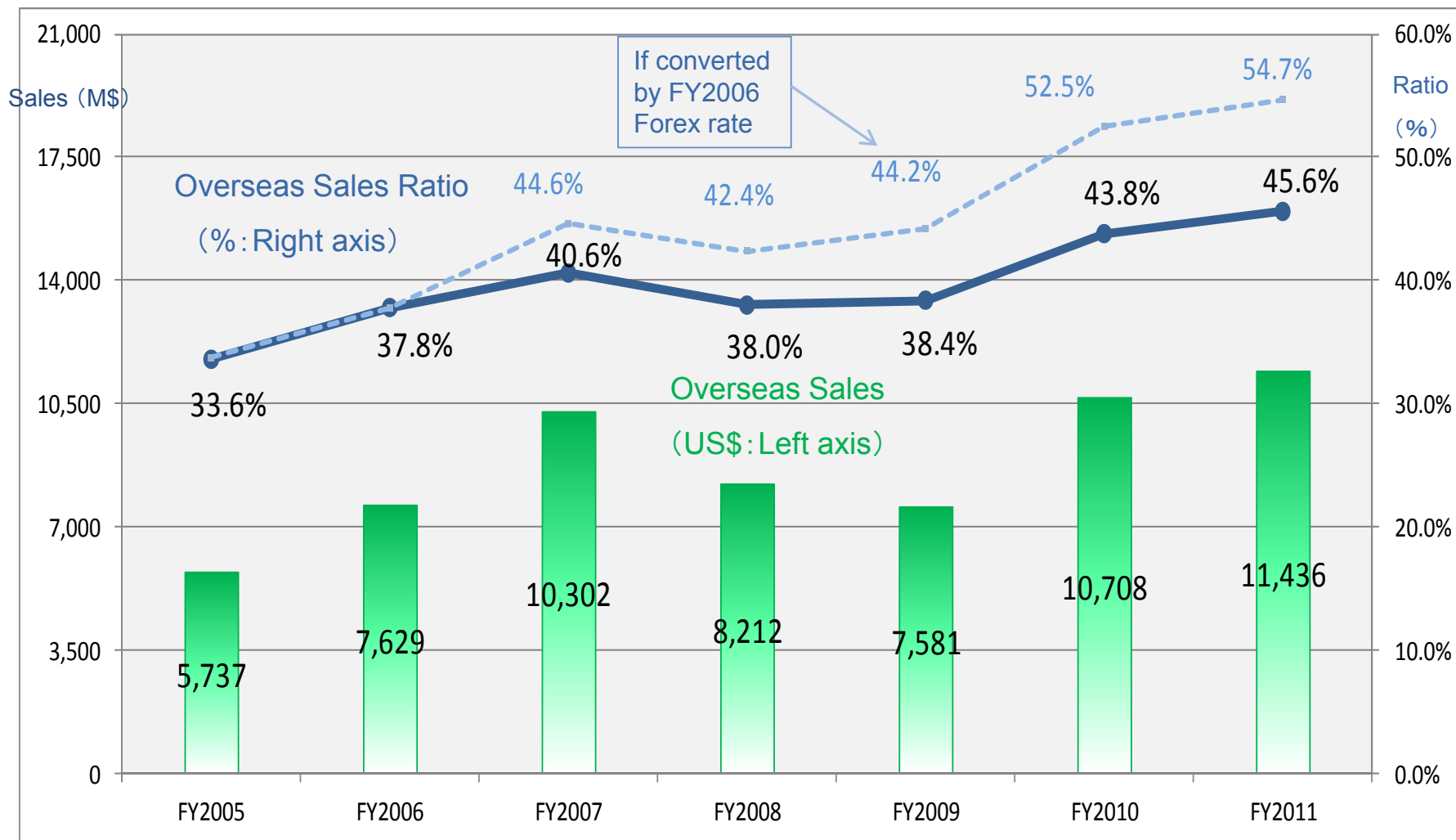




1-7. Overseas Sales Ratio

FY2011 Result & FY2012 Forecast

- Overseas sales increased steadily except around the time of Lehman Brothers' Collapse. Overseas sales in FY2011 at US\$ value increased by 6.8%.
- Although overseas sales at yen value declined due to yen appreciation, overseas sales ratio in FY2011 went up to 45.6%.

