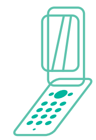
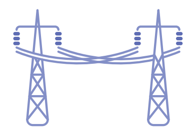
Automotive

Information &
Communications



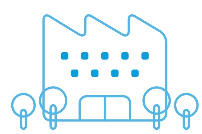
Electronics



Electric Wire &
Cable, Energy

Annual Report 2011

Year Ended March 31, 2011



Industrial Materials &
Others

SUMITOMO ELECTRIC
Ingenious Dynamics

The Origin of the Sumitomo Electric Group

The Spirit Fostered in Sumitomo's 400-Year Tradition

After centuries of years, our high-minded spirit glows ever more brightly.

The Sumitomo Electric Group is committed to maintaining public trust by conducting business activities with integrity, in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. As the Company expands its business operation across the world, linking closely with society, it always gives top priority to the cultivation of high corporate ethics to be a world-class company.

The Sumitomo Spirit grew out of the guiding principles set down by Sumitomo's founding father Masatomo Sumitomo in his Monjuin Shiigaki (the Aphorisms of Monjuin), and it has been passed down for over 400 years. The essence of the spirit was condensed in the Sumitomo Business Principles. In Monjuin Shiigaki, he preached the importance of doing one's sincere best in not only business but also every aspect of their life. This is the spirit that we, the members of the entire Sumitomo Electric Group, have inherited and strive to embody.

The Sumitomo Spirit

Business Principles

1: Sumitomo shall achieve prosperity based on solid foundation by placing prime importance on integrity and sound management in the conduct of its business.

2: Sumitomo's business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

In addition to the Business Principles, the Sumitomo Spirit also includes: Attaching Importance to Technology, Respect for Human Resources, Long-Range Planning, Mutual Prosperity, Respect for the Public Good.

The Ever-Evolving Principles

The Sumitomo Electric Group makes commitments to all of its stakeholders.

Based on the Sumitomo Spirit, the Sumitomo Electric Group Corporate Principles were established as the fundamental spirits of the Group's business operation. In the Corporate Principles, we declare our commitment to the customers, shareholders, society, natural environment and employees. The Principles also emphasize the importance of compliance and public trust.

Sumitomo Electric Group Corporate Principles (Established in June 1997)

Each company of the Sumitomo Electric Group shall

- Offer the very best goods and services to satisfy customer needs.
- Build technical expertise, realize changes and strive for consistent growth.
- Contribute to creating a better society and environment, with a firm awareness of our social responsibility.
- Maintain high corporate ethics and strive to become a company worthy of society's trust.
- Nurture a lively corporate culture that enables employee self-improvement.

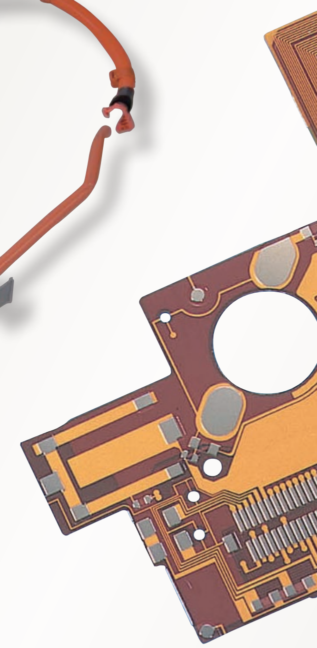
Glorious Excellent Company

The Sumitomo Electric Group is working to develop into a corporate group with a solid corporate philosophy and sustainable growth potential, with the aim of becoming a "Glorious Excellent Company."

The word "Glorious" represents the philosophical and qualitative goals of the Sumitomo Electric Group. The Group has inherited a principle that reflects our corporate ethical values to give top priority to social trust, that is "placing prime importance on integrity and sound management," as well as other traditional principles such as "Attaching Importance to Technology" and "Respect for Human Resources," which have a history of more than 400 years. The ideal state achieved in embodying the Sumitomo Spirit, as well as the Sumitomo Electric Group Corporate Principles, which were established on the basis of the Spirit, is what we mean by the word "Glorious."

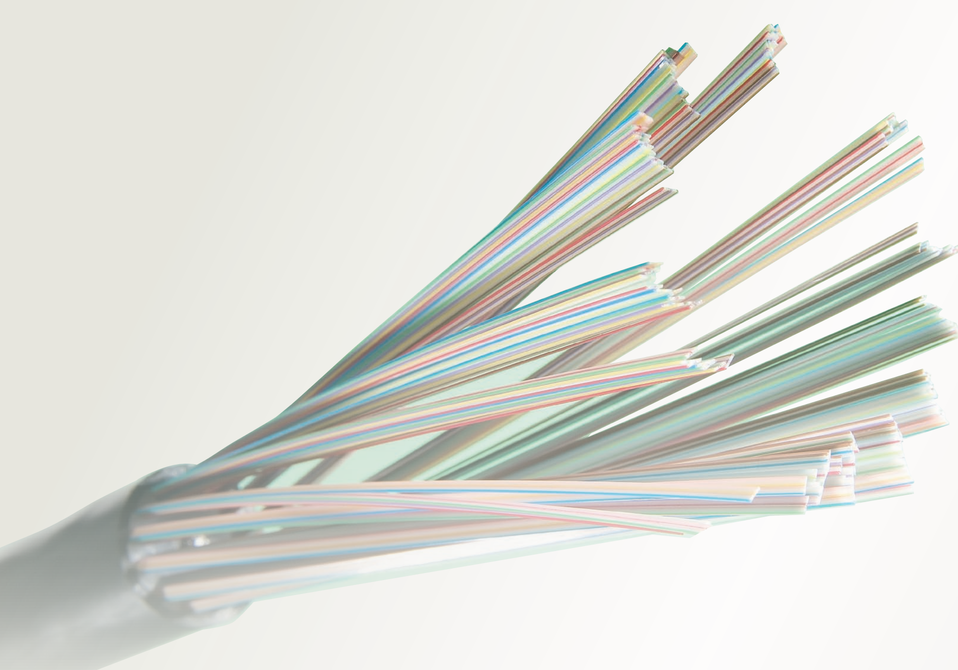
"Excellent" symbolizes what the Sumitomo Electric Group should be in a quantitative sense, which is to achieve excellent business performance. The Sumitomo Electric Group's business portfolio comprises five business segments: Automotive; Information & Communications; Electronics; Electric Wire & Cable, Energy; and Industrial Materials. Under a strategy advocating establishment of a global presence, strengthening our leading technology, and pursuing our global top 3 target, we have established five-year mid-term management plan VISION 2012, which set targets for 2012, respectively, to realize sustainable expansion of our business fields and increase profitability.

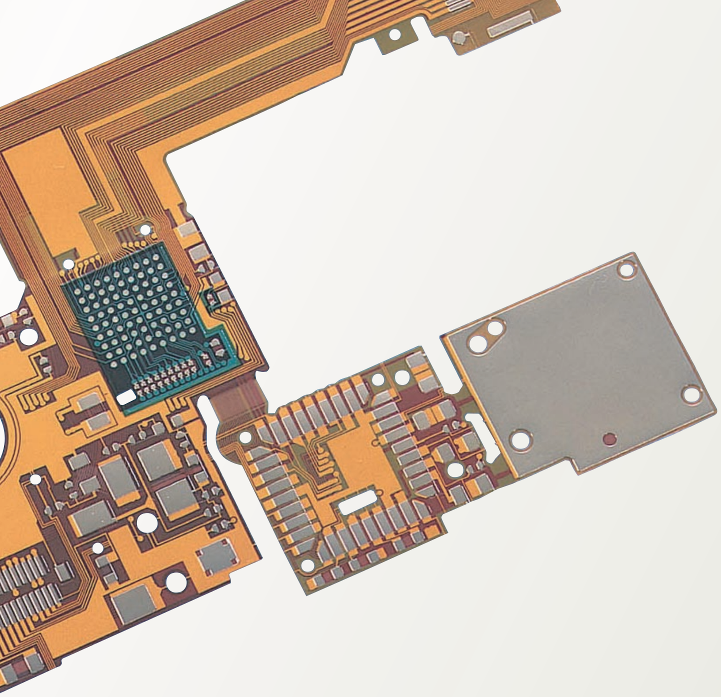
Each company of the Sumitomo Electric Group combines its unsurpassed creativity with knowledge and experience to generate dynamics that allow the Group to contribute to society.



Ingenious Dynamics™

For the Sumitomo Electric Group, ID stands for Ingenious Dynamics and at the same time stands for fulfilling and embodying the Sumitomo Electric Group identity (ID) and the determination to continually contribute to the infrastructure development (ID) of the greater society.





Contents

Forward-Looking Statements

This presentation contains various forward-looking statements which are based on the current expectations and assumptions of future events. All figures and statements with respect to the future performance, projections and business plans of Sumitomo Electric and its Group companies constitute forward-looking statements. Although Sumitomo Electric believes that its expectations and assumptions are reasonable, actual results and trends of Sumitomo Electric's performance could differ materially from those expressed or implied by such figures or statements due to risks and uncertainties in the future business circumstances. The factors which may cause such difference include, without limitation:

1. General market and economic conditions in the U.S., Europe, Japan and other Asian countries, especially personal consumption and capital expenditure.
2. Fluctuations of currency exchange rates, especially between Japanese yen and U.S. dollar, Euro and Asian currencies.
3. Rapid technological development and Sumitomo Electric and its affiliated companies' ability to cope with it.
4. Changes in various assumptions including financial, managerial and environmental ones.
5. Current and future laws and regulations by foreign countries about trading and other activities.
6. Change in market value of securities that Sumitomo Electric and its affiliated companies own.

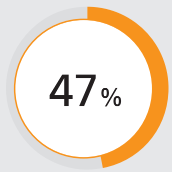
Please be advised that there are possibilities actual sales and profits could be different from those described in this material. Sumitomo Electric and its affiliated companies are not obliged to update and make public any descriptions in forward-looking statements after releasing this material.

At a Glance

Sumitomo Electric Industries, Ltd. (TSE: 5802) and its subsidiaries and affiliates globally undertake product development, manufacturing and marketing as well as service provision in the five business segments: "Automotive," "Information & Communications," "Electronics," "Electric Wire & Cable, Energy," and "Industrial Materials & Others."

Net Sales Breakdown — Market Environment

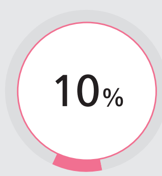
Automotive



¥960.0 Billion

The U.S. and Japan both saw new vehicle unit sales rise year-on-year. For a second consecutive year, China led the world in new vehicle sales in 2010, against a background of growth in automotive markets in the emerging economies. Unit sales in Japan slipped following the Great East Japan Earthquake and Tsunami disaster and the phasing out of environment-friendly car purchase incentives. In the first half of fiscal 2012, supply chains have suffered disruption.

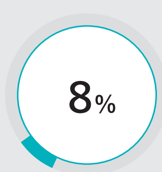
Information & Communications



¥218.2 Billion

The global optical device market is growing at around a dozen percent annually. In optical fiber cable products, overseas markets especially China remain the drivers of strong demand, countering shrinkage in the Japanese market. Looking ahead, we expect new demand to emerge in Fiber-to-the-Home (FTTH) applications.

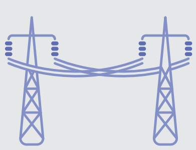
Electronics

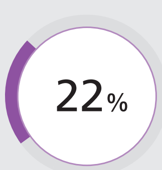


¥178.2 Billion

Global mobile phone sales increased 31.8% year-on-year to 1.6 billion units in 2010, of which 19% were smart phones. Unit sales of smart phones increased 72% year-on-year to 297 million units, but demand was concentrated in advanced countries capable of providing high-speed networks.

Electric Wire & Cable, Energy

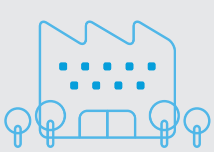


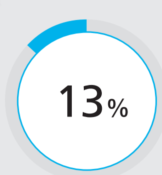


¥464.9 Billion

Despite the impact of reduced private sector capital investment in Japan, demand expanded for equipment for environment-friendly vehicles and electronics products. Demand also grew for power generation and railway infrastructure, overseas notably in the emerging economies.

Industrial Materials & Others





¥277.5 Billion

Market demand for components and processed parts from vehicle manufacturers remained robust despite a continuing drop-off in demand from public works projects in Japan. There was also growth in demand for silicon for solar cells and other new processing products.

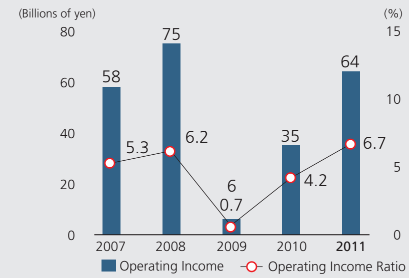
In research and development, the Group endeavors to develop original new businesses and products. We are also committed to identifying and developing the research themes that will carry our Group to the next stage. With over 180,000 employees in approximately 30 countries around the world, we will continue to develop as a global company.

Performance

Operating Income and Operating Income Ratio

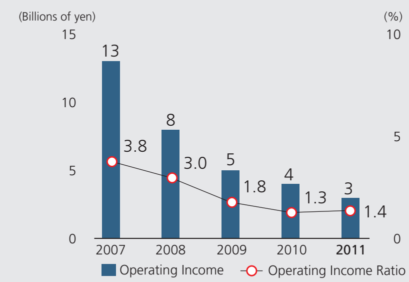
Automotive

Sales in this segment increased by ¥143.4 billion (17.6%) year-on-year to ¥960.0 billion. In addition to globally expanding automotive demand centered on the emerging economies, demand rose for wiring harnesses used in new types of vehicle and also increased for high-voltage harnesses for hybrid and electric vehicles (HEVs/EVs) and other environment-conscious products. Operating income increased by ¥29.6 billion (85.7%) to ¥64.1 billion.



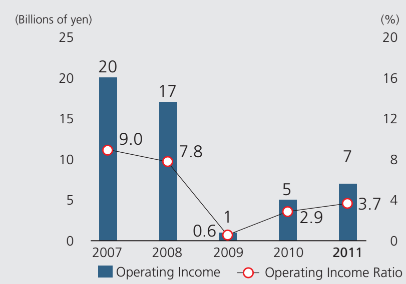
Information & Communications

In this segment, demand for opto-electronic devices has increased against a background of growing global communication traffic. However, sales fell by ¥53.0 billion (19.5%) year-on-year to ¥218.2 billion, due to rapid appreciation of the Japanese yen and intensified international competition, which have significantly impacted the operating environment for our optical fiber cable and other businesses. An additional negative factor was the spinning off of the consolidated subsidiary Commuture Corp. in the second half of the year under review. Operating income decreased by ¥641 million (17.7%) to ¥3.0 billion.



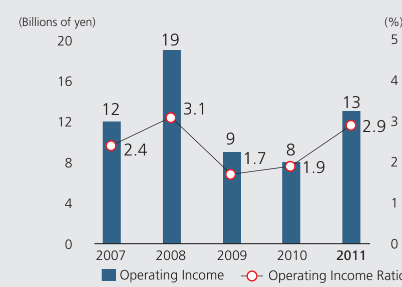
Electronics

With the recovery of the global electronics market, demand has increased for flat-screen televisions and other digital appliances, for electronic wires used in mobile phones and for compound semiconductors, as well as for coating products for printers. This drove up sales in this segment by ¥13.2 billion year-on-year (8.0%) to ¥178.2 billion. Operating income increased by ¥1.8 billion (36.2%) to ¥6.6 billion.