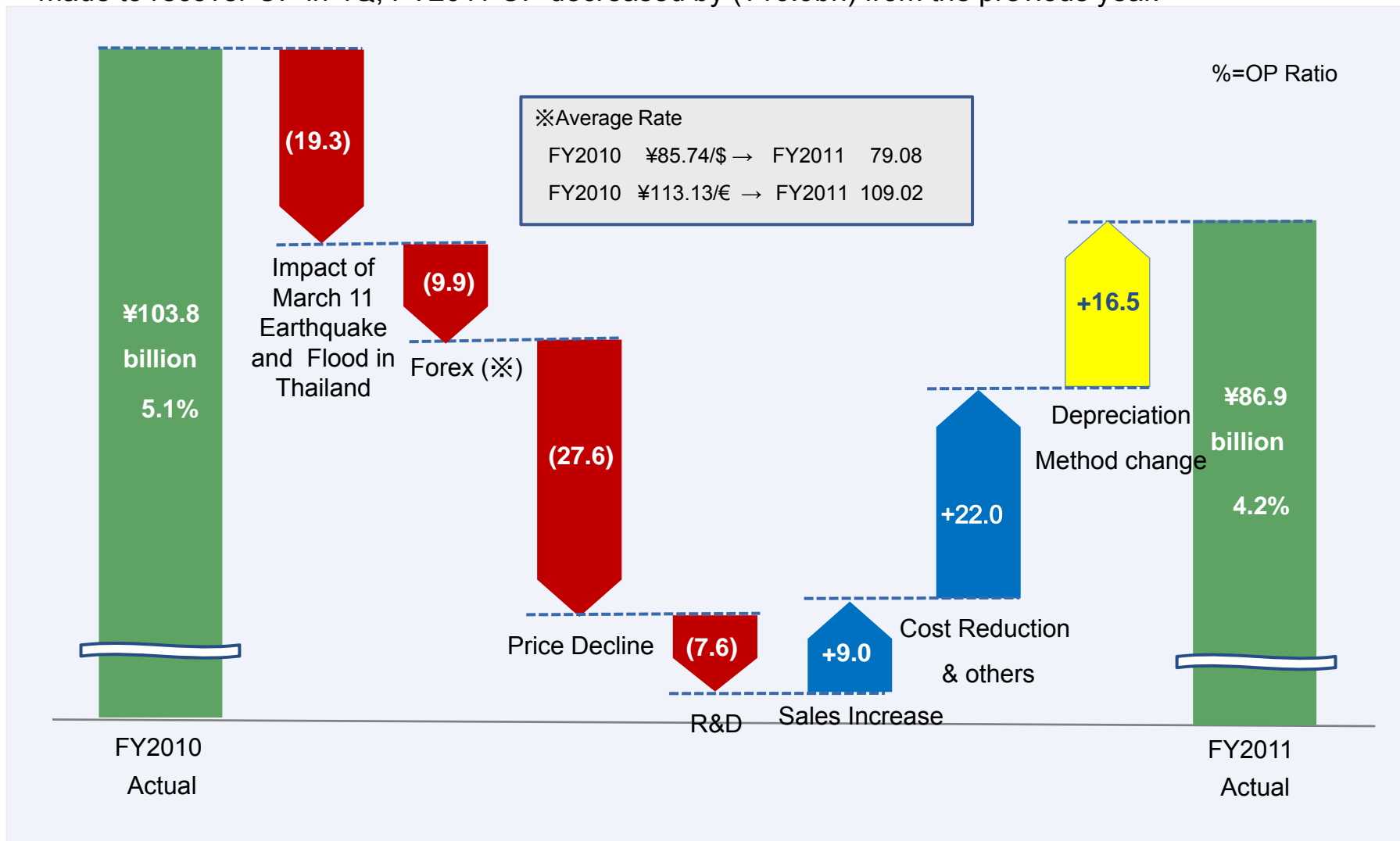




1-8. Factors of Increase or Decrease in OP

FY2011 Result & FY2012 Forecast

- Negative impacts of disasters and Yen appreciation amounted to around (¥30bn). Although every effort was made to recover OP in 4Q, FY2011 OP decreased by (¥16.9bn) from the previous year.





1-9. FY2011 PL

FY2011 Result & FY2012 Forecast

- Both sales and OP were diverted to increase in 2nd half as compared with the previous year, but the increase in OP was not enough to make up for the decrease in OP in 1st half because of the flood in Thailand in 3Q.
- We will maintain or enhance the earning power in 2nd half, particularly in 4Q, and make it a basis for improving performance in FY2012.

| Unit:¥Billion | FY2010 | | FY2011 | | Increase/Decrease | | Growth | |
|---|---------|---------|---------|---------|-------------------|-------|--------|------|
| | Total | 2 H | Total | 2 H | Total | 2 H | Total | 2 H |
| Net Sales | 2,033.8 | 1,043.2 | 2,059.3 | 1,102.5 | +25.5 | +59.3 | +1% | +6% |
| Operating Profit | 103.8 | 57.8 | 86.9 | 63.1 | (16.9) | +5.3 | (16%) | +9% |
| Equity in Net Income | 23.9 | 9.7 | 20.5 | 11.5 | | | | |
| Non-Operating others | 1.4 | (0.6) | (0.7) | (3.5) | | | | |
| Ordinary Income | 129.1 | 66.9 | 106.7 | 71.1 | (22.4) | +4.2 | (17%) | +6% |
| Loss on Disaster | (8.8) | (8.8) | (7.3) | (2.0) | | | | |
| Extraordinary others | (6.5) | (5.6) | 0.6 | 3.0 | | | | |
| Income before Income Taxes and Minority Interests | 113.8 | 52.5 | 100.0 | 72.1 | (13.8) | +19.6 | (12%) | +37% |
| Income Taxes & Minority Interests | (43.2) | (23.3) | (41.1) | (32.3) | | | | |
| Net Income | 70.6 | 29.2 | 58.9 | 39.8 | (11.7) | +10.6 | (17%) | +36% |

1-10. FY2011 BS

FY2011 Result & FY2012 Forecast

- Total assets reached ¥2,000bn again, while keeping Shareholders' Equity Ratio at a healthy level. (When total assets reached ¥2,200bn at the end of FY2007, Shareholders' Equity Ratio was 44.1%.)
- Capital investment was actively made for R&D and fixed assets, while keeping D/E ratio at 0.37.

| Unit:¥Billion | FY2009 Actual | FY2010 Actual | FY2011 Actual |
|--|------------------|------------------|------------------|
| Current Assets | 959.9 | 988.8 | 1,047.4 |
| Non- current Assets | 980.0 | 967.5 | 1,024.7 |
| Current Liabilities | 557.9 | 531.0 | 635.9 |
| Non-current Liabilities | 317.5 | 332.7 | 297.3 |
| (Interest bearing Debt) | 355.6 | 341.9 | 364.1 |
| Shareholders' Equity | 907.6 | 966.9 | 1,011.3 |
| Accumulated Other Comprehensive Income | (3.5) | (17.8) | (23.3) |
| Minority Interest/Share Warrants | 160.4 | 143.5 | 150.9 |
| Total Assets | 1,939.9 | 1,956.3 | 2,072.1 |
| Shareholders' Equity Ratio | 46.6% | 48.5% | 47.7% |
| Debt / Equity Ratio | 0.39 | 0.36 | 0.37 |



2. FY2012 Efforts and Forecasts



2-1. Executive Summary

FY2011 Result & FY2012 Forecast

- ✓ Although current economic circumstances look stagnant and uncertain because of sovereign crisis in Europe, unstable situation in Middle East and six difficulties to Japanese corporation, we will secure business in growing global markets and pursue targets of the last year of 12Vision.