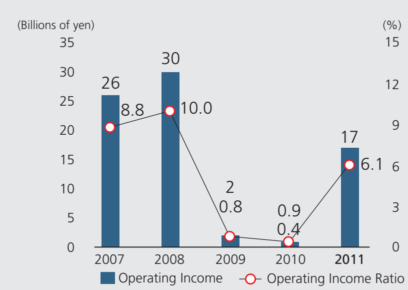
Electric Wire & Cable, Energy

Sales in this segment increased by ¥52.4 billion (12.7%) year-on-year to ¥464.9 billion. This performance was driven by increased demand for magnet wire for automakers and electronics companies, and charged particle beam-oriented equipment made by our subsidiary Nissin Electric Co., Ltd. Further impetus came from rising copper prices. These positives more than offset a decline in demand for construction equipment and power-receiving and transformer equipment, amid an ongoing slump in private capital investment in Japan. Operating income increased ¥5.5 billion (70.1%) to ¥13.4 billion.



Industrial Materials & Others

Sales in this segment increased by ¥49.3 billion (21.6%) year-on-year to ¥277.5 billion. In addition to rising demand for automotive products, such as cemented carbide tools, sintered parts and valve springs, on the back of rising global automobile production, demand also expanded for electronics products, such as diamond tools made by our subsidiary A.L.M.T. Corp. Operating income increased by ¥15.9 billion to ¥16.9 billion.



Financial Highlights

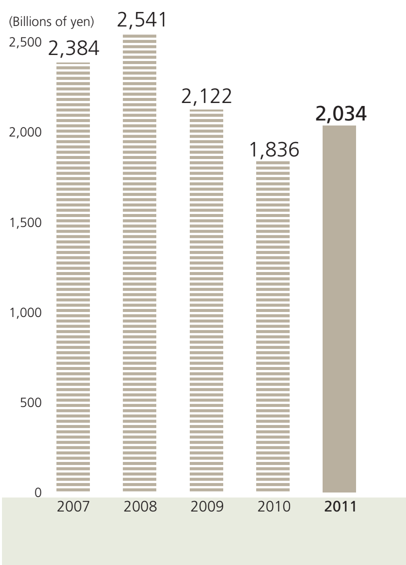
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31

	Millions of yen					Thousands of U.S. dollars*1
	2011	2010	2009	2008	2007	2011
For the Year:						
Net sales	¥2,033,827	¥1,836,352	¥2,121,978	¥2,540,858	¥2,384,395	$24,459,735
Operating income	103,810	51,728	23,527	148,996	128,745	1,248,467
Income before income taxes and minority interests	113,781	55,425	41,126	166,612	144,550	1,368,382
Net income	70,614	28,708	17,237	87,804	76,029	849,236
Capital expenditures	107,620	81,943	143,182	134,421	128,568	1,294,287
Depreciation and amortization	96,760	103,848	108,168	106,892	99,802	1,163,680
R&D expenses	79,026	72,259	72,988	72,271	68,373	950,403
At Year-End:						
Total assets	1,956,284	1,939,935	1,868,174	2,194,882	2,126,405	23,527,168
Total interest-bearing liabilities	341,923	355,586	405,477	415,473	456,399	4,112,123
Total net assets*2	1,092,610	1,064,575	1,014,082	1,128,235	1,052,989	13,140,229
Cash Flows:						
Net cash provided by operating activities	139,298	171,576	168,509	204,612	130,997	1,675,260
Net cash used in investing activities	(86,551)	(72,899)	(161,050)	(126,414)	(131,193)	(1,040,902)
Net cash provided by (used in) financing activities	(27,845)	(67,613)	(11,957)	(55,946)	(16,549)	(334,876)

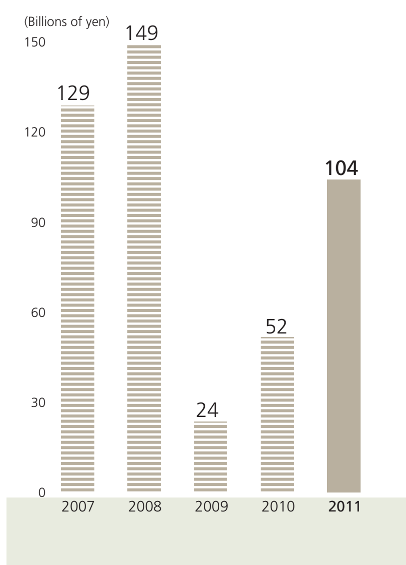
	Yen					U.S. dollars*1
	2011	2010	2009	2008	2007	2011
Per Share Data:						
Net income: Basic	¥ 89.02	¥ 36.19	¥ 21.78	¥ 112.74	¥ 100.22	$ 1.071
Diluted	89.02	36.19	21.32	107.71	95.40	1.071
Cash dividends	19.00	16.00	18.00	20.00	17.00	0.229
Owner's equity*3	1,196.46	1,139.84	1,086.79	1,226.56	1,170.54	14.389
Financial Indexes:						
R&D expenses / net sales (%)	3.9	3.9	3.4	2.8	2.9	
Net income / net sales (%)	3.5	1.6	0.8	3.5	3.2	
Return on owner's equity (%)	7.6	3.3	1.9	9.5	8.9	
Return on assets (%)*4	7.3	3.6	1.6	9.8	8.8	
Current ratio (Times)	1.9	1.7	1.6	1.5	1.6	
Owner's equity ratio (%)	48.5	46.6	46.1	44.1	41.8	

*1 All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥83.15 to U.S. $1.00, the approximate exchange rate prevailing on March 31, 2011.
*2 See page 43.
*3 Owner's equity is sum of total shareholder's equity and total accumulated other comprehensive income.
*4 ROA = Operating income divided by average capital employed

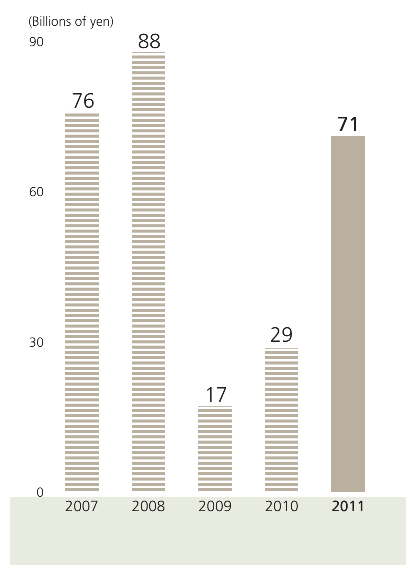
Net Sales



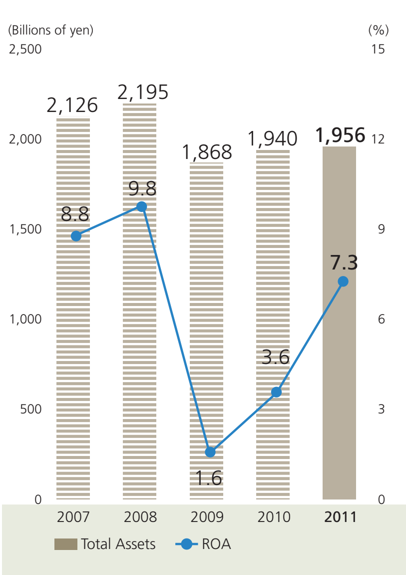
Operating Income



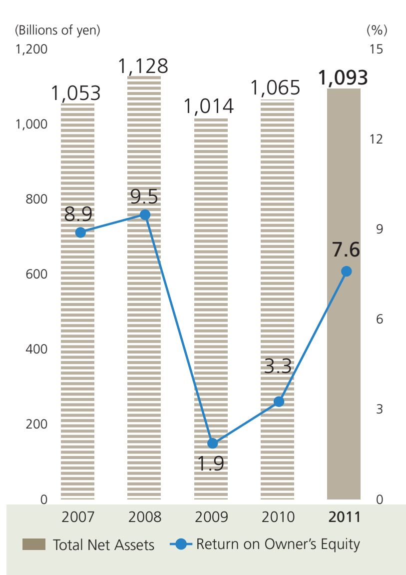
Net Income



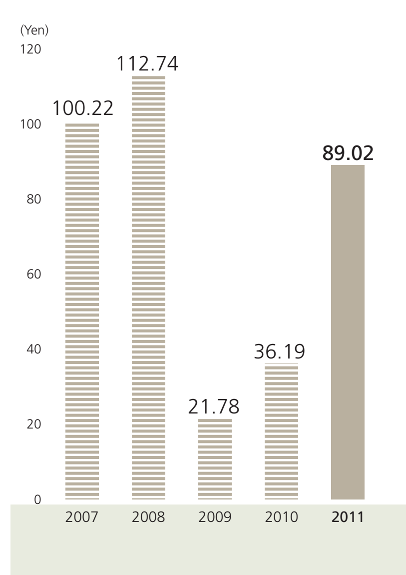
Total Assets and ROA



Total Net Assets and Return on Owner's Equity



Net Income per Share



Message from the President

Business Conditions and Results in Fiscal 2011

Business Conditions in Fiscal 2011

Although global demand continued to recover and expand in fiscal 2011 centered on automotive-related sectors, business conditions for the Sumitomo Electric Group deteriorated further owing to weakness in domestic demand and export-related sectors due to yen appreciation from mid-2010. The Great East Japan Earthquake that occurred on March 11, 2011 also had a serious social and economic impact. Some of the Group's manufacturing facilities were partially damaged by the earthquake and we also incurred indirect losses from a slump in orders and production due to suspended operations at customers and suppliers.

After the earthquake, many of our business partners based overseas sent us condolences and warm words of encouragement. I would like to take this opportunity to thank them again for their kind words. The Group moved rapidly to restart production lines at sites affected by the disaster and they are now back on track.

Strategy and Results in Fiscal 2011

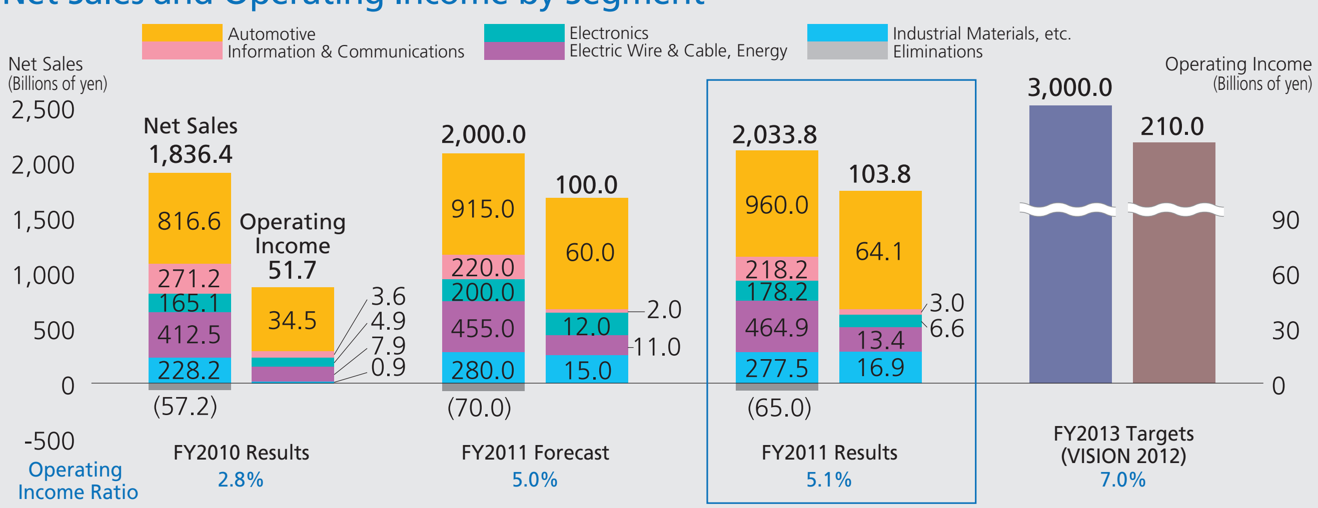
Against this backdrop, the Group worked to expand its overseas operating bases further in order to capture growing global demand, and focused on rigorous cost reduction, new technology and product development, and sales expansion through initiatives such as strengthening SEQCDD (Safety, Environment, Quality, Cost, Delivery, and Research & Development).

Despite declining demand due to the yen's appreciation and the impact of the earthquake, the Group's automotive and industrial materials businesses achieved an increase in sales by tapping rising global demand on the back of growth in emerging economies. As a result, in fiscal 2011, the Group reported growth in net sales of 10.8% year on year to ¥2,033.8 billion. Although we faced falling product prices due to intensifying competition overseas and the impact of yen appreciation, we achieved cost savings of ¥49.9 billion by cutting direct costs and increasing efficiency in indirect and fixed cost areas. As a result, operating income improved sharply to ¥103.8 billion, double the level in the previous fiscal year. We posted disaster-related losses of ¥8.8 billion and impairment losses of ¥11.3 billion, but the Group still reported a strong increase in net income to ¥70.6 billion, or 2.5 times the level in fiscal 2010, owing to the improvement in operating income and an increase in equity in net income of affiliates. All these figures exceeded our start-of-year forecasts.

In new technology and product development, we announced a number of successes, including the adoption of a low-voltage automotive wiring harnesses using aluminum wires and the world's first molten salt electrolyte battery. We will continue to push ahead with R&D activities that flexibly meet the demands of our customers and society, and rapidly translate these R&D successes into new businesses.

As part of our response to the Great East Japan Earthquake, we plan to reinforce our supply chain by procuring materials from more diverse sources and rebuild production lines so that we can continue operating reliably even if power supplies are restricted.

Net Sales and Operating Income by Segment



Strategy and Outlook for Business Conditions and Performance in Fiscal 2012

Outlook for Business Conditions in Fiscal 2012

In fiscal 2012, we see a number of concerns that could weigh on the global economy, such as surging resource prices, inflation in emerging economies and other areas, geopolitical instability in the Middle East and Africa, sovereign risk in Europe, and slow progress toward genuine economic recovery in the U.S. There are also concerns for the Japanese economy, owing to considerable uncertainty about power supplies and trends in corporate production activity, which could lead to further hollowing out of the domestic manufacturing sector and weak consumer spending.

Outlook for Performance in Fiscal 2012

Because of this uncertain outlook, formulating business forecasts is more problematic than normal. For fiscal 2012, we have disclosed forecasts for net sales of ¥2,000 billion, operating income of ¥100 billion, ordinary income of ¥115 billion, and net income of ¥65 billion.

Forecasting when production and other conditions will normalize after the earthquake is difficult, but we assume (as of May 13, 2011) that production and demand will probably remain weak through to the second quarter of fiscal 2012. Based on this outlook, we project sales and operating income will decline year on year in the first half to ¥900 billion and ¥20 billion, respectively. For the second half, however, we forecast sales and operating income will rise to ¥1,100 billion and ¥80 billion, respectively, assuming that production impaired by the disaster will be restored to near normal levels. At this point, we have not factored in an increase in demand to recover lost production due to the earthquake.

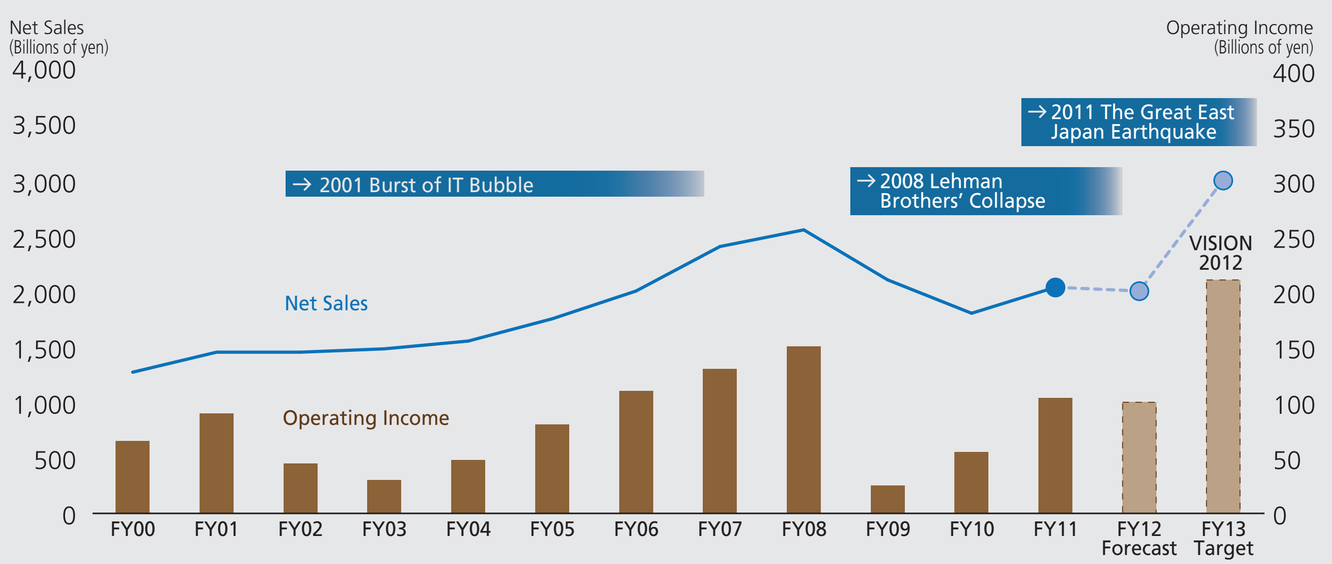
Changes in these assumptions could lead to upward or downward revisions to our forecasts, so we intend to review our full-year figures in either the first or second quarter and respond flexibly to changes in the environment. In addition, we will work to reinforce our supply chain and production lines so that we can fully respond to the needs of customers that aim to make up lost production due to the earthquake.

Strategy and Concrete Initiatives for Fiscal 2012

Fiscal 2012 is the second-to-last year of VISION 2012, our five-year medium-term management plan. Given current exchange rates and economic conditions, the plan's targets of ¥3,000 billion in net sales, ¥210 billion in operating income, and ROA* of 10% are challenging. However, we will leverage the combined strengths of the Sumitomo Electric Group to attain our operating income target in the second half of fiscal 2012, providing a foothold to reach the plan's final-year objectives.

Specifically, we aim to refocus our efforts on the Group's existing objective of building a strong corporate constitution flexibly responsive to the changing times and reinforce internal activities such as safety and environmental measures, quality improvement, and cost reduction. In addition, we intend to strengthen our *monozukuri* (manufacturing) capabilities —

Sumitomo Electric Group's Net Sales and Operating Income



the lifeblood of our Company — including human resource development. We will also work to actively cut costs to lower the break-even point, thereby boosting the Group's competitive edge.

A great deal of uncertainty exists in the product demand environment, including supply chain problems in the automotive sector after the earthquake and a range of risks in countries and regions worldwide. However, in contrast to the financial crisis triggered by the collapse of Lehman Brothers, there has been no worldwide supply-side damage, and we expect our global market to continue expanding for the time being. In order to tap this growth in global demand, we plan to continue expanding our overseas operating bases in the medium term, as well as steadily boost the efficiency of our domestic sites to enhance our international competitiveness. In this way, we will reinforce the business base in each of our business segments as we work to attain the goals of VISION 2012.

In R&D, our objective under VISION 2012 is to boost the ratio of total sales generated by new products to 30% by fiscal 2013. In order to achieve this goal, we plan to accelerate research programs in the plan during fiscal 2012, which is effectively the last year for these programs to achieve their targets. Also, we plan to strengthen the Group's base to support growth beyond VISION 2012. Specifically, we are aiming to expand our business into the promising field of smart grids, by combining our core material and information & communications technologies and promoting Group-wide R&D programs.

Guided by these strategies, we are budgeting a total of ¥130 billion for capital investment in fiscal 2012 (compared with actual spending of ¥98.4 billion in fiscal 2011), mainly to be spent on boosting production capacity in growth markets. We also plan to spend a total of ¥85 billion on R&D (compared with ¥79 billion in fiscal 2011). Please refer to the Review of Operations, starting from page 20, for more details on specific initiatives in each business segment.

Over the past two years, a number of the Group's business deals have been subject to investigations by anti-competition authorities, resulting in cease and desist orders and fines in some cases. We take these administrative actions very seriously and have positioned compliance with competition law as one of our top priorities. We have already established regulations for Competition Law Compliance Regulations and are now taking other steps such as building a framework to implement these regulations based on cooperation between a dedicated unit in the Corporate Staff Group and organizations in each business unit. Going forward, we will remain fully committed to ensuring our business activities are fair and honest.

By firmly maintaining the Sumitomo Spirit, with its 400-year history and tradition, and vigorously pursuing business with sincerity and fairness, Sumitomo Electric Group's employees will all work as one to achieve our corporate ideal: to become a Glorious Excellent Company.

We therefore request the continued understanding and support of our shareholders and investors.

*ROA: Operating income divided by average capital employed during the fiscal year

Policies for Fiscal 2012
— Achievement of goals in the medium-term management plan "VISION 2012"

Targets in the plan for fiscal 2013

(consolidated basis)

Sales	¥3 trillion
Operating Income	¥210 billion
ROA	10 %

Demand Environment

As things stand, we expect demand to grow globally. Despite uncertainties such as supply chain disruption in the automotive sector due to the earthquake disaster in Japan in the first half, there has been no impact on the demand side — unlike the aftermath of the collapse of Lehman Brothers.

Forecasts for Fiscal 2012

We published our forecasts on May 13, 2011, on the assumption that (1) disaster-related production stoppages will trail off by the end of the second quarter, and (2) a rebound in demand to make good lost production following the earthquake are not factored in. However, we cannot rule out downward or upward revisions. For this reason, we will continue to closely monitor the market, and take a flexible approach toward full-year targets, with possible adjustments in the first and second quarters.

In addition, we plan to strengthen supply chains and production lines so as to better support customers trying to make good lost production due to the disaster.

Market Conditions and Sales Forecast

	FY2011		FY2012		
Billions of yen	1H Result	2H Result	Demand Environment (Prior conditions)	1H Forecast	2H Forecast
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→↑ (1H/2H)	430.0	530.0
Information & Communications	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 wires, hard metal tools, are stable. Domestic demand for construction materials are 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**

Measures for Fiscal 2012

With regard to plans for expansion of overseas bases and streamlining of production in Japan in the medium term (plans for the previous year are detailed on pages 14 and 15), we are steadily working through our list of tasks in each business segment for the current fiscal year, and strengthening our business fundamentals to position us to meet the targets in "VISION 2012" for each segment. As a platform for achievement of the goals, we have set an operating income target of ¥80 billion for the second half of fiscal 2012.

Based on this policy, capital investment plans for fiscal 2012 are as shown in Table 1.

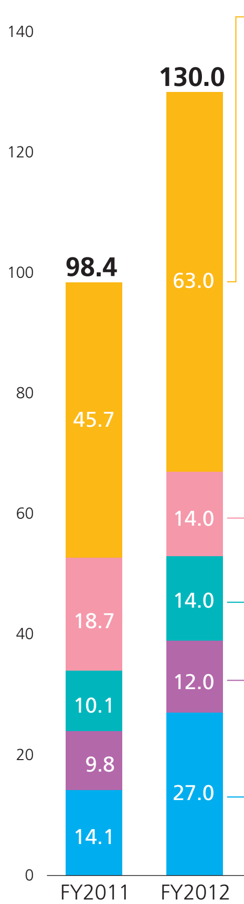
Priority areas for our research and development laboratories are as follows.

1. We are stepping up efforts to complete research programs under the themes of the medium-term management plan, with fiscal 2012 as the effective final year.
2. By expanding and blending R&D domains, we are laying the groundwork for growth after VISION 2012. Based on this policy, R&D projects for fiscal 2012 are as shown in Table 2 below.

Plans of Investment into Fixed Assets and R&D

Table 1

Billions of yen



Main target

Automotive
- Increasing production capacity of harnesses to meet changes in demands
- shifting production base to low cost countries
- Increasing capacity for new orders (Tokai Rubber)

Information & Communications
- Increasing production of
  - electronic devices for LTE base station
  - optical devices for WDM laser
- Streamlining

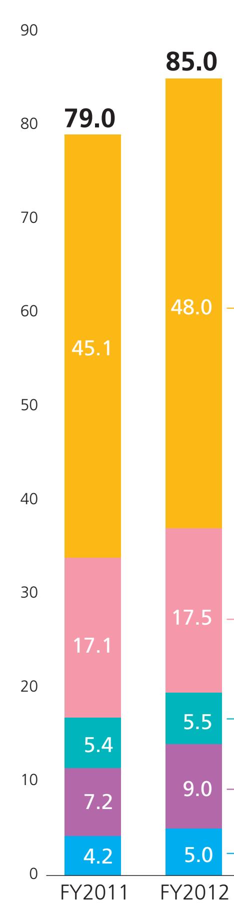
Electronics
- Increasing production of
  - FPCs for mobile phones
  - flat cables in China
- Integrated production of FPCs in China

Electric Wire & Cable, Energy
- Increasing capacity for new orders (Nissin Electric)
- Streamlining

Industrial Materials
- Increasing capacity of
  - steel tire cords in Thailand
  - diamond tools
- Making smooth start with new base for mass production in China. (Hard metal)
- Streamlining

Table 2

Billions of yen



Main target

Automotive
- Aluminum harnesses
- HEVs/EVs harnesses
- Reactors
- Switch/Information control equipment

Information & Communications
- High speed optical transceivers/devices
- Power devices for mobile phone base stations
- High performance optical fibers
- Optical/Wireless access equipment
- ICT application systems

Electronics
- High performance FPCs
- High density mounted materials
- GaN epitaxial/devices
- Magnesium alloys

Electric Wire & Cable, Energy
- High-temperature superconducting wires/cables/coils
- Molten salt electrolyte battery

Industrial Materials
- High performance cemented carbide tool materials
- High performance soft magnetic powder
- Binder polycrystalline diamonds

Expanding Operations in Global Markets

The Sumitomo Electric Group is carrying out the following measures in each of its businesses, to meet the goals of "VISION 2012" and lay the groundwork for longer-term growth. In this feature, we would like to say a few words about our most recent initiatives in new (global) markets.

Strategies for Achieving VISION 2012

Deepen internal solidification

- Step up our SEQCDD (Safety, Environment, Quality, Cost, Delivery, Research & Development) program, including personnel training, and our *monozukuri* (manufacturing) capability enhancement on a global basis

Enter new business areas

- Fuse and leverage core technologies (IT and materials) for expansion of business domains
- R&D for future growth after "VISION 2012"

Expand into global markets

Expansion into Global Markets

The newly emerging economies are increasing their share of the global economy. For us, the implications are as follows. Vehicle production volumes are unlikely to show much further growth in the developed world due to market maturity, but the emerging economies led by China, now the world's largest automotive market, continue to expand. Likewise, demand for electric power and telecommunications infrastructure is growing against a background of economic development in the emerging and resource-rich countries.

However, in Japan, birth rates are falling and the aged population is increasing, markets are no longer growing strongly, and the yen seems likely to remain high into the future. In light of these tendencies, the Group is expanding its overseas production bases to broaden sales networks and optimize production through localization, so as to capture global demand, particularly in the growing emerging economies. At the same time, the Group is streamlining operations in Japan through integration of bases so as to strengthen its international competitiveness.

Enhanced Overseas Bases and Streamlined Domestic Bases in Fiscal 2011

Streamline and Enhance Operations in Japan

Integrate four wiring harnesses manufacturers to create a "mother" factory. Aim to strengthen production technology development.

Integrate two manufacturers of optical communications products, and relaunch them as SEI Optifrontier Co., Ltd. Aim to develop overseas markets.

Develop and expand marketing of new products such as Tab-Leads for lithium-ion batteries, microfiltration membrane modules for water treatment, green laser GaN substrates and magnesium alloys.

Increase supply capability for high-temperature superconducting wires.
Speed up development of superconducting equipment and devices such as superconducting cables.

Strengthen supply capability for core materials such as sintered diamonds and sintered cBN products.

Expansion of Overseas Bases (East Asia)

JVs with Major Business Partners

- Optical fiber cables: Futong Group, China
- FTTx optical wiring components: SEI-Nanjing Putian Optical Network, China
- Steel cords: Hyosung, South Korea

New Bases

- Wiring harnesses connectors (Changshu, China/Vietnam)
- Wiring harnesses (Philippines, Cambodia)
- Compound semiconductor materials (Changzhou, China)
- Flexible printed circuits, flexible flat cables, wiring harnesses for electronics (Shenzhen, China)
- Cutting tools (Changzhou, China)
- Saw wires (Jiangusu, China/Taiwan)

Upgrade Existing Facilities

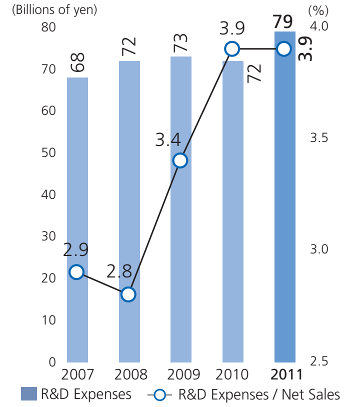
- Nissin Electric: World's highest voltage transformers for gas insulation measuring instruments (Build new facilities at established plants in China)
- Sintered components (invest in higher production of variable valve timing devices, etc., in Wuxi, China)
- Cutting tools (expand marketing networks in China)

Research & Development

With a goal of ensuring that 30% of sales come from new product launches by fiscal 2013, we are stepping up efforts to commercialize the fruits of our research and development programs. At the same time, we are accelerating strategic initiatives, including new business development and cross-organizational promotion of R&D within the Group, by harnessing our core industrial materials and information technologies that we have built up over the years.

Earmarked for early commercialization are the following original products of our research labs: An advanced molten salt electrolyte battery, combining high energy density, compactness and light weight; a smart grid system and power devices, for which considerable market growth is foreseen in years ahead; a composition imaging system using near-infrared light, which is expected to find applications in the food safety and medical fields; and ultra high-speed optical transmission technologies for higher data communication volumes.

R&D Expenses
and as a Percentage of Net Sales



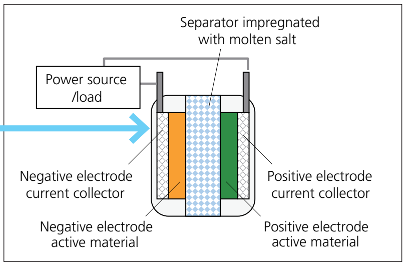
Molten Salt Electrolyte Battery

Being nonvolatile and nonflammable, and featuring high ion concentrations, molten salt makes an excellent battery electrolyte. In a joint project with Kyoto University, we have developed a molten salt with a melting point as low as 57°C. On this basis, we have successfully developed a new type of secondary battery, a molten salt electrolyte battery, using only molten salt as its electrolyte. This achievement reflects our long years of experience in secondary battery systems and related technologies.

Possible areas of commercialization are electric power storage (medium-sized power grids and household use) and on-vehicle applications (trucks and buses). We will continue the evaluation and improvement, of the battery to find molten salt that be used at still lower temperatures.

Battery packs undergoing trialing

Construction of the molten salt electrolyte battery



(1) High energy density

The new battery achieves an energy-density as high as 290 Wh/L.

(2) Nonflammability and miniaturization facilitate battery pack formation

Since it comprises only nonflammable materials, the new battery will not ignite on contact with air from outside. Likewise, there is no thermal runaway from overcharging or temperature rises in the battery.

For this reason, there is no need for waste-heat storage or fire- and explosion-proof equipment, so batteries can be packed close together. In our trial calculations, assuming equal capacity, the new battery had half the volume of lithium-ion batteries and one quarter that of sodium-sulfur batteries, enabling miniaturization.

Micro Smart-Grid Demonstration System

We have developed a micro smart-grid demonstration system combining renewable energy (solar and wind-derived) generating equipment with storage batteries using direct current. In-house trials were launched at our Osaka Works in June 2011.