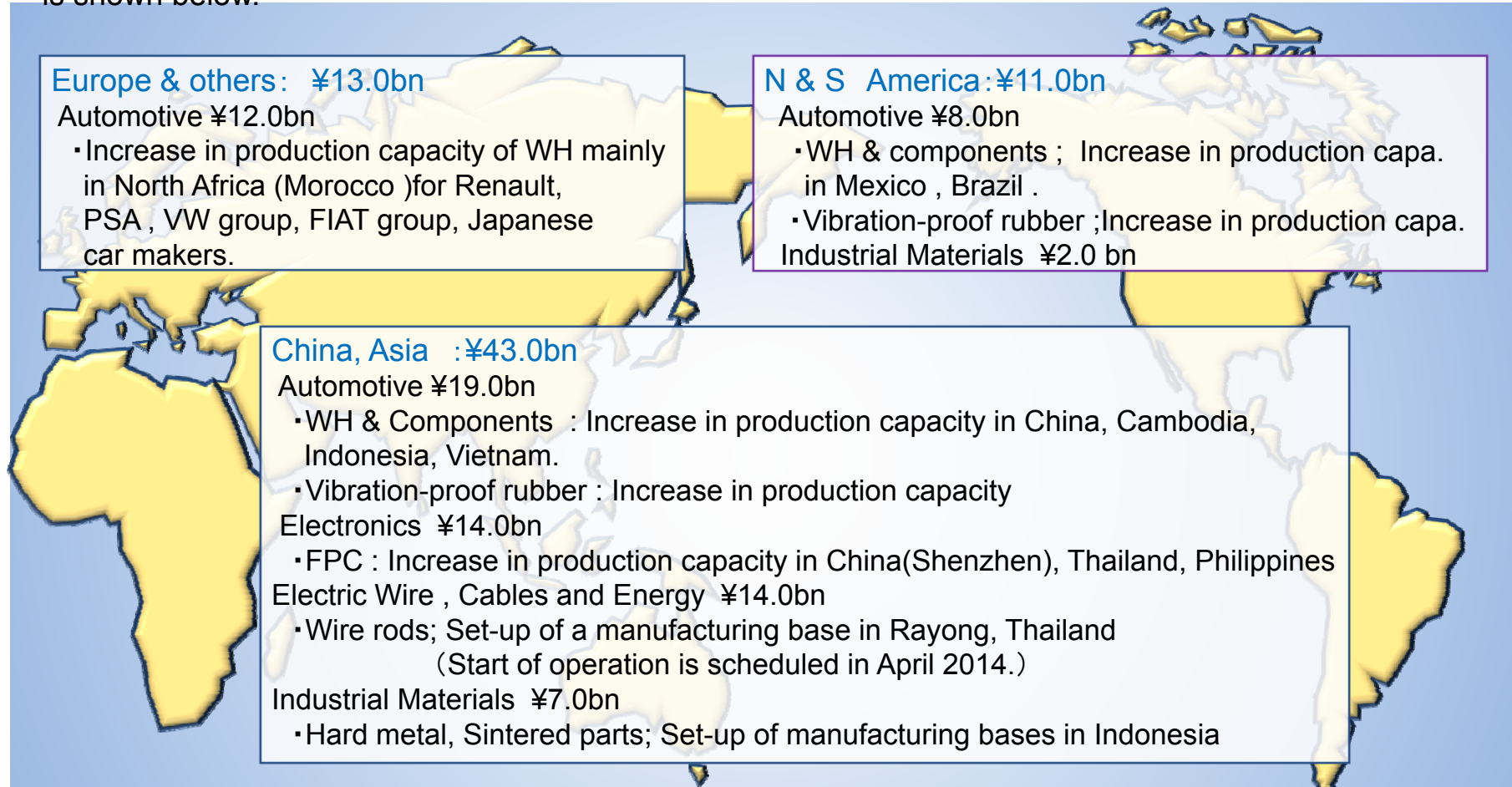
- ✓ Targeted OP by 12Vision would be ¥135bn, if converted by current Forex rate. FY2012 forecasts by segment will be that ①Automotive, ②Electric Wire, Cables and Energy and ③Industrial Materials will achieve their targets, that ④Information & Communications will not be able to make a profit due to delayed actions to changes in circumstances such as yen appreciation or in market demands or to fiercer competition, and that ⑤Electronics will be far below their targets because of big changes in customer configurations・products profitability composition. Forecasted OP at this moment is ¥110bn in total and further efforts such as structural reform of Information & Communications etc. will be piled up to reach the target.

- ✓ To achieve FY2012 targets and to grow further beyond FY2012, capital investment (¥160bn including capital injection) and R&D(¥93bn) will be carried out actively in this year as well.

2-2. Capital Investment

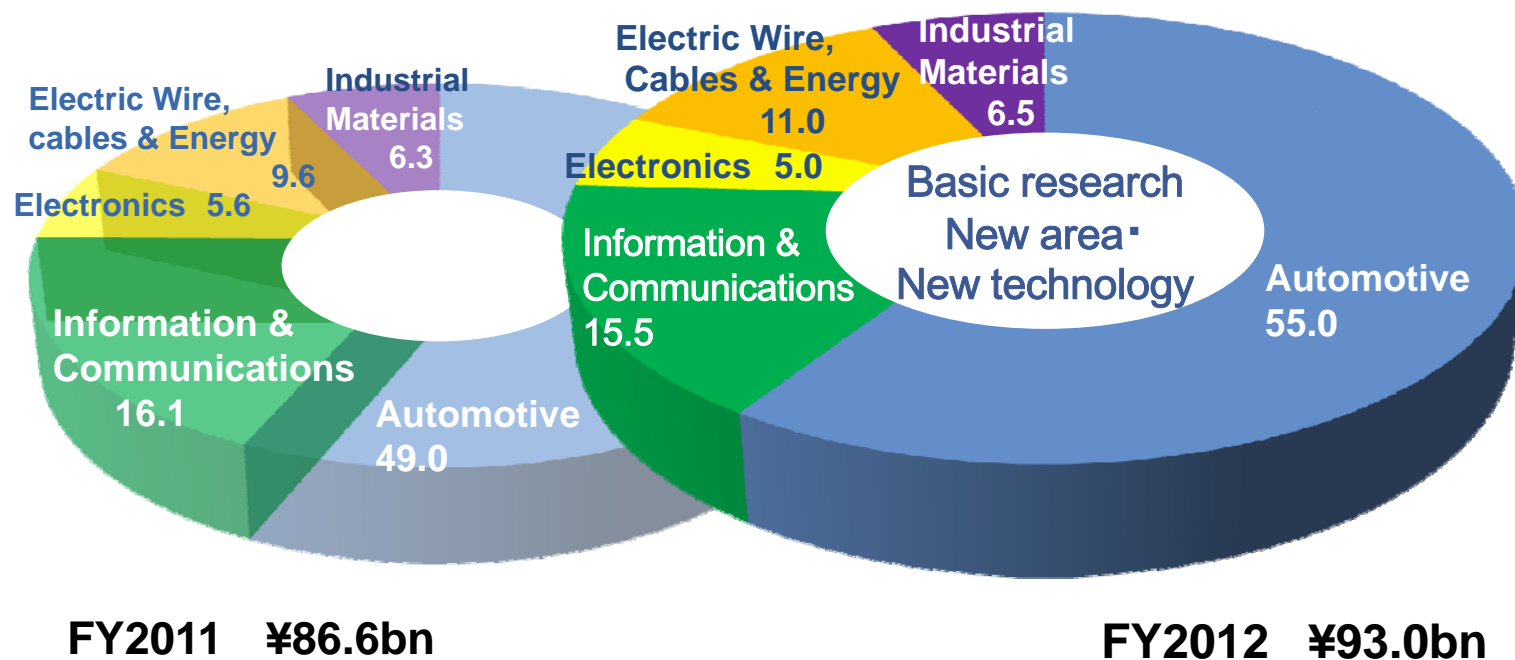
FY2011 Result & FY2012 Forecast

- ¥160bn capital investment including capital injection is planned in FY2012.
- Overseas capital investment ratios will go up to 42%(FY2011:40%). Breakdown of FY2012 capital investment is shown below.



In Japan ¥93bn Investment will be made to increase production capacity of main products for Industrial Materials, to develop new products and streamline production as a mother factory for Automotive and to promote development of next generation products for R&D.

- In FY2012 ¥93.0bn, up by 7.4% from the previous year, is planned to be expensed for R&D.