(1) Configuration of the system

[1] In this system, three types of photovoltaic, a small wind power generator and a small redox flow battery are interconnected by DC power cables 1 km in total length. Generated electric power is used by some lighting fixtures, home appliances and a charging station for a superconductor electric vehicle in Osaka Works.

[2] DC electric power generated by each generator (maximum total generating capacity: about 10 kW) is increased to a higher voltage by a DC-DC converter, transmitted via DC power cables, and either stored in the redox flow battery, or fully inverted to AC and supplied to the above-mentioned loads (equipment) via a smart distributor and intelligent taps.

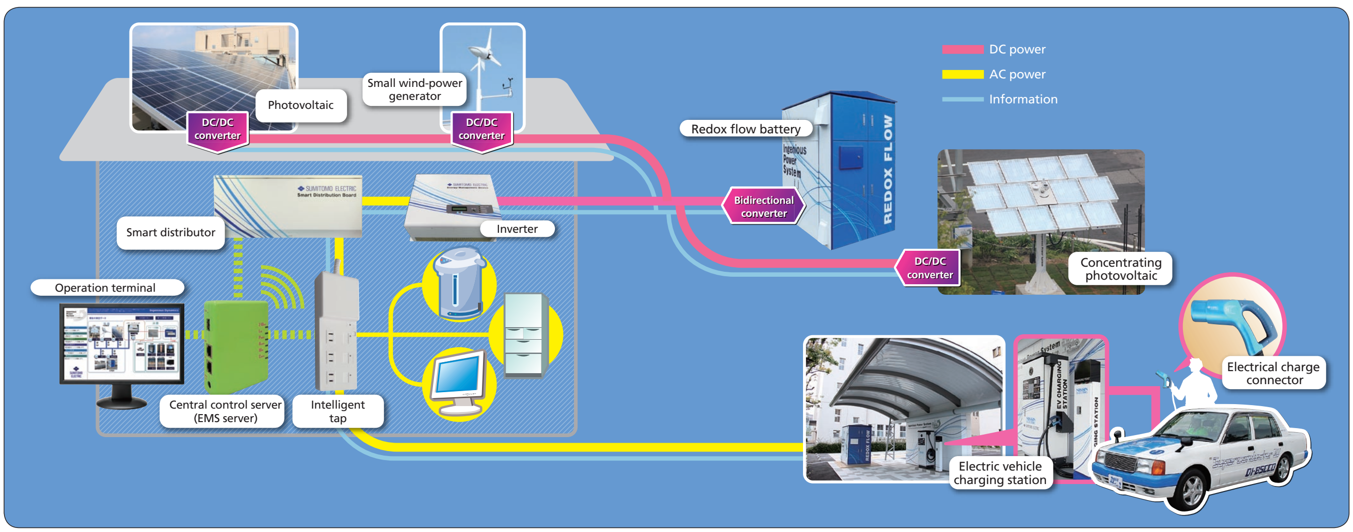
(2) Features of the system

[1] The demonstration system is not connected to any commercial power network; its power sources comprise only photovoltaic and wind power generators. An energy management system monitors and controls fluctuations in renewable generation and electric power consumption. The storage battery balances the fluctuations. Consequently, the overall system achieves the most efficient and stable use of power.

[2] The DC interconnection of the demonstration system involves fewer DC-AC inversions than conventional AC interconnection. Since DC-AC inversion is subject to energy loss caused by inverter power consumption and by inversion itself, reduction in inversions means more efficient use of renewable energy. Furthermore, in DC power transmission, power loss via cables is lower than in AC power transmission.

[3] The demonstration system accommodates flexible connections of various renewable generators and storage batteries, and is usable in a variety of power systems of various sizes according to each specific requirement.

We will test the demonstration system for about one year to assess its effectiveness in energy-saving performance and other features, and then use it to promote the development of smart grid products.



Compovision™ Near-Infrared Composition Imaging System

As more and more emphasis is placed on safety and quality control in the pharmaceutical and food industries, demand has grown for systems that can measure real-time differences in substance composition and concentration distribution in a nondestructive and noninvasive way.

Our a composite image-capturing and -processing system Compovision™ is an inspection system that meets all of these needs by leveraging the advanced optical technologies developed by us over the years in our optical communications business. The product has been commercially launched on the market.

(1) Enabling nondestructive, noninvasive measurement

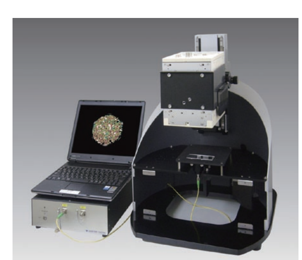
Near-infrared bandwidths include the absorption spectra of organic substances such as water, lipids and proteins. Accordingly, near-infrared light can be used to analyze the composition of living organisms and food. Furthermore, as near-infrared light is easily transmitted through living or organic matter, nondestructive and noninvasive measurement is possible, without inspection pre-processing.

(2) Real-time imaging

All image data collected by near-infrared camera is subjected to high-speed spectral analysis using proprietary technology to analyze composition. In this way, real-time imaging of differences in composition and concentration distribution is enabled.

(3) Broadband wavelength measurement

The development of new sensor materials for near-infrared cameras enables high-sensitivity, detailed inspections of differences among substances that previously could not be distinguished.



Microscope-type Compovision™

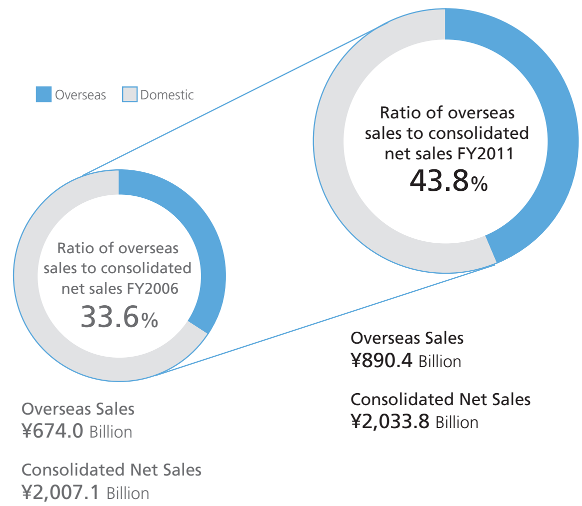
Overseas Trends

Expansion of Overseas Sales Ratio

To position the Group to monetize demand growth in overseas markets, we are aggressively stepping up marketing initiatives and production capacity.

As a result, sales of the Company and its consolidated subsidiaries in markets other than Japan increased ¥185.0 billion year-on-year in fiscal 2011 ended March 31, 2011, to ¥890.4 billion. Overseas sales now account for 43.8% of consolidated sales, a year-on-year increase of 5.4 percentage points.

Furthermore, in fiscal 2011, the sales of consolidated subsidiaries in markets other than Japan accounted for 40.8% of total sales, an increase of 5.6 percentage points, and overseas operations of consolidated subsidiaries accounted for 51.7% of operating income, an increase of 10.2 percentage points.



North America 37

The Americas

Sales volumes for passenger cars are rebounding rapidly in the U.S., with forecasts of year-on-year increases of 50% from 2009 and 30% in 2010. This has driven up demand for automotive products such as wiring harnesses and anti-vibration rubbers, so that sales for the Americas in fiscal 2011 increased ¥44.2 billion year-on-year to ¥239.9 billion.

Meanwhile, sales of consolidated subsidiaries in the Americas in fiscal 2011 (to external customers) increased ¥46.9 billion year-on-year to ¥235.2 billion. Operating income likewise rose ¥8.4 billion to ¥9.6 billion.

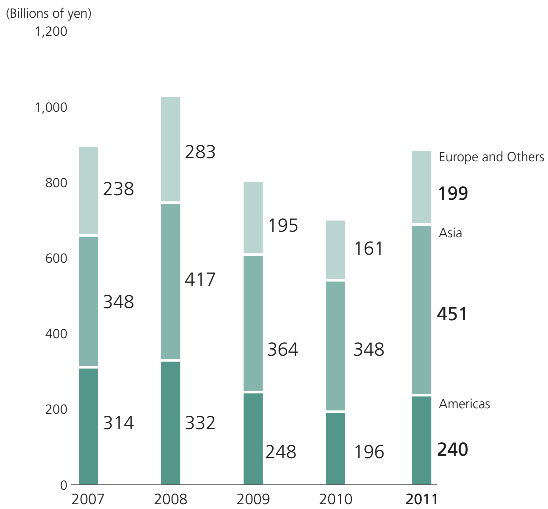
Consolidated subsidiaries' operating income from the Americas accounted for 9.1% of total consolidated operating income.

Africa 6

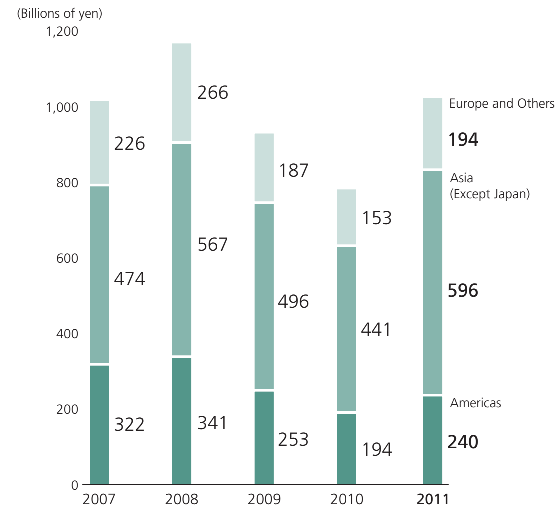
South America 2

Total of consolidated subsidiaries and equity-method affiliates, as of March 31 2011: 325

Overseas Sales



Geographical Segment Sales



Europe

36

Asia

117

Japan

124

Europe and Others

As in other advanced countries, the automotive market in Europe is mature. Automotive manufacturers in Europe are strengthening their business operations in the newly emerging markets such as China, India and Brazil, which are growing rapidly. Sales in fiscal 2011 in these regions increased ¥37.9 billion year-on-year to ¥119.3 billion on more widespread use of wiring harnesses for new kinds of automobile.

Meanwhile, sales of consolidated subsidiaries in the Europe and other regions in fiscal 2011 (to external customers) increased ¥40.9 billion to ¥191.7 billion. Consolidated subsidiaries' operating income also improved significantly, to ¥8.5 billion, following an operating loss of ¥3.3 billion in the previous fiscal year. Consolidated subsidiaries' operating income from the Europe and other regions accounted for 8% of total consolidated operating income.

China and Other Asian Countries

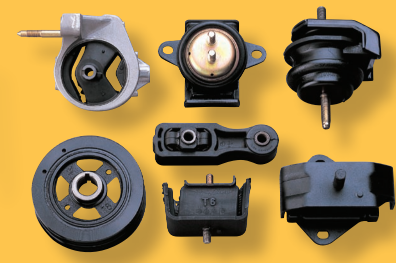
Sales in China, where economic growth remains above 9.5%, increased to ¥45.0 billion from the previous fiscal year to ¥237.9 billion in fiscal 2011, buoyed chiefly by strong demand in the automotive and electronics sectors. Fiscal 2011 sales also increased, by ¥57.8 billion to ¥213.2 billion, in other Asian markets such as Thailand, Indonesia and Taiwan, on increased demand from automakers.

At the same time, consolidated subsidiaries' total sales in Asia, including China (to external customers), increased ¥112.6 billion year-on-year in fiscal 2011 to ¥401.6 billion. Consolidated operating income likewise grew ¥12.7 billion to ¥36.3 billion. Consolidated subsidiaries' operating income from the Asian region accounted for 34.6% of total consolidated operating income.

3 Oceania

Review of Operations

Automotive



Wiring Harnesses

Wiring harnesses are a system that conveys power and information. Their constituent electronic components are required to be smaller, lighter and more reliable.

High-Voltage Wiring Harnesses for HEVs

High-voltage harnesses are used in hybrid electrical vehicles (HEVs) that have both an electric motor and an internal combustion engine. In these harnesses, which connect a high-voltage battery with an inverter and an inverter with a motor, shield wires are used so that noise from an inverter or other equipment can be suppressed.

Anti-Vibration Rubber Products

Anti-vibration rubbers are the important functional components that absorb and control the vibrations of car bodies and engines.

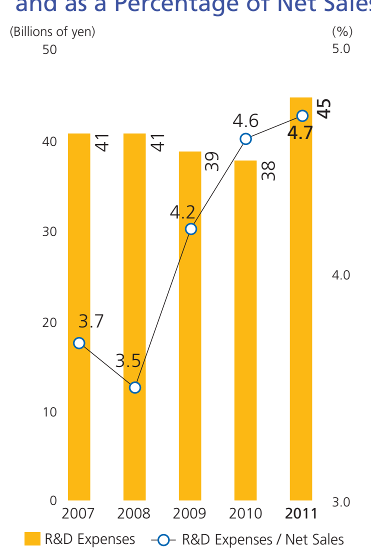
Hoses

We offer a wide rage of hoses suitable for the systems in cars like the fuel system and oil system.

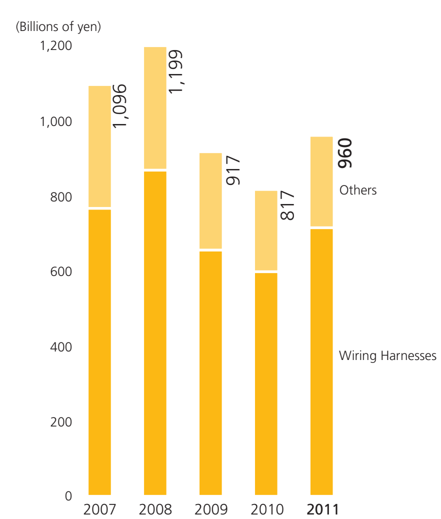
Connectors

Our compact and high reliability connectors operate under harsh conditions such as extreme heat, cold and vibration, and satisfy the diverse needs of our customers.

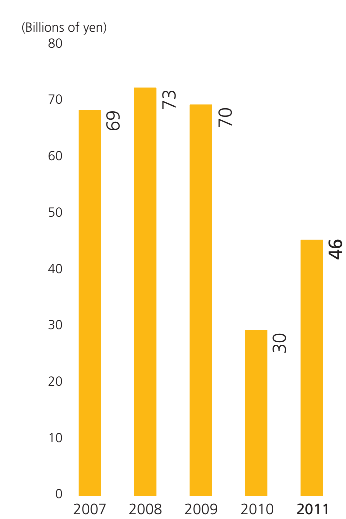
R&D Expenses and as a Percentage of Net Sales



Net Sales



Capital Expenditure



Segment Overview

With the aim of realizing an automotive society characterized by safety, comfort and environment-friendliness, we are supplying worldwide a broad range of wiring harnesses and other products for in-vehicle communication and energy applications.

Key Challenges and Responses in Fiscal 2011

The main issues needing to be addressed in this segment were the following:

1) With the aim of achieving a 25% share of the global wiring harnesses market. We need to maintain a steady order flow from Japanese automakers for their major car lines and global strategic models. At the same time, to meet the needs of non-Japanese automakers, we need to strengthen our development and sales structure, build up a firm position in the newly emerging markets, and win automotive orders now going to rival companies;
2) Optimizing global production and introducing greater efficiency into our production activities; and
3) Developing new products and technologies for wiring harnesses and optical harnesses for hybrid and electric vehicles (HEVs/EVs) as well as for low-priced vehicles

In fiscal 2011, while making our production plants in Japan more efficient, we expanded our plants in China and Southeast Asia for the Japanese and North American markets and in Africa for the European market, in order to reduce costs and cope with the strong yen. We also focused on marketing of promising new environmental products such as high-voltage wiring harnesses for HEVs and low-voltage aluminum harnesses.

Apart from these measures, due particularly to the global increase in demand for automobiles especially in the newly developing countries, we succeeded in increasing both revenue and profit over the previous year. The operating income ratio rose to our best ever level of 6.7%. We also achieved a 25% share (according to our own estimate) of the global market for wiring harnesses.

Issues Being Tackled in Fiscal 2012

We will be responding flexibly to production taking account of prospects for demand in the aftermath of the Great East Japan Earthquake and Tsunami and, in response to medium-term demand, we intend to expand our global production structure. More specifically, we will be strengthening our production capacity at our Mexican plant to better serve the North American automobile market. In response to demand from European customers, we intend to transfer some production to North Africa and to strengthen our sales and technology bases in Europe so as to consolidate our localized design capacity. In Asia, we will be reinforcing our production capacity for harnesses in China, Vietnam, Cambodia and the Philippines. Meanwhile in Japan, we will invest in the development of new technologies and products as well as investing in the development of pioneering harness components and other new products for the global market and tackling the development of production technology to enhance investment efficiency.

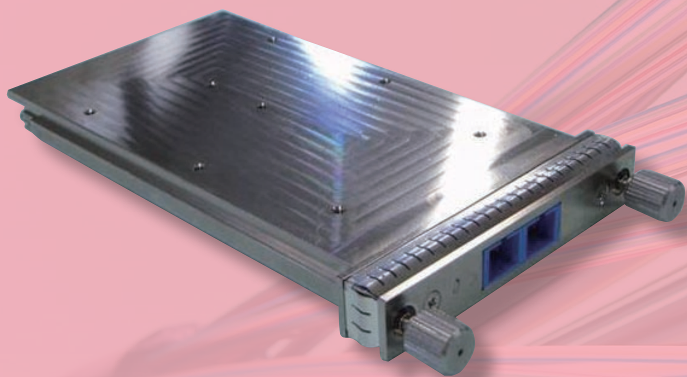
Strategic Topics

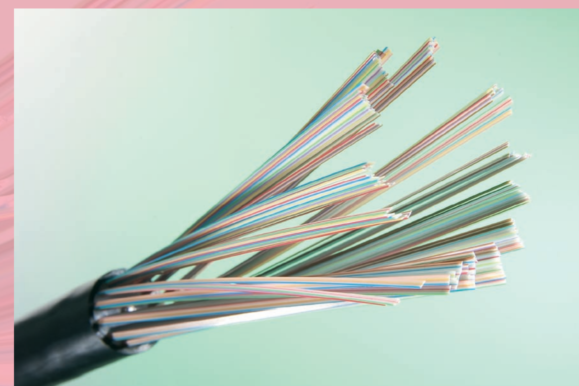
Adoption of aluminum wiring harnesses

Apart from safety and comfort, automobiles are increasingly being required to show consideration for the environment. Improved fuel efficiency is essential, and it is becoming more and more important to reduce the weight of wiring harnesses, which may be as heavy as 20kg in total. In addition to producing slenderer wires and smaller connectors, we have developed low-voltage wiring harnesses for use in automobiles that uses aluminum wires, with a relative density lower than that of copper wires. This particular harnesses were employed in mass-produced vehicles released in 2010. We will further develop this technology with the aim of increasing the number of models in which this aluminum wiring harnesses are used.

Review of Operations

Information & Communications





40 GbE CFP Transceiver for 40 km Transmission

With the rapid growth of video distribution and other Internet services, there has been increasing demand for large volume data transmission capability. To meet this demand, we have successfully developed the world's first 40 GbE CFP transceiver capable of 40 km transmission.

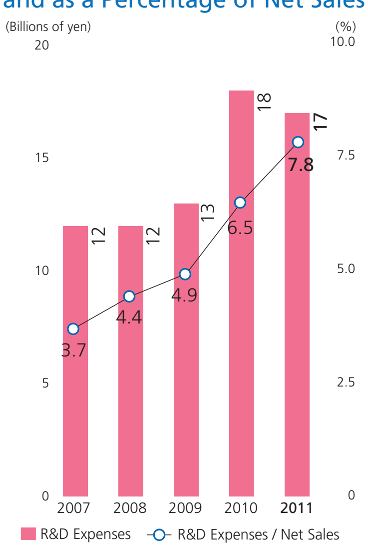
Multicore Optical Fiber Cables

Our multicore optical fiber cables, in which fiber ribbons are housed in the groove of the slot, offer high fiber density and small cable diameter.

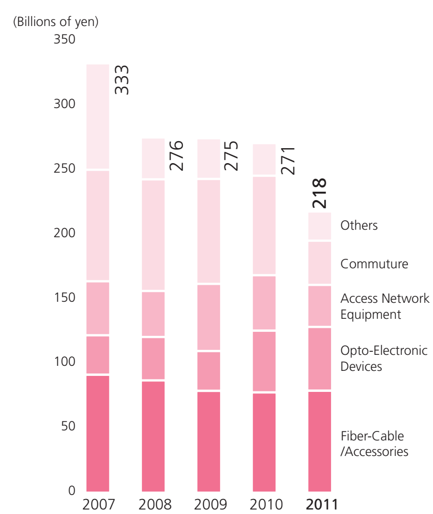
Field Assembly Optical Connectors

The field assembly optical connectors are optical connectors that can be assembled with general fusion splicers. We have developed these connectors as an effective solution for construction of FTTH and other optical communication networks. These connectors can be fusion-assembled without using special-purpose bond or tool, and offer low-loss, low-reflection, high-reliability optical interconnections.

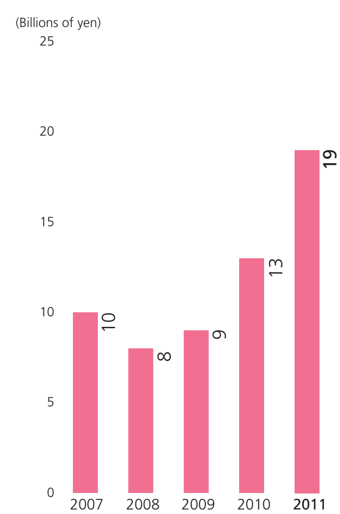
R&D Expenses and as a Percentage of Net Sales



Net Sales



Capital Expenditure



Segment Overview

As well as providing optical fiber cables essential in optical communications networks along with optical connectors, optical fiber fusion splicers, optical communication devices, GE-PON (Gigabit Ethernet* Passive Optical Network) devices and other access network equipment, we provide various products for supporting telecommunications infrastructure such as traffic control systems and other Intelligent Transportation System (ITS) devices.

* Ethernet is a trademark of Xerox Corporation.

Key Challenges and Responses in Fiscal 2011

The main issues needing to be addressed by this segment were the following:

1) Capturing the rising demand for communications infrastructure in the newly emerging countries;
2) Rebuilding a system of development and production geared to the Japanese market environment;
3) Optimizing global production to cope with the appreciation of the yen;
4) Developing and increasing sales of faster data transmission devices to respond to future increases in communications traffic; and
5) Development of new products such as GaN electronic devices and wireless products

In fiscal 2011, as well as thoroughly reducing costs in each operational sector, we worked on rebuilding our production structures both inside and outside Japan. In optical fiber cables, we created an integrated production system in China extending from optical fiber preforms to cables, with the aim of capturing local demand in the rapidly expanding Chinese market. In the field of optical communications devices and products, we set up a joint venture with a Chinese company. We also merged two of our Japanese affiliates under the name of SEI Optifrontier Co., Ltd. As our core company involved in the design and production of optical communications devices and products, this new company will be providing high-quality, attractive products and services for the "fiber-to-the-home" (FTTH) market, which is set to grow globally.

Despite our best efforts along these lines, both revenue and profit fell in comparison with the previous year. Although there was increased demand for optical and electronic devices, the business environment for optical fiber cables grew more difficult than ever due to the sudden appreciation of the yen and the increasing severity of international competition. This situation was further exacerbated because Commuture Corp. ceased to be a consolidated subsidiary in the second half of the reporting year.

Issues Being Tackled in Fiscal 2012

In optical fiber cables, we aim to increase our market share in China and other newly emerging countries and to make further reductions in costs, by leveraging integrated production that got under way in China in 2010.

As to optical communications devices and products, we intend to capture the increasing demand for FTTH products and data centers in China and other overseas markets.

In network devices, we will be developing new products such as 10GE-PON, while expanding global their sales.

In connection with optical and electronic devices, we will be concentrating on developing and increasing sales of new products including devices for LTE (Long Term Evolution; next-generation mobile communication services) and 40G and 100G devices for long-distance transmission.

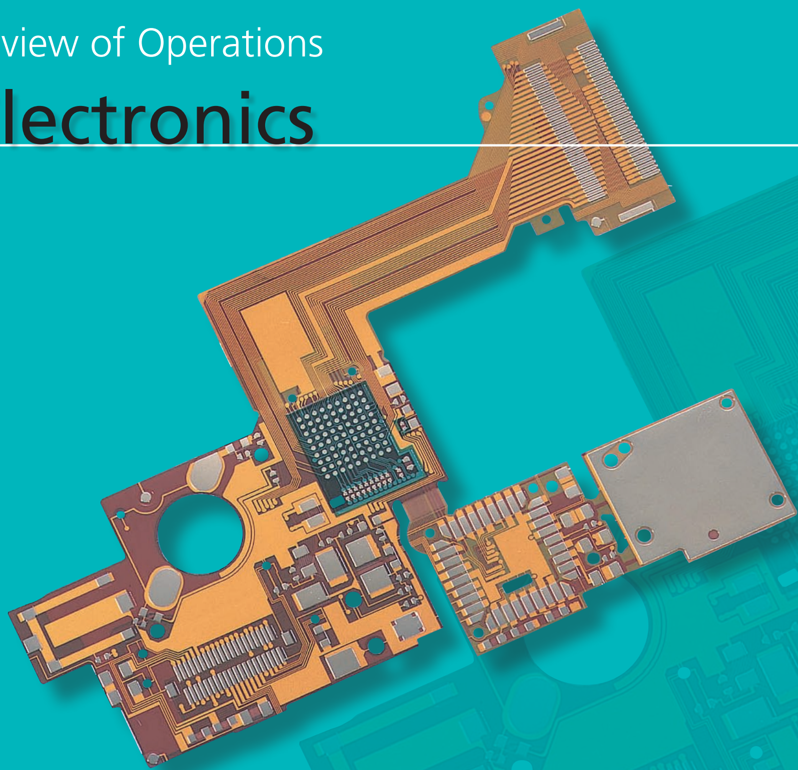
Strategic Topics

The first Japanese company to embark on mass production of optical fiber preforms in China

In October 2008 we concluded a joint venture agreement with the Futong Group, one of China's largest manufacturers of optical fiber and cables, resulting in the establishment of four optical fiber-related joint venture manufacturing companies. One of these, Hangzhou SEI-Futong Optical Fiber Co., Ltd., began mass production of optical fiber preforms in September 2010. Combining our advanced technical capabilities in areas such as preform production with the strong sales potential of the Futong Group will help us to realize our goals of achieving the top share of the Chinese market and becoming the leader in the optical fiber and cable industry.

Review of Operations

Electronics



Flexible Printed Circuits (FPCs)

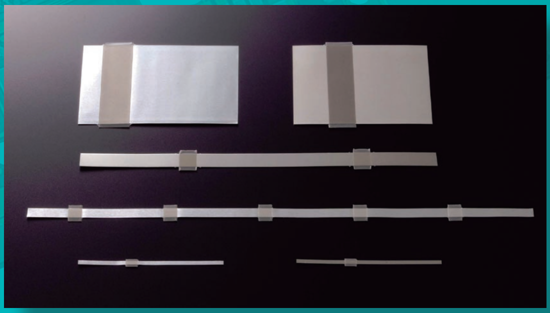
FPCs consist of a copper circuitry overlaid on an ultra-thin insulation film. They greatly contribute to the downsizing, weight saving, and cost reduction of electronic devices, and are used in computer hard disc drives, camera-integrated video recorders, mobile phones, etc.

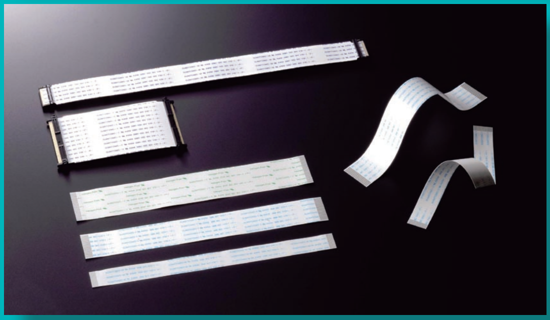
Tab-Leads

Tab-Leads are used to draw electricity from lithium-ion batteries or electric double layer capacitors covered with aluminum laminated film. This wire is remarkably resistant to battery electrolyte. Also, its insulating layer prevents heat deformation. These characteristics provide excellent sealing reliability.

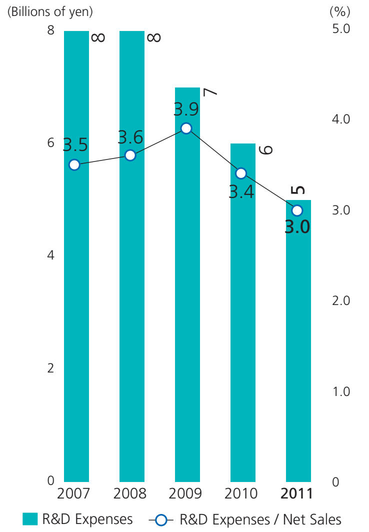
SUMI-CARD™

SUMI-CARD™ is a flat cable which enables easy jointing to connectors. Using the flat square conductor, this flat cable reduces its thickness and allows multi-wiring assembly. We have various types of SUMI-CARD™, such as whisker-free, halogen free and terminal-processed types.

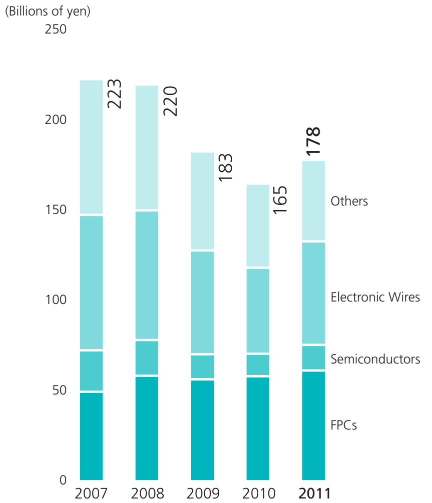




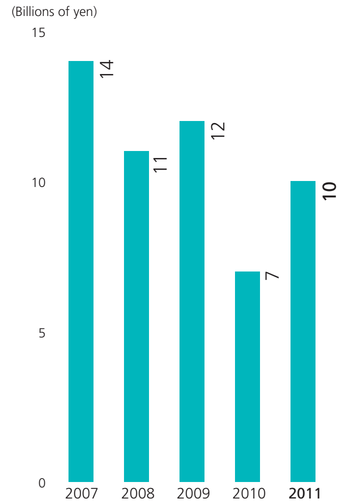
R&D Expenses and as a Percentage of Net Sales



Net Sales



Capital Expenditure



Segment Overview

Our Group's products are being used in many state-of-the-art electronic devices such as smart phones, flat-screen TVs, and home video game consoles. We supply raw materials, wiring materials and components that underpin the small size, light weight, advanced functions and high performance of devices and equipment in forms such as flexible printed circuits, ultra-thin coaxial cable, flexible flat cable, heat-shrinkable tubing, coated products, and compound semiconductors.

Key Challenges and Responses in Fiscal 2011

The main issues needing to be addressed by this segment were the following:

1) Increasing sales in growth areas such as mobile phones and liquid crystal panels (or displays);
2) Strengthening our global sales and production systems centering on the newly emerging markets;
3) Increasing sales of high-value-added products and lowering the sales costs of mainline products; and
4) Launching new products and developing new technology

Our activities in fiscal 2011 included the launch in September 2010 of Sumitomo Electric Interconnect Products (Shenzhen), Ltd. to serve as a joint base of operations for business in China in the three areas of flexible print circuits, flexible flat cables and electronic wiring harnesses. This move has enabled us to capture demand for smart phones, tablet computers and flat-screen TVs, a market undergoing global expansion especially in China and Southeast Asia. At the same time, it will help us to strengthen our competitiveness through the mutually supportive effect achievable through the integrated management of these three areas of business.