2-4. Sales and OP by Segment (FY2011A vs FY2012P)

FY2011 Result & FY2012 Forecast

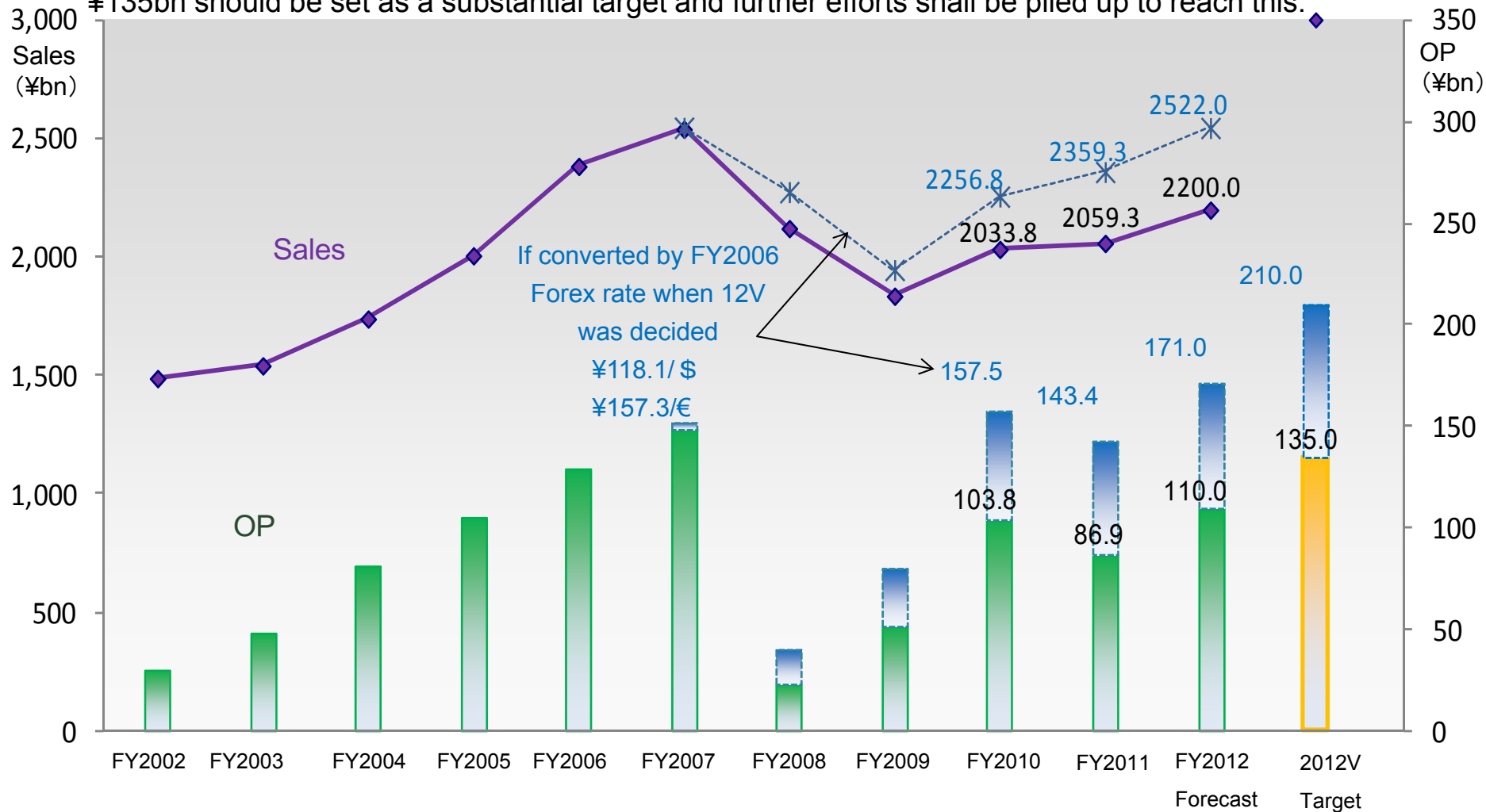
- Although adverse economic circumstances are supposed to continue, every segment plans to increase OP than the previous year.

| Unit:¥Billion | FY2011 | | FY2012 | | | | | | Increase/Decrease | |
|----------------------------------|---------|-------|---------|-------|---------|-------|-------------|-------|-------------------|-------|
| | Actual① | | 1H Plan | | 2H Plan | | Year Total② | | ②-① | |
| | Sales | OP | Sales | OP | Sales | OP | Sales | OP | Sales | OP |
| Automotive | 991.7 | 54.3 | 520.0 | 28.0 | 560.0 | 33.0 | 1,080.0 | 61.0 | +88.3 | +6.7 |
| Information & Communications | 162.0 | (5.9) | 75.0 | (6.0) | 115.0 | 7.0 | 190.0 | 1.0 | +28.0 | +6.9 |
| Electronics | 185.8 | 3.3 | 105.0 | 3.0 | 135.0 | 6.0 | 240.0 | 9.0 | +54.2 | +5.7 |
| Electric Wire, Cables and Energy | 508.6 | 16.9 | 225.0 | 5.0 | 255.0 | 12.0 | 480.0 | 17.0 | (28.6) | +0.1 |
| Industrial Materials | 277.9 | 18.5 | 145.0 | 10.0 | 165.0 | 13.0 | 310.0 | 23.0 | +32.1 | +4.5 |
| Eliminations | (66.7) | (0.2) | (70.0) | 0.0 | (30.0) | (1.0) | (100.0) | (1.0) | (33.3) | (0.8) |
| Total | 2,059.3 | 86.9 | 1,000.0 | 40.0 | 1,200.0 | 70.0 | 2,200.0 | 110.0 | +140.7 | +23.1 |

2-6. Sales and OP (FY2012P vs 12Vision Targets)

FY2011 Result & FY2012 Forecast

- Planned OP of ¥110bn in FY2012 would be ¥170bn, if converted by Forex rate at the time 12Vision was decided.
- Targeted OP of ¥210bn by 12Vision would be ¥135bn, if converted by current Forex rate. This ¥135bn should be set as a substantial target and further efforts shall be piled up to reach this.



2-7. Sales and OP by Segment (FY2012P vs 12Vision Targets)

FY2011 Result & FY2012 Forecast

- ①Automotive, ②Electric Wire, Cables and Energy and ③Industrial Materials will achieve their targeted OP by 12Vision converted by current Forex rate, while ④Information & Communications and ⑤Electronics are forecasted to be far below their targets and, therefore, further efforts shall be piled up to reach their targets.

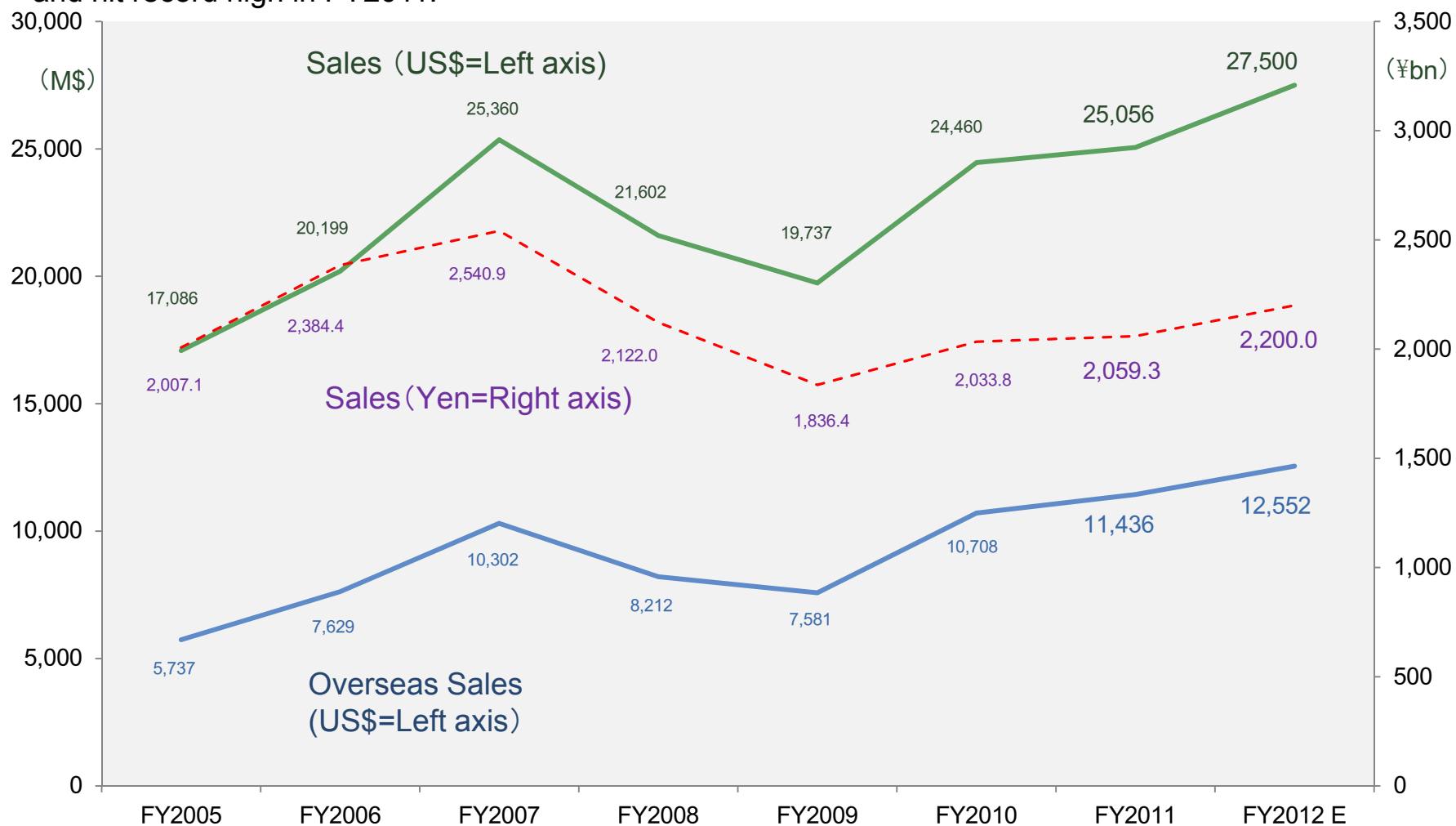
| Unit:¥Billion | FY2012 | | | | | | 2012V OP | |
|----------------------------------|---------|-------|---------|-------|------------|-------|------------------------|--------------------|
| | 1H Plan | | 2H Plan | | Year Total | | ref. FY2006 Forex Rate | Current Forex Rate |
| | Sales | OP | Sales | OP | Sales | OP | | |
| Automotive | 520.0 | 28.0 | 560.0 | 33.0 | 1,080.0 | 61.0 | [70.0] | 52.0 |
| Information & Communications | 75.0 | (6.0) | 115.0 | 7.0 | 190.0 | 1.0 | [40.0] | 24.0 |
| Electronics | 105.0 | 3.0 | 135.0 | 6.0 | 240.0 | 9.0 | [45.0] | 26.0 |
| Electric Wire, Cables and Energy | 225.0 | 5.0 | 255.0 | 12.0 | 480.0 | 17.0 | [15.0] | 11.0 |
| Industrial Materials | 145.0 | 10.0 | 165.0 | 13.0 | 310.0 | 23.0 | [40.0] | 22.0 |
| Eliminations | (70.0) | 0.0 | (30.0) | (1.0) | (100.0) | (1.0) | - | - |
| Total | 1,000.0 | 40.0 | 1,200.0 | 70.0 | 2,200.0 | 110.0 | [210.0] | 135.0 |



2-8. Transition of Sales in US\$

FY2011 Result & FY2012 Forecast

• Because of yen appreciation transition of net sales expressed in yen looks stagnant in growth, while transition of net sales expressed in US\$ has rebounded to FY2007 level in FY2011 and is forecasted to grow 10% in FY2012. Overseas sales in US\$ has exceeded a level before Lehman Brothers' Collapse and hit record high in FY2011.