We have also taken the lead over other companies in developing and increasing sales of various new and unique products such as Tab-Leads for lithium ion batteries used in electric vehicles and 6-inch gallium nitride (GaN) substrates for white light-emitting diodes (LEDs). In addition to these efforts, the recovery in the global electronics market was another factor that enabled us to achieve increased revenue and profit in comparison with the previous year.

Issues Being Tackled in Fiscal 2012

In the electronic wire business, we will work on increasing sales of automotive wires in Europe and North America and also promote sales of harnesses for medical purposes and Tab-Leads.

In FPCs, we aim to increase sales of products for use in tablet computers, demand for which is expanding globally, as well as for hard-disk drives and liquid crystal panels applications. We will also ensure that production occurs at the most appropriate locations and lower costs through the integrated production of FPCs at our plant in China and transfer of production of electronic wires.

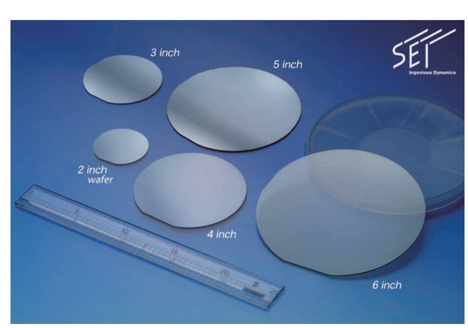
Turning to compound semiconductors, in February 2011 we established a new manufacturing and sales base for gallium arsenide substrates in China in an attempt to capture demand in the rapidly growing Chinese domestic market. We will also work toward increasing sales of GaN substrates for use in white LEDs, which constitute another rapidly expanding market.

Strategic Topics

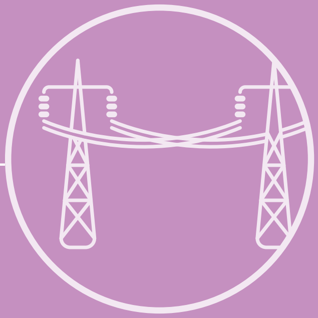
World's first 6-inch GaN substrates for white LED applications

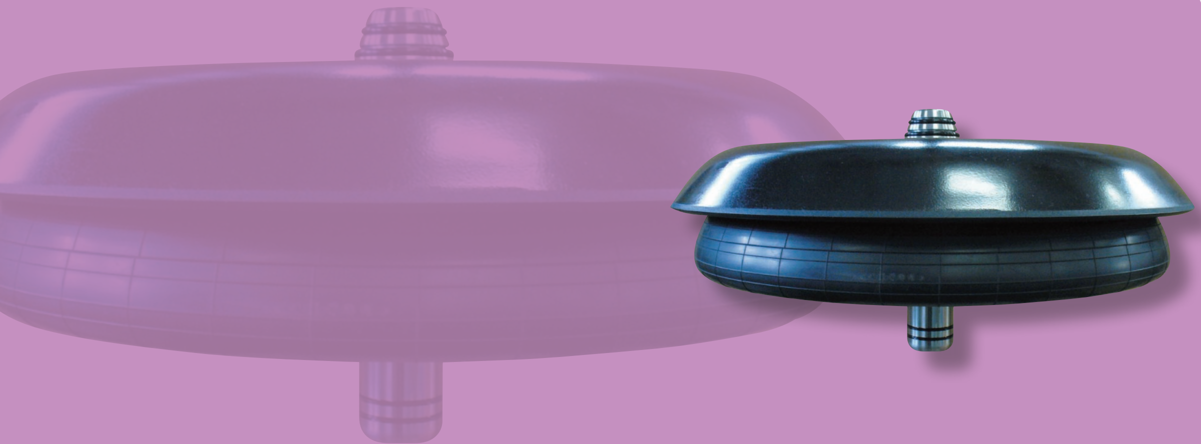
We led the world with the mass production of 2-inch-diameter GaN substrates for blue-violet lasers inside Blu-ray DVD players.

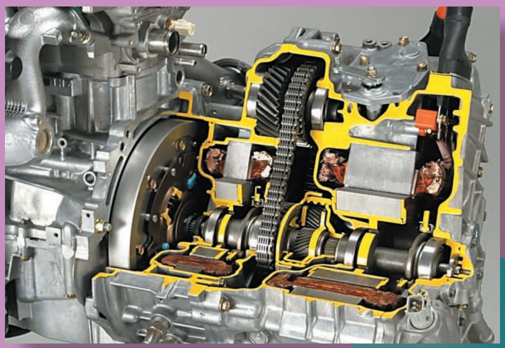
The white LED market has been growing rapidly using 2- to 4-inch diameter sapphire substrates. As an alternative to sapphire, we began large-scale production of 2-inch diameter GaN substrates designed for use in white LEDs. We have also been developing larger-diameter GaN substrates. These materials allow for better thermal dispersion and other superior properties which will enable LED manufacturers to reduce chip sizes and increase output power. We also believe GaN substrates will be used for power devices because of the excellent thermal conductivity, electric responsiveness and breakdown voltage of devices made using these materials.

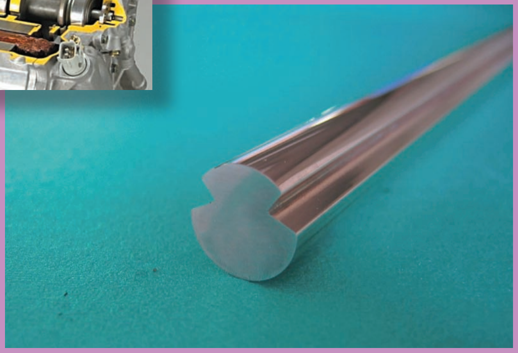


Electric Wire & Cable, Energy









Air Cushion for Railroad Vehicles

Our air cushions are used by many railroad companies in Japan and abroad for their railroads, including Shinkansen super-express lines, fulfilling the needs for higher railroad speeds and improved riding comfort.

Cross-Linked Polyethylene (XLPE) Insulated Cables

Our high-voltage electric wires and cables, which stably supply large-capacity electric power, serve as the main arteries of energy transmission by power companies in Japan and abroad.

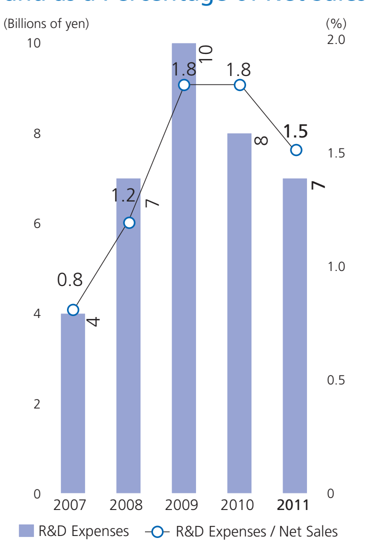
Scratch-Resistant Magnet Wires

Magnet wires are widely used in automotive electric components. Our magnet wires can withstand harsh conditions during coil winding and are used in high-efficiency motors and coils.

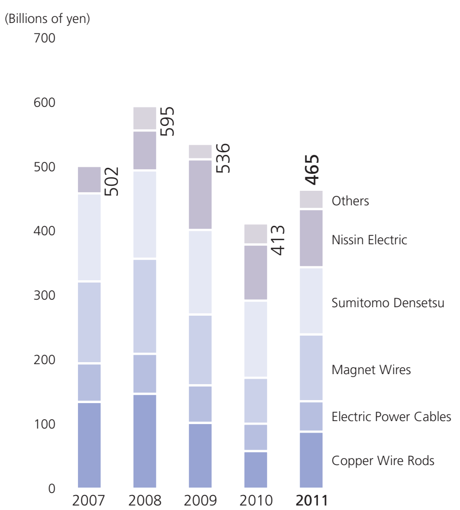
Trolley wires

Railroad trolley wires are installed in the bottom of an overhead feeder system, so that it contacts the pantograph of each railcar to feed power to the car. The trolley wire is made of hard-drawn copper or copper alloy, to meet the requirements for low electric resistance and high mechanical strength.

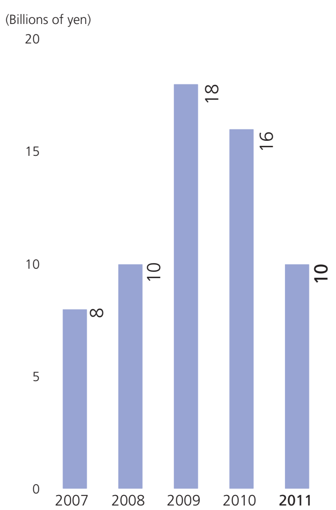
R&D Expenses and as a Percentage of Net Sales



Net Sales



Capital Expenditure



Segment Overview

The segment provides electric wires and cables products that underpin stable energy supply. They include copper wires rod from which various types of electric wires and cables are made, high-voltage power cables indispensable for the supply of electric power in large quantities, and trolley wires for railways. The segment also supplies magnet wires used in household electronic products, automotive electric components, and industrial motors, as well as coating materials for electric wires, along with hybrid products that have emerged through the development of technology involving materials such as rubber, plastic and ceramics, to many different branches of industry.

Key Challenges and Responses in Fiscal 2011

The main issues needing to be addressed in this segment were the following:

1) Deepening structural reform in mature business areas and rigorous cost-cutting;
2) Expanding sales in overseas markets, especially China, India and the Middle East;
3) Developing more products in the automotive and electronics fields; and
4) Exploring new markets in the fields of energy, resources and the environment.

The slump in capital investment in the private sector in Japan continued through fiscal 2011. Despite the fall in demand for construction equipment and power-receiving and transformer equipment, sales of magnet wires for the automotive and electronics fields increased. There was increased demand for charged particle beam-oriented equipment made by our subsidiary Nissin Electric Co., Ltd. These factors, together with the rise in copper prices, enabled us to increase our income in comparison with the previous fiscal year. On the earnings front, in addition to these factors, our thorough attempts to cut costs on a global level meant that we managed to achieve a 70% increase in operating income over the previous year.

Issues Being Tackled in Fiscal 2012

As to electric wires and cables, we will respond to demand arising in the aftermath of the earthquake disaster for the rehabilitation and recovery of the social infrastructure. In the field of high-voltage power cables, we will capture growing demand for electric power infrastructure in Asia and the Middle East.

In the case of magnet wires, we will continue to work toward reducing total costs, while expanding sales of scratch-resistant magnet wires for use in hybrid vehicles.

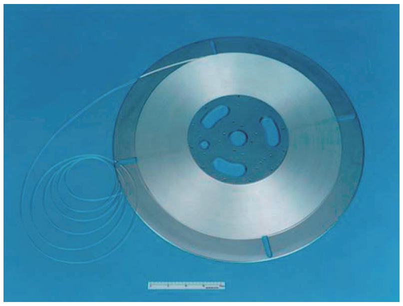
In response to demand related to renewable energy, we are planning to develop and increase sales of products such as low-loss transmission lines and superconducting cables, and power conditioners for solar generation. To meet increased demand for railway infrastructure in China and other countries, we are also stepping up sales of trolley wires and air cushions for railcar.

Strategic Topics

Start of trial mass production of high-temperature superconducting wire with a critical current value of 200A

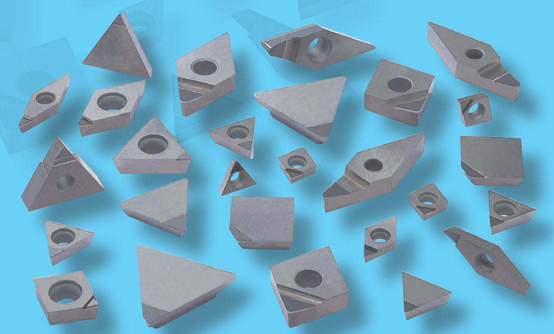
We have been working on raising critical current values ever since achieving success with the industrial production of bismuth-based high-temperature superconducting (HTS) wire in 2004. We have recently made a start with the trial mass production of HTS wire with a critical value of 200A.

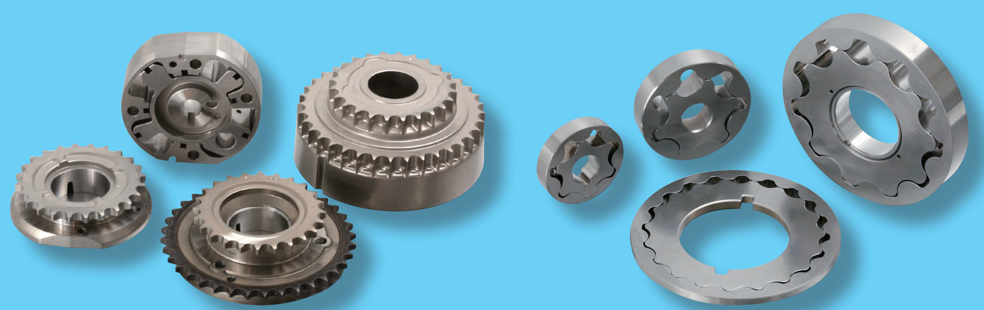
We developed and began supplying HTS high field magnet system cooled by cryocooler in 2010. In addition, we are now supplying DI-BSCCO™ bismuth-based HTS wire for induction heater and HTS DC power cable projects. The use of HTS wires is thus on the increase in various industries. Raising critical current values makes it possible to decrease the size of units and devices. We intend to move forward with mass production and raising the performance of HTS wires with sights set on the full-scale practical introduction of HTS devices in the future.

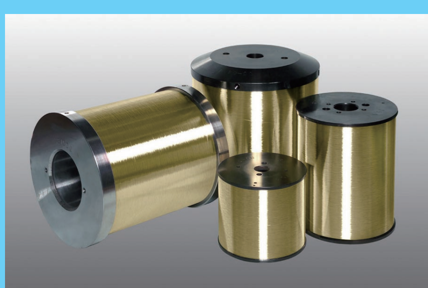


Review of Operations

Industrial Materials & Others







Cutting tools, SUMIBORON™ and SUMIDIA™

These cutting tools are tipped with cubic crystal boron nitride (CBN) or a sintered body of diamond. Suitable for high-efficiency, high-accuracy cutting operations for high-hardened steel and aluminum alloy, these cutting tools improve productivity and lower cutting costs.

Sintered Parts

Powder metallurgical parts are made mainly of iron powder using a powder metallurgical technique. They are widely used as the structural parts for automobiles, office instruments and home electric appliances.

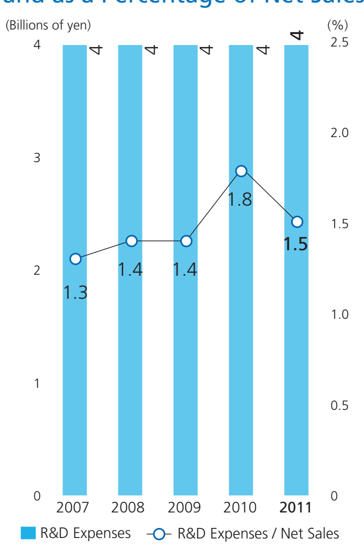
Saw Wires

Saw wires are brass coated high tensile high carbon steel wires, used by wire saw machines in the cutting process, essential for the cutting of solar cells and for silicon ingot slicing to obtain semiconductor wafers.