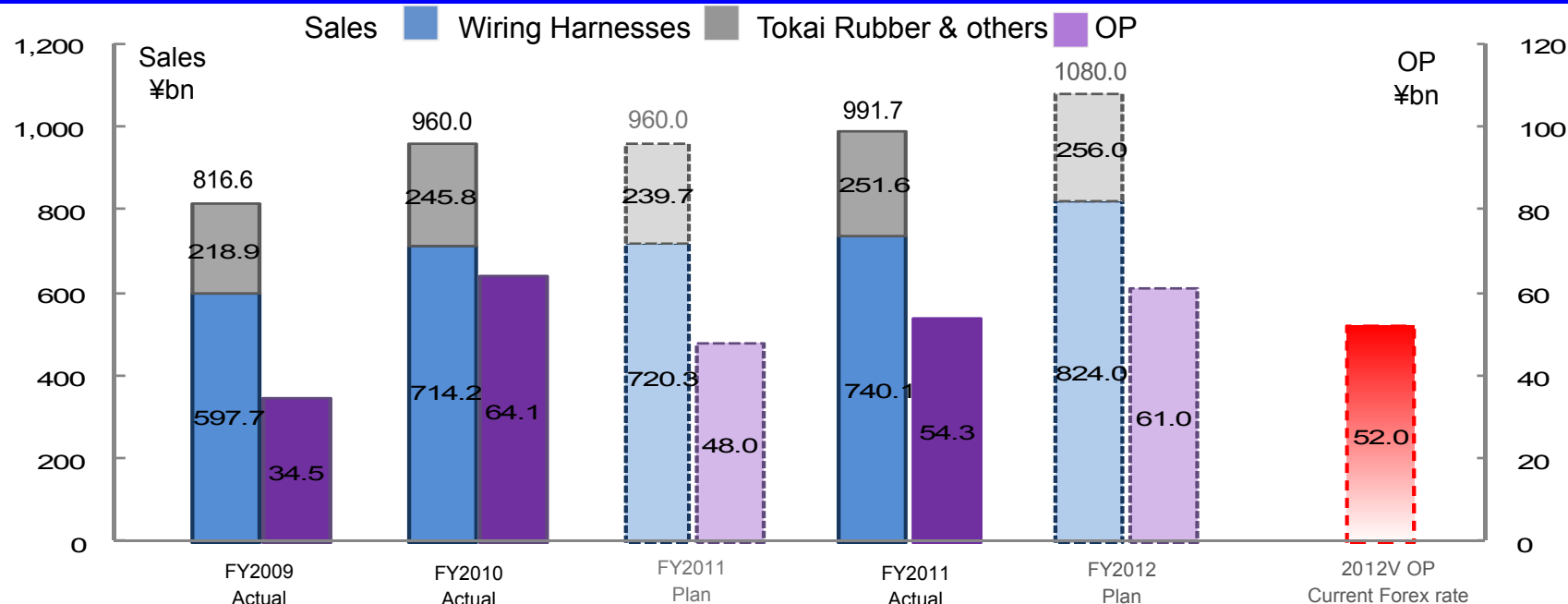




3. Achievements and Efforts by Segment

3-1. Automotive

FY2011 Result & FY2012 Forecast



FY2011

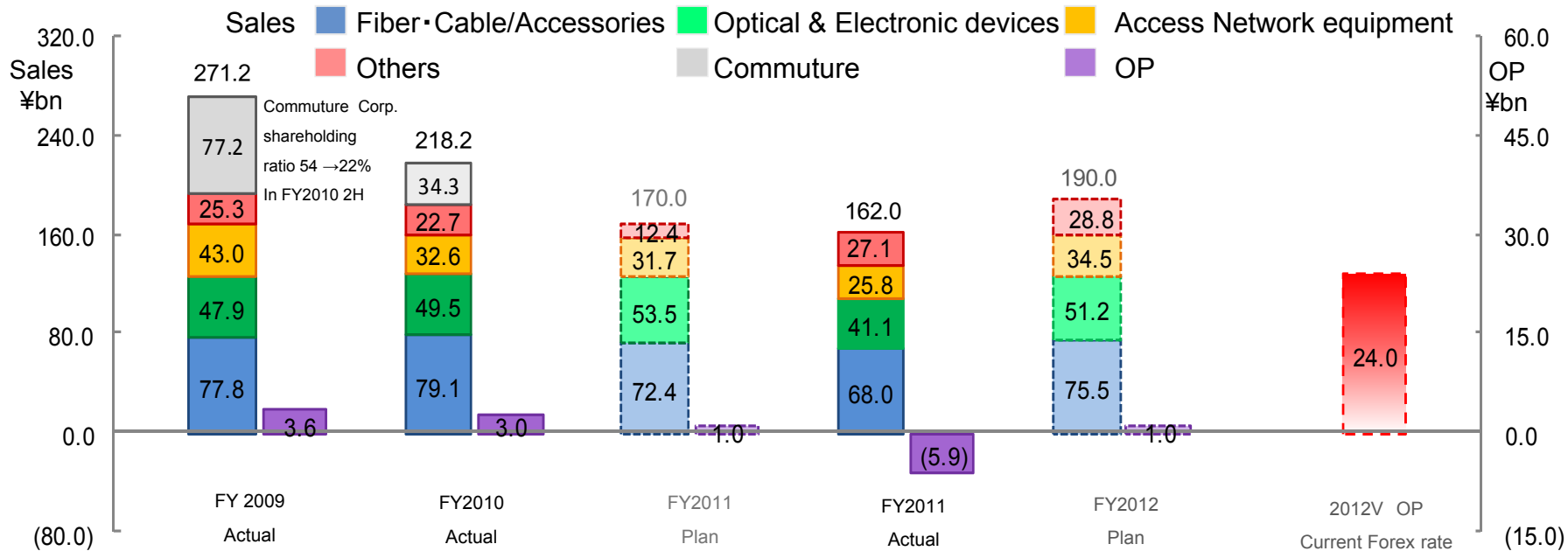
- Sales of WH increased by ¥31.7bn(3.3%) and global market share also increased. OP decreased by ¥9.8bn because of reduction of production due to March 11 earthquake.
- Global market share of 25% targeted by 12Vision was achieved in FY2010. The share increased by 1 point to 26% in FY2011.
- Production capacity increased at factories in Asia, Mexico, Africa, etc.

FY2012

- Further promotion of sales for foreign car makers. Enhancement of sales organization for Ford, Chrysler, PSA, etc.
- Promotion of thorough cost reduction activities. Improvement of production efficiency (automation etc), reconstruction of globally best mixture of production system (Increase in production capa. at Mexico, S.E.Asia (Cambodia, Vietnam, Indonesia, etc.)). Acceleration of local procurement of parts·materials.
- Development and sales promotion of new products meeting market needs, such as products for eco friendly vehicles (HV·aluminum/optical WH) and products as “comprehensive parts maker” (Reactor, battery,etc)

3-2. Information & Communications

FY2011 Result & FY2012 Forecast



FY2011

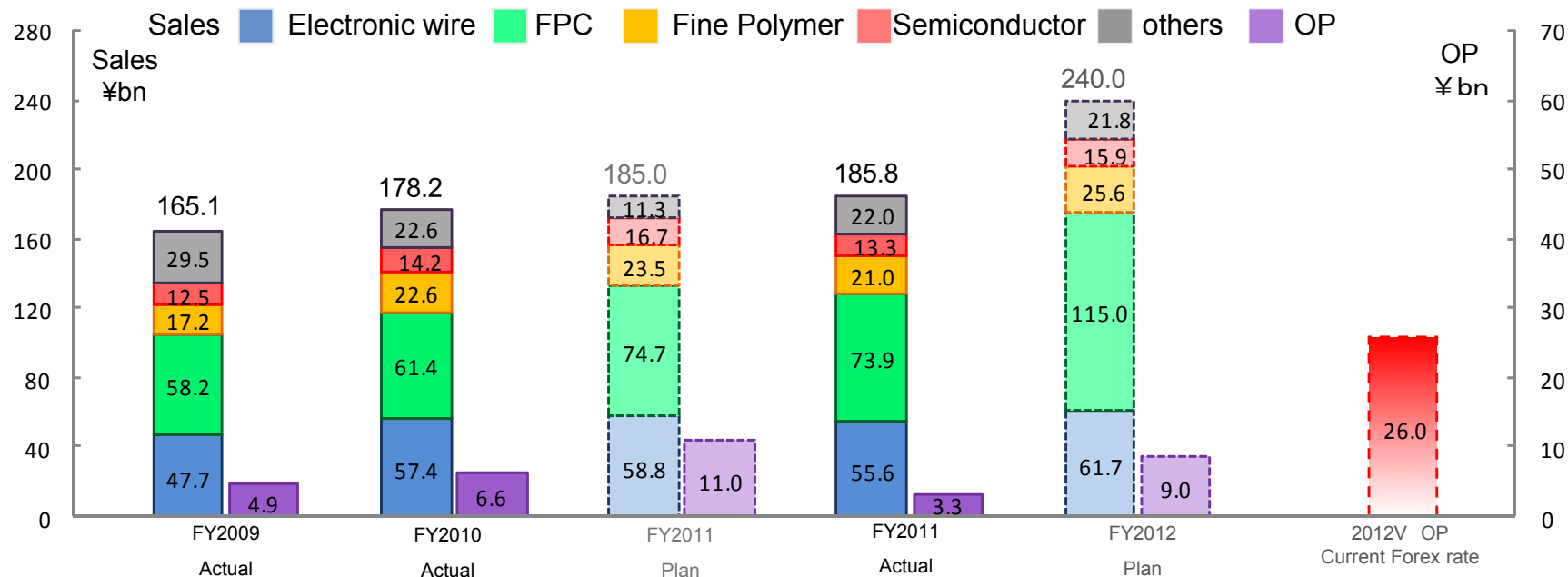
- Production reduction in 1st half because of March 11 earthquake and deterioration of profitability of export due to yen appreciation decreased sales by 25.7% and OP by ¥8.9bn bringing about ¥5.9bn loss.
- Increase in production capacity of optical fiber related products in China and set-up of sales office in India.
- In 2nd half after restoration from the earthquake the maximum total length of optical fibers of past were sold.