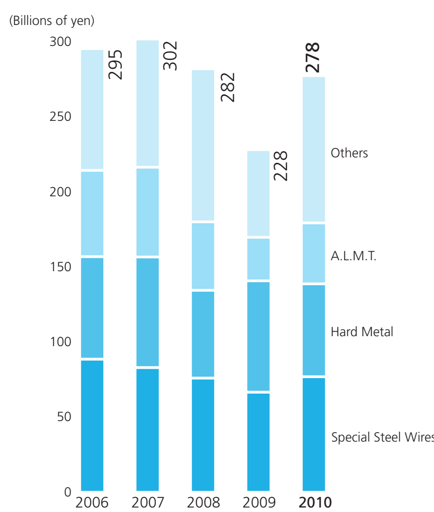
Cemented Carbide Tool "Multi-Drill™"

In the field of metal parts machining, demand has been growing for drills that are highly efficient and offer long service life. To respond to these needs, we have employed its innovative tool design and coating film to develop novel products that can contribute to high-efficient, high-precision machining and production cost saving.

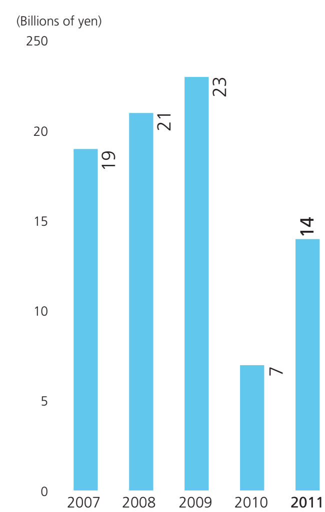
R&D Expenses and as a Percentage of Net Sales



Net Sales



Capital Expenditure



Segment Overview

Hard metal products, such as cutting tools, are needed to satisfy the demand for high speed, high performance and high precision in mechanical processing. The segment manufactures products used in many industries, including prestressing concrete steel wires used in civil engineering and building construction projects, as well as special steel wires such as the tire-reinforcing material steel cord used in the automobile industry and oil-tempered wires for valve springs. We also make sintered parts that are used as structural components in automobiles and home electric appliances, etc.

Key Challenges and Responses in Fiscal 2011

The main issues needing to be addressed in this segment were the following:

1) Accelerating global business operations;
2) Developing materials and products, and further strengthening and differentiating our processing and other core technologies;
3) Developing products for fields outside the automobile industry such as aviation and energy; and
4) Stable procurement of raw material resources such as tungsten.

Turning first to our hardmetal business in fiscal 2011, we set up a new company in China, where demand for cutting tools is growing sharply due to the rapid expansion of the automobile industry. Named Sumitomo Electric Hardmetal Manufacturing (Changzhou) Co., Ltd., the company will serve as a global base for the mass production of cemented carbide drills and sintered diamond chips. In our special steel wire business, we reached agreement with the South Korean company Hyosung Corporation over the establishment of a joint venture for steel cord in Thailand and China, in response to growing demand from the emerging countries. We also invested in areas of growth, for example by setting up new production bases for saw wire in China and Taiwan, which is used in the processing of silicon for solar cells.

This segment saw a global increase in automobile production and consequent growth in demand for automotive products such as cemented carbide tools, sintered parts and valve springs. As a result, sales increased from the previous fiscal year, and operating income was up 17.9 times over the previous year.

Issues Being Tackled in Fiscal 2012

In this field, we will improve production efficiency in Japan, while at the same time, continuing to expand our main manufacturing bases in Asia.

As regards the hard metal business, we are planning to make a smooth start with the new bases for mass production in China, and to supply products not only within China but on a global basis to include Europe and other Asian countries.

From the standpoint of acquiring a stable supply of raw materials and making effective use of rare resources, we began operation of a new tungsten recycling plant in April this year.

In the area of special steel wires, we intend to embark on the previously mentioned joint venture for steel cords at the earliest opportunity.

As regards sintered parts, as well as enhancing the capacity of our production bases in China and elsewhere, we intend to strengthen development of environmentally-friendly sintered items such as variable valve timing (VVT) and continuously variable transmission (CVT) devices.

Our subsidiary A.L.M.T. Corp. is expediting the development and sale of new products including precision wire saws for processing sapphire for LEDs and silicon for solar cells, telecommunications, and heat sinks for regulating electric power.

Strategic Topics

Establishment of a joint venture for the manufacture and sale of steel cords

Together with Hyosung Corporation, South Korea's leading manufacturer of tire reinforcing materials, we are setting up a joint venture in Thailand for steel cords, the material used to strengthen automobile tires. We have acquired a 30% holding in Hyosung's Chinese subsidiary and have embarked on joint venture operations. Hyosung holds the top share of the market for textile cords. We hope to capture growing demand in Thailand and China by tapping into Hyosung's strong sales capacity in this area, by consolidating supply chains for steel cords operations, and by further strengthening our cost competitiveness.

Corporate Social Responsibility

We have set targets in five priority areas in the field of CSR.

Sumitomo Electric Group CSR Basic Policy

The Sumitomo Spirit, which gives top priority to social credibility and corporate ethics, is deeply instilled into the Sumitomo Electric Group. The Sumitomo Spirit, as well as the Sumitomo Electric Group Corporate Principles, serves as the basic value standards that guide us. We feel that the Sumitomo Electric Group's CSR basic policy is to contribute to society through business operations in line with compliance regulations.

We have specified five priority categories on which we focus our CSR efforts: environmental preservation; procurement and logistics; safety and quality; employees and human rights; and social contribution. Based on this approach, we will establish good relationships with stakeholders and continue sustained growth with the aim of becoming a Glorious Excellent Company, i.e., realizing the ideal state of the Sumitomo Electric Group, so as to fulfill our corporate social responsibility.

Sumitomo Electric Group CSR Report 2010

For more information on the Group's CSR initiatives, please see our website

http://global-sei.com/csr/download.html

The CSR report for 2011 will be published at the end of October, 2011.

Highlights of Fiscal 2011

Stakeholder Dialogue

The Company organized Stakeholder Dialogue, a meeting aimed at enabling our stakeholders from various fields to exchange views with the Sumitomo Electric Group.

The first session was held in July 2010 at the Yokohama Works. With the participation of locally based stakeholders, a lively exchange of opinion developed on the role of companies in environmental protection initiatives, and their relationships with local communities. The second session, held in March 2011 at the Tokyo Head Office of the Company, featured three experts in corporate environmental management, who facilitated exchanges in opinions on effective and sustainable environmental management at the Sumitomo Electric Group. We believe that the valuable opinions expressed during the Stakeholder Dialogue events can help to further improve our environmental management.

SEI Group CSR Foundation Fund

We established the SEI Group CSR Foundation Fund (a public interest incorporated foundation) in April 2009, with the aim of supporting human resource development, academic studies and research activities inside and outside Japan. In February 24, 2010, it was certified as a public interest incorporated association.

The Fund is aggressively committed to supporting youth training through channels such as: (1) monetary contributions to university courses; (2) scholarships for local students studying at foreign universities; (3) scholarships enabling overseas students to study in Japan; (4) support for elementary, junior high and high school education in Japan and overseas; (5) support for research and academic studies; and (6) support for sports, culture and the arts.

Monetary contributions for six university courses totaled ¥84 million in fiscal 2011. After screening 60 applications for academic research subsidies, we selected 16 for ¥20 million in grants. Scholarships totaling ¥10.28 million were granted to students from Japan and overseas.

Through these activities, we believe the Fund is making a contribution, no matter how small, to broadening our stock of knowledge, thereby advancing the prosperity of mankind and the security of society.

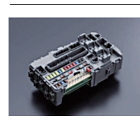
"Eco Mind" products and Eco-Products

When significant changes are made in the design of existing products or new products are established, to ensure they can be used in full confidence, we carry out product assessments and, based on the results, incorporate feedback into development and design.

We identify and internally register products that have undergone this process of assessment as being "Eco Mind" products — part of our commitment to creating environment-friendly products. Among these "Eco Mind" products, particularly environment-friendly items are designated as Eco-Products, after review and assessment by our own standards based on ISO14021. We aim to increase the proportion of both Eco-Products and "Eco Mind" products in our overall sales.

Ecotube™
Sumitomo Electric Fine Polymer, Inc.
Restriction of use of hazardous chemical substances

High-performance & Lightweight FUSE BOX
Sumitomo Wiring Systems, Ltd.
Reduction of use of resources, etc.



PureFlex™ slim cable
Optical Fiber and Cable Division
Reduction of use of resources, etc.

SEC-Sumi-Power Mill™ PWS type
Sumitomo Electric Hardmetal Corp.
Products with longer service life, etc.

Corporate Governance

Basic Policy for Corporate Governance

The consistent basic policy of the Sumitomo Electric Group is to make a positive contribution to society through the pursuit of fair business activities, in line with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. To develop our business and enhance our corporate value while adhering to this basic policy, we are committed to improving overall management efficiency and speed, and to ensuring the legality and appropriateness of our business decisions and activities. We are also strengthening related supervisory and remedial systems.

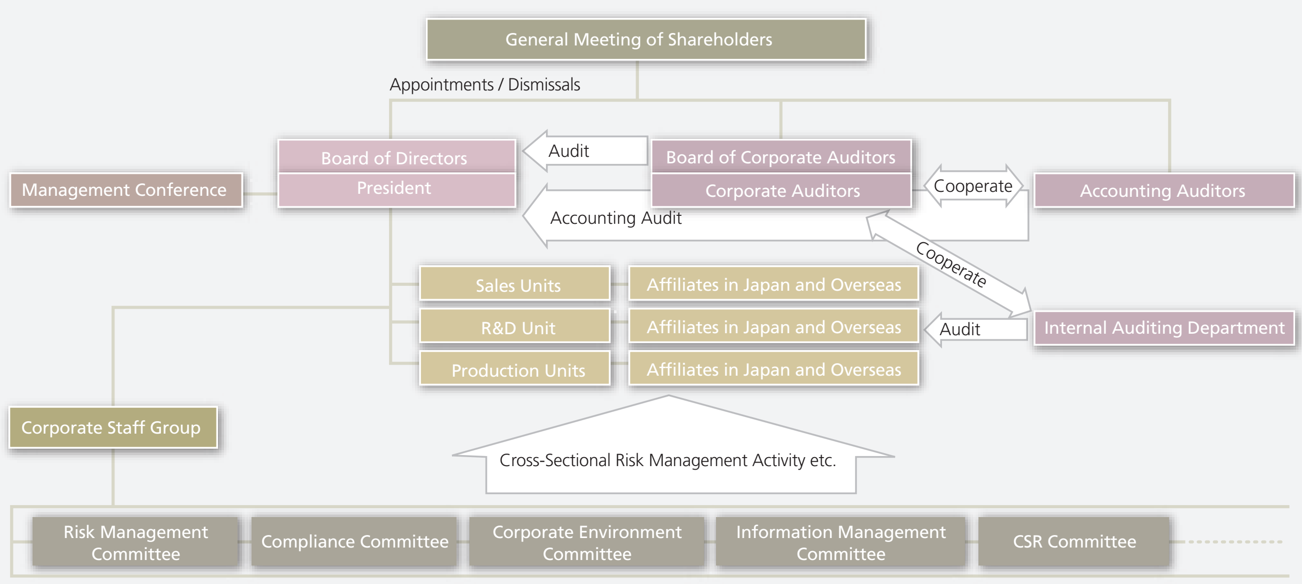
In June 2003, Sumitomo Electric adopted the Executive Officer and Business Unit systems, with the aim of creating a flexible system of business execution by accelerating the Board's decision-making, improving its supervisory functions, and clarifying the scope of its authority and responsibility.

In June 2008, outside corporate auditors were appointed with the aim of further strengthening the supervisory functions of the Board of Directors.

To ensure soundness of management, we have strengthened auditing functions and ensured that independent Outside Corporate Auditors comprise over half of the Corporate Auditor team. The Outside Corporate Auditors have a high degree of specialist knowledge and multi-faceted expertise. Outside Corporate Auditors, the full-time Corporate Auditors and their support staffs work with the Internal Auditing Department and the Accounting Auditors to ensure that business is conducted in a legal and appropriate way.

At meetings of the Board of Directors, the independent Outside Executive Officers offer their opinions on matters such as improving management efficiency. Looking ahead, we plan to further improve our internal governance systems.

Sumitomo Electric Group's Corporate Governance Structure



Board of Directors

The Board of Directors meet regularly once a month and from time to time when deemed necessary to discuss and approve important business matters such as investment and business restructuring, with the President as a chairman because the position of the chairman of the Board of Director is vacant. Before submitting agendas to the Board, the Management Conference comprising the President and Executive Directors discuss and improve the agenda in advance.

Conduct of operations based on the decisions of the Board of Directors and other committees is entrusted to Business Unit General Managers, Sales Unit General Managers, R&D Unit General Managers and Directors and Executive Officers heading Corporate Staff Groups. At the same time, to establish a functioning system of internal checks, clear organizational authority and responsibilities have been laid down in the in-house regulations, along with appropriate operational procedures.

In addition to receiving monthly reports on sales and earnings as well as financial position and other matters from the director in charge of accounting, the Board of Directors receives reports about orders (received) and sales at each Business Unit headed by a director, and oversees progress towards achievement of management targets and conduct of operations.

Internal Audits and Audits by Corporate Auditors

The Company receives three types of audits, namely corporate auditor audits, internal audits and accounting audits, to ensure the legality and appropriateness of its business management. In the corporate auditor audits, five corporate auditors, three of whom are Outside Corporate Auditors, inspect the performance of Board members in business execution, backed by the Corporate Auditor support staff (Office of Corporate Auditors).

Corporate Auditors all attend important meetings of the Board of Directors, based on the brief they were assigned — audit planning, policy-making and task allocation — by the Board of Corporate Auditors. They question the Board of Directors, Internal Auditing Department and other offices on their performance of duties, and read through important documents for approval. They also carry out regular visiting audits at major business premises. At the same time, they receive audit reports from other Corporate Auditors and exchange needed information with the Accounting Auditors.

The Company has established the Internal Auditing Department as an auditing unit for internal audits. This Department carries out audits at Sumitomo Electric's premises including Group companies and suggests improvements in problem areas to ensure appropriate and efficient conduct of operations. In addition, the Corporate Auditors and Accounting Auditors collaborate if needed in their audits.

Our Accounting Auditors are KPMG AZSA LLC.

Outside Director and Outside Corporate Auditors

Sumitomo Electric has one Outside Director and three Outside Corporate Auditors. The Company has appointed the Outside Director to provide an external perspective and step up supervision at Board of Directors' meetings and to increase the transparency and objectivity of corporate management. Moreover, to strengthen the supervisory system to better ensure legal and appropriate management, we have appointed Outside Corporate Auditors as over half of our Corporate Auditors, ensuring a wider range of expertise and perspectives. To date, outside Executive Officers have provided useful opinions from an independent position to the Board of Directors and other executive meetings.

Compliance

Compliance Committee

Sumitomo Electric has established the Compliance Committee, chaired by the President, as an organization that promotes measures necessary to develop and further strengthen the compliance system.

The Committee engages in various activities, including preparing and distributing the Sumitomo Electric Employee Compliance Manual, and organizing compliance training programs. In addition, the Committee identifies and analyzes Group-wide compliance risks and monitors the compliance activities implemented by each department and division.

Sumitomo Electric also provides support to Group companies in Japan and overseas in establishing their own compliance systems, based on the Company's own compliance initiatives.

Compliance Manual

The Manual explains specific and useful instructions so that employees can act in a socially acceptable way from legal and ethical perspectives. In March 2009, we reviewed the Compliance Manual, reflecting recent law amendments, enforcement of regulations, and changes in the social conditions. We distributed the revised version to employees in Sumitomo Electric and the Group companies.

Compliance Education

To check compliance risks, ensure implementation of preventive measures and enhance awareness of compliance, the Compliance Committee organizes regular training seminars for all officers and administrative members every year. New employees and newly promoted personnel are also provided with training seminars.

The Sumitomo Spirit, which forms the basis of the Sumitomo Electric Group's compliance system, as well as our philosophies and codes of conduct mentioned in the Sumitomo Electric Group Corporate Principles and the Sumitomo Electric Group Charter of Corporate Behavior, are also disseminated by, for example, holding a variety of training programs and through top management's actions and statements.