FY2012

- Reduction of total costs and sales promotion in domestic and overseas markets of optical fiber · cable
- Development and sales promotion of new products of Optical & Electronics Devices
 - Increase in market share of 40/100Gbps optical data transmission devices
 - Increase in product lineup by compound semiconductor device business acquired from Emcore in USA
 - Mass production of GaN devices for low cost base station
- Access Network equipment : Capture of orders for overseas new projects

3-3. Electronics

FY2011 Result & FY2012 Forecast



FY2011

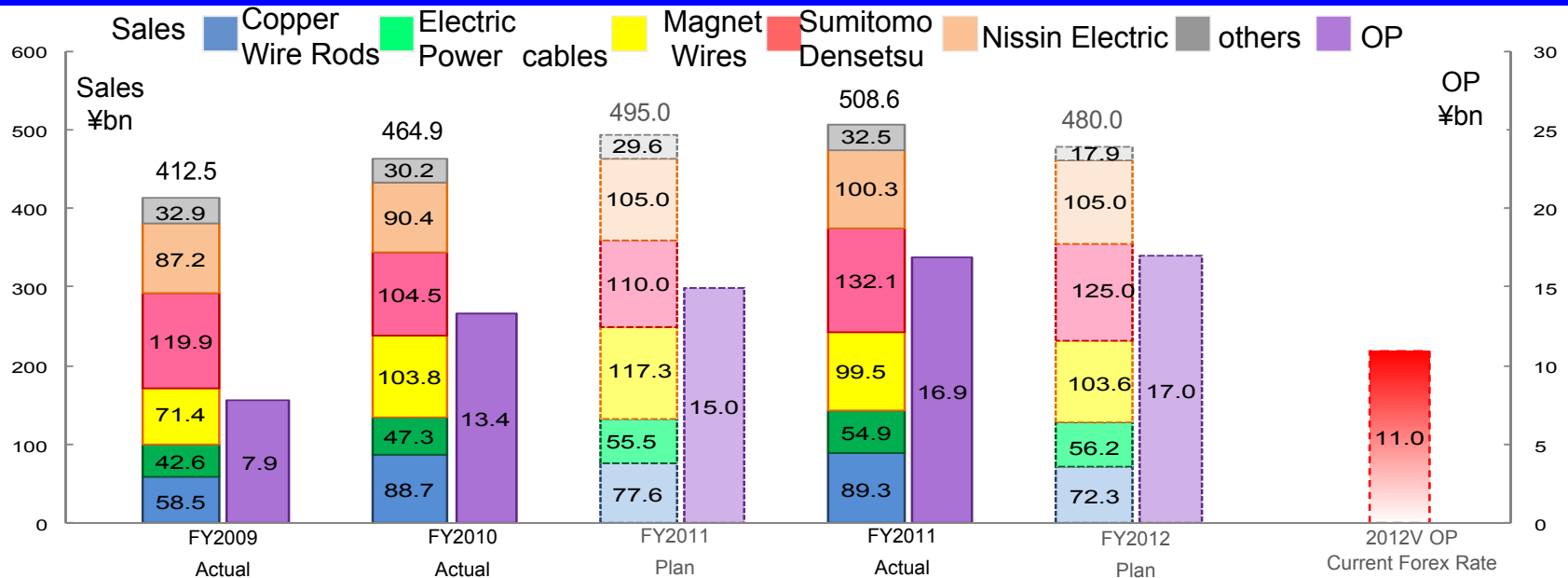
- Expansion of FPC market caused by new application such as smart phone increased sales by 4.3% from the previous year. Production reduction in 1st half and yen appreciation decreased OP by ¥3.3bn to ¥3.3bn.
- FPC : Market share increased by start-up of new applications (mobile game, smart phone, etc.)
- Electronic wire : Establishment of mass production system of High speed IF(Thunderbolt related)

FY2012

- FPC : Smooth production, sales promotion and market share up of products for new applications such as smart phone, tablet PC, mobile game, etc.
- Electronic wire : Sales promotion of wires for automotive, thunderbolt related
- Promotion of cost reduction of FPC·electronic wire mainly in Chinese production bases
- Fine Polymer : Capture of demand for automotive, Sales promotion of water filtration module
- Semiconductor : Sales promotion of GaN substrate for white LED, GaAs substrate for wireless communication

3-4. Electric Wire ,Cables and Energy

FY2011 Result & FY2012 Forecast



FY2011

- Increase in overseas electrical construction work done by Sumitomo Densetsu and in market demands for beam vacuum applied equipment by Nissin Electric brought about sales increase by 9.4% and OP increase by ¥3.5bn from the previous year.
- Development of aluminum celmet

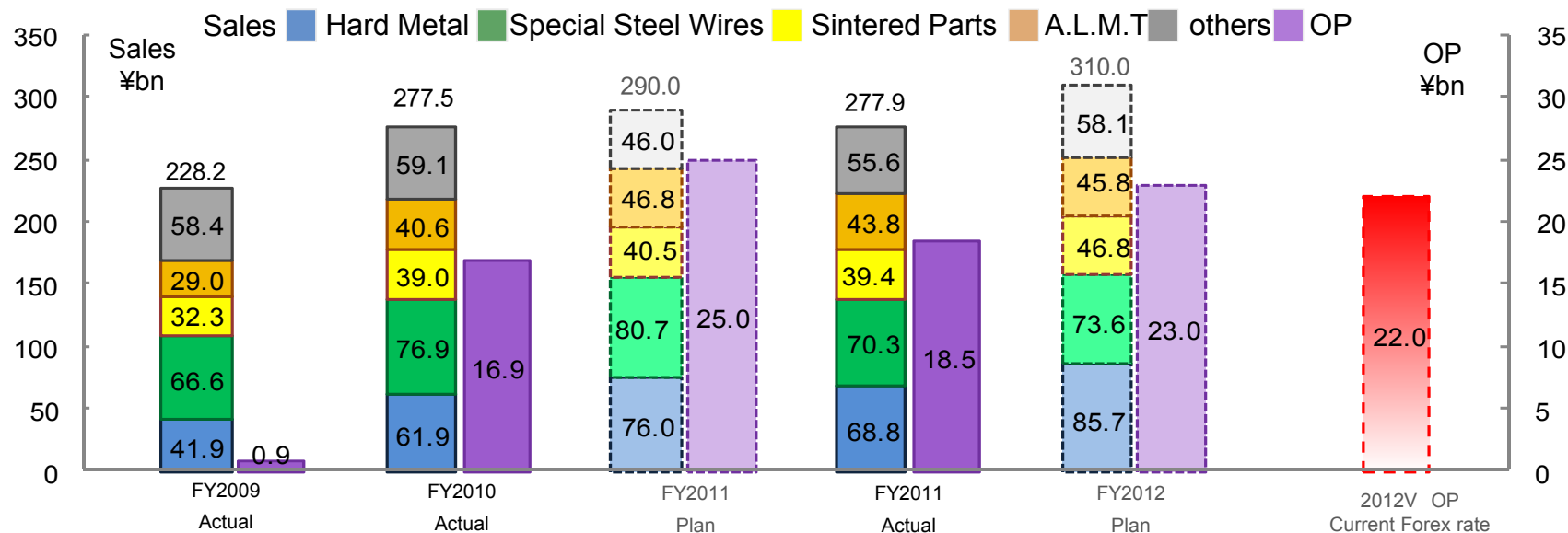
FY2012

- Sales promotion of wire rod, magnet wire in Asia
- Capture of orders and enhancement of production of parts for electrical components such as magnet wire, celmet, etc.
- JPS : Capture of demands for electrical infrastructure works in Asia, Middle East and global deployment of HV cable (start of production in India, Saudi Arabia)
- Sumitomo Densetsu : Expansion·enhancement of overseas business activities, active deployment for environmental business
- Development·sales promotion of renewable energy related products



3-5. Industrial Materials

FY2011 Result & FY2012 Forecast



FY2011

- Sales increase in Hard Metal enabled to secure the same level of sales as the previous year. OP increased by ¥1.6bn from the previous year to ¥18.5bn.
- Actual sales of saw wire for solar panel was below the plan made in the previous year end.
- Start of operation at JV with Korean Hyosung for steel cord (Nanjing, Thailand)
- Start of operation of mass production base for Hard Metal in Changzhou, China

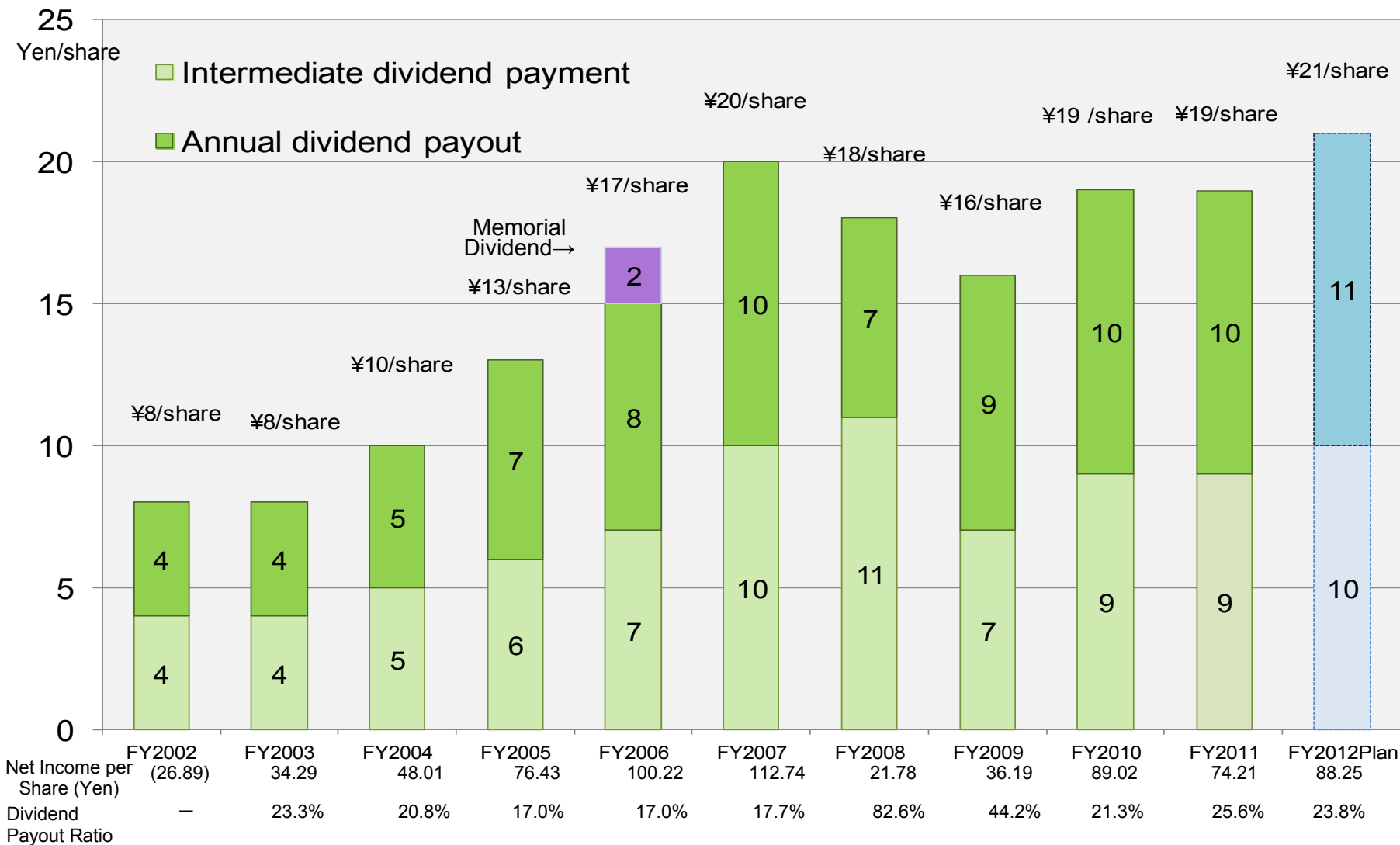
FY2012

- Set-up of sales offices in emerging countries for Hard Metal (Brazil, Indonesia, Turkey, etc.)
- Set-up of production bases for Hard Metal, Sintered Parts in Indonesia
- Capture of orders and enhancement of production of automotive components such as spring wire, sintered parts, etc. in accordance with growing global demands for automotive
- Research for new application and sales promotion of heat sink (in addition to automotive and cell phone base station, control of electricity, LED substrate, medical, etc.)

4. Dividend and Payout Ratio

FY2011 Result & FY2012 Forecast

• In FY2012 yearly dividend is planned to be ¥21/share increased by ¥2/share from the previous year.





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2. Fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar, the euro and Asian currencies.
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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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