Speak-Up System

We have established the Speak-Up System, which enables employees to directly report and consult on potential compliance-related issues, so as to identify and resolve such issues internally at an early stage and enable the Compliance Committee to swiftly mount an investigation based on information it has received and take the necessary measures.

In addition to overseeing the setting up of an in-house offices for Group companies in Japan, we have set up an external offices (law offices) under the Speak-Up System for all Group companies to use. We are working to disseminate the Speak-Up System to employees through monthly in-house magazines.

Strengthened Competition Law Compliance System

1. Intensively conduct special training programs

Instead of regular compliance training seminars for administrative members conducted every spring, special training programs on compliance with competition laws were conducted intensively from February through May 2010 for all members of Sumitomo Electric and its subsidiaries in Japan excluding employees working at manufacturing sites (81 sessions were held in 40 locations nationwide for 5,000 participants in total). The Company continues to provide competition law compliance training on a regular basis.

2. Develop Competition Law compliance rules

In June 2010, Sumitomo Electric established its Competition Law Compliance Regulations, which contain provisions restricting contact with competitors.

To increase the effectiveness of these regulations, each department and division will develop its own rules and frameworks for these regulations in consideration of the activities of the department or division. By doing so, the Company intends to create an environment free from violation and even from suspicion of violation.

3. Establish action guidelines for competition law compliance

The Company already has the Sumitomo Electric Employee Compliance Manual and various procedures in place. To more clearly specify prohibited conduct and matters to be observed, Competition Law Action Guidelines will be established. These guidelines will also cover foreign competition laws. We will spare no effort to ensure that these guidelines are fully understood through training, particularly among members of Sales Groups.

4. Form dedicated organizations and establish an auditing system

(1) Sumitomo Electric has established the Competition Law Compliance Office in its Corporate Staff Group, and appointed Competition Law Compliance Manager for each business unit. As a unit of the head office, the Competition Law Compliance Office is exclusively responsible for promoting compliance with competition laws.

It will engage in the enforcement of the Competition Law Compliance Regulations, monitoring and auditing of the status of compliance with competition laws, the Regulations and rules for administering these regulations at each department and division, and the planning and organization of training and other programs.

(2) As of June 2010, Sumitomo Electric had also established the Sales Compliance Office in the Sales Group. In cooperation with the Competition Law Compliance Office, the Sales Compliance Office engages in the development and enforcement of manuals and rules regarding electric wire-related sales and marketing activities; evaluation of the status of compliance with competition laws using check sheets that all employees are required to submit on a regular basis and through interactive communication; monitoring of the status of participation in competitive bids; and auditing of the status of compliance with the Regulations and the rules for administering those regulations.

Business Risk

The following major categories of risk could affect the business performance and financial position of the Sumitomo Electric Group. Forward-looking statements in this section represent judgments made by the Group's management as of the end of the fiscal year on a consolidated basis ended March 2011.

Political and economic situations, demand fluctuation

The Group's businesses span the "Automotive," "Information & Communications," "Electronics," "Electric Wire & Cable, Energy" and "Industrial Materials & Others" sectors. In addition to Japan, the Group has business operations in the Americas, the rest of Asia, Europe and North Africa. For this reason, its business performance, financial position and cash flows do not depend excessively on specific trading partners, products or technologies, but are affected by sector- and locality-specific changes in demand, the shortening of product life cycles due to technological innovation, and political change in the countries in which the Group operates. Most of the Group's products are components for end-user goods, and materials and systems used in public facilities and infrastructure. Hence, the Group is exposed to fluctuations in the business cycle as well as changes in customers' procurement policies and decisions on capital expenditures.

Changes in laws and regulations

In addition to its Japanese facilities, the Group has manufacturing and marketing subsidiaries and affiliates in countries around the world. Operations in each of these markets entail the following risk factors, which are impossible to fully avoid, and which could affect the business performance and financial position of the Group.

— Falling sales or a deterioration in the cost-to-sales ratio due to import restrictions and increases in customs duties.

— Increased tax cost due to changes in taxation systems for domestic or cross-border transactions.

— Inability to recover investment due to foreign currency restrictions, hyperinflation, acts of terrorism, the outbreak of infectious diseases including new influenza, or other factors.

Risks relating to lawsuits, regulations and other legal measures by regulatory authorities

In the course of its ordinary business operations, the Sumitomo Electric Group is exposed to risks related to lawsuits, administrative orders and other legal measures carried out by regulatory authorities, which could result in compensation claims for damages, official pecuniary penalties, or imposition of constraints that could obstruct the Group's ordinary business operations. Any such lawsuit, administrative order or legal measure taken by regulatory authorities could have negative impact on the Group's business operations, earnings performance and financial condition.

In January 2009, the Sumitomo Electric Group was subjected to an on-site investigation by the Japan Fair Trade Commission (JFTC) with regard to collusion and cartel allegations in the submarine and underground power cables businesses. Sumitomo Electric had transferred its development, manufacturing and export businesses in this field to J-Power Systems Corporation, our 50-50 joint venture with Hitachi Cable, Ltd., in October 2001, with sales operations targeting domestic power companies transferred in October 2004. Regulatory authorities in the EU, U.S. and later Australia also started investigations into these allegations. In January 2010, the JFTC issued a cease and desist order and an order for payment of an administrative surcharge totaling ¥228 million against J-Power Systems Corporation.

The Company was investigated by the JFTC in February 2010 about its trade in automotive wiring harnesses-related products, and is under investigation by EU, U.S. and other overseas antitrust regulators.

Natural disasters

Having sustained significant damage mainly at its Itami Works in the Great Hanshin-Awaji Earthquake of 1995, the Group has earthquake and other disaster measures in place. However, the Group could suffer significant earthquake damage as some of its manufacturing facilities are located in the areas most likely to be affected if earthquakes were to hit the Tokai, Tonankai and Nankai regions. The Great East Japan Earthquake caused damage at some of our facilities, which we are now repairing. There is also a possibility of disruption to our production plans due to power shortages and procurement problems in the Tohoku or Kanto area.

Interest-rate changes

In its fund-raising activities, the Group takes care of funding requirements, the financial market environment and the balance of funding sources. The Group raises funds mainly through the issuance of long-term, fixed-rate corporate bonds and long-term loans, to ensure a stable, long-term supply of funding for capital investment. For this reason, the Group has relatively little exposure to short-term fluctuations in interest rates, but medium- to long-term rises in interest rates can push up the costs of funding via corporate bonds and other funding sources, which could in turn adversely affect the business performance and financial position of the Group.

Exchange-rate fluctuations

Individual financial statements of overseas subsidiaries and equity method affiliates of the Group are prepared using local currencies, which are then translated into Japanese yen when the consolidated financial statements are compiled. Therefore, even when there is no major variation in business results on local currency basis, the Group can suffer adverse effects on its business performance and financial position at the time of translation into yen as a result of changes in the exchange rate against the U.S. dollar, the euro and other currencies. The Group carries out its manufacturing and marketing activities in countries all over the world (overseas sales accounted for 43.8% of total sales for the fiscal year, consolidated basis). The Group minimizes risk from short-term exchange-rate fluctuations by using forward exchange contracts and similar instruments, but substantial exchange-rate fluctuations over the medium-to-long term could adversely affect the business performance and the financial position of the Group.

Raw materials procurement

The Group produces a large number of items that use copper as main component, including electrical cables. In setting the sales prices of major products containing copper, risk of market price fluctuation is avoided through the widespread industry practice of using the prevailing copper price quoted on the London Metal Exchange. However, this method is not used for setting the prices of certain Group products containing copper, which means that any rapid rise in cooper market prices could adversely affect the Group's business performance and financial position.

For the procurement of other raw and secondary materials such as non-ferrous metals, steel and petrochemicals, the Group is strengthening measures to purchase at more advantageous terms, for example through joint purchasing. However, a rapid rise in market prices or a sharp drop in the inventory prices of such raw and secondary materials could adversely affect the financial performance and business standing of the Group. Difficulty may also be experienced in procuring needed volumes of rare metals, because rare metal deposits and suppliers are limited. Supplies of such raw materials and secondary materials may also be difficult to obtain in the needed volumes, for reasons such as bankruptcy of the supplier, natural disaster, war, terrorism, strike, and transportation system failure.

Valuation losses on securities held for business purposes

The Group holds shares in its trading partners with the purpose of ensuring steady supplies of raw materials and stable business relations with customers. Because the Group does not hold securities for the purpose of investment, it is exposed to a relatively low level of risk from share-price fluctuation, but a rapid fall in the stock market could erode the Group's equity ratio.

Intellectual property

In addition to protecting its own technologies through the acquisition of patents, design rights and other intellectual property protection, the Group is scrupulous in its observance of other companies' intellectual property rights. However, circumstances may arise in which it unwittingly violates the intellectual property rights of another company due to diversification of product configuration or manufacturing technology, expansion of overseas business activities, and increased complexity of retail channels. This could result in the Group being forced to suspend marketing activities or make design changes. Further, because the necessary protection cannot always be assured in cases where other companies violate the Group's intellectual property rights, due to differences in legal systems and enforcement practices from one country to another, the Group is unable to guarantee that its products will win a significant share in overseas markets.

Information leakage

In the pursuit of its business activities, the Group holds a great deal of personal and confidential information. The Group has taken every possible measure to uphold confidentiality of such information, but can offer no definitive guarantee that leakage will not occur in the case of unforeseen circumstances. If such circumstances arise, the Group's business performance and financial position could be adversely affected by harm done to its reputation and damage claims.

Defective products and inferior services

Based on predetermined product quality standards, the Group makes every effort to ensure the quality of its products and services. However, in certain unforeseen circumstances, it cannot rule out the possibility of the occurrence of product quality problems leading to large-scale recalls and product-liability compensation payments. If such circumstances arise, the Group's business performance and financial position could be adversely affected.

Directors, Corporate Auditors and Executive Officers

Masayoshi Matsumoto
President and CEO

Hiroyuki Takenaka
Executive Vice President

Katsuhide Kurasaka
Senior Managing Director

Mitsuo Nishida
Senior Managing Director

Shigeru Tanaka
Senior Managing Director

Akira Nishimura
Managing Director

Atsushi Yano
Managing Director

Shigeru Noda
Managing Director

Hideaki Inayama
Managing Director

Makoto Nakajima
Managing Director

Akito Kubo
Managing Director

Osamu Inoue
Director

Kazuo Hiramatsu
Director (Outside Director)

President and CEO

Masayoshi Matsumoto

Executive Vice President

Hiroyuki Takenaka

Senior Managing Directors

Katsuhide Kurasaka
Mitsuo Nishida
Shigeru Tanaka

Managing Directors

Akira Nishimura
Atsushi Yano
Shigeru Noda
Hideaki Inayama
Makoto Nakajima
Akito Kubo

Directors

Osamu Inoue
Kazuo Hiramatsu
(Outside Director)

Corporate Auditors

Shintaro Mitake
Kazuyoshi Hasegawa
Takashi Kakimi
Ichiro Kobayashi
Kan Hayashi

Managing Executive Officers

Shosuke Hongo
Seizo Takamuku
Masanori Yoshikai
Fumiyoshi Kawai
Naoyuki Yamabayashi
Masamichi Yokogawa
Hiroyasu Torii

Executive Officers

Hisashi Takada
Yoshihiro Minato
Makoto Tani
Satoru Ogura
Shigeo Saito
Yasushi Kida
Takashi Yoshioka
Kenji Miyazaki
Nozomi Ushijima
Takahiro Nakano
Junji Ito
Toshiaki Kakii
Jun Ito
Kenichi Urushibata

(As of June 2011)

Financial Section 2011

Five-Year Financial Data and Indexes

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the five years in the period ended March 31, 2011

	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	**2011**
For the Year:						
Net sales	**¥2,033,827**	¥1,836,352	¥2,121,978	¥2,540,858	¥2,384,395	**$24,459,735**
Cost of sales	**1,656,750**	1,516,688	1,814,447	2,102,375	1,979,737	**19,924,834**
Selling, general and administrative expenses	**273,267**	267,936	284,004	289,487	275,913	**3,286,434**
Operating income	**103,810**	51,728	23,527	148,996	128,745	**1,248,467**
Income before income taxes and minority interests	**113,781**	55,425	41,126	166,612	144,550	**1,368,382**
Net income	**70,614**	28,708	17,237	87,804	76,029	**849,236**
Capital expenditures	**107,620**	81,943	143,182	134,421	128,568	**1,294,287**
Depreciation and amortization	**96,760**	103,848	108,168	106,892	99,802	**1,163,680**
R&D expenses	**79,026**	72,259	72,988	72,271	68,373	**950,403**
At Year-End:						
Total assets	**1,956,284**	1,939,935	1,868,174	2,194,882	2,126,405	**23,527,168**
Working capital	**457,833**	402,081	313,591	387,088	386,791	**5,506,109**
Total interest-bearing liabilities	**341,923**	355,586	405,477	415,473	456,399	**4,112,123**
Total net assets*1	**1,092,610**	1,064,575	1,014,082	1,128,235	1,052,989	**13,140,229**

	Yen					U.S. dollars
Per Share Data:						
Net income:						
Basic	**¥ 89.02**	¥ 36.19	¥ 21.78	¥ 112.74	¥ 100.22	**$ 1.071**
Diluted	**89.02**	36.19	21.32	107.71	95.40	**1.071**
Cash dividends	**19.00**	16.00	18.00	20.00	17.00	**0.229**
Owner's equity*2	**1,196.46**	1,139.84	1,086.79	1,226.56	1,170.54	**14.389**
Weighted average number of shares outstanding (in thousands)	**793,225**	793,241	791,414	778,785	758,606	
Number of employees (at year-end)	**182,773**	157,203	152,547	153,725	133,853	
Financial Indexes:						
R&D expenses / net sales (%)	**3.9**	3.9	3.4	2.8	2.9	
Net income / net sales (%)	**3.5**	1.6	0.8	3.5	3.2	
Return on owner's equity (%)	**7.6**	3.3	1.9	9.5	8.9	
Current ratio (Times)	**1.9**	1.7	1.6	1.5	1.6	
Owner's equity ratio (%)	**48.5**	46.6	46.1	44.1	41.8	
Total assets turnover (Times)	**1.0**	1.0	1.0	1.2	1.2	
Inventory turnover (Times)	**7.6**	7.1	7.3	8.7	9.5	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥83.15 to U.S.$1.00, the approximate exchange rate prevailing on March 31, 2011.
*1 See Note 9.
*2 Owner's equity is sum of total shareholders' equity and total accumulated other comprehensive income.

Management's Discussion and Analysis

Results of Operations

In fiscal 2011, ended March 31, 2011, the Japanese economy started out with moderate growth marked by increase in exports and capital spending. While, by the latter half of the year, low consumer spending and high yen slowed down the recovery and moreover the earthquake left a huge scar.

The world economy is moderately recovering. However, potential risks such as escalating raw material price, inflation in the developing countries, regional conflicts and EU sovereign risk remain.

As for the business environment of SEI group, demands of automotive products recovered and increased globally, yet the slowdown in domestic demand and high yen has dragged down domestic sales and exports. In addition, the earthquake has caused damages to manufacturing equipment and supply chain, and the limitation in electricity usage may draw out the situation.

Under this circumstance, SEI group has continued reinforcement in sales, cost reduction and developing new technologies and products. The Group has expeditiously recovered the locations damaged of the earthquake. In addition, SEI group will reinforce the supply chain by multi source procurement prepare and rebuild the manufacturing flow to prepare for electricity usage limitation.

As a result, in the reporting period (the fiscal year ended March 2011) net sales increased 10.8% year-on-year, to ¥2,033.8 billion; operating income increased 100.7%, to ¥103.8 billion; and net income was up by 146.0%, at ¥70.6 billion.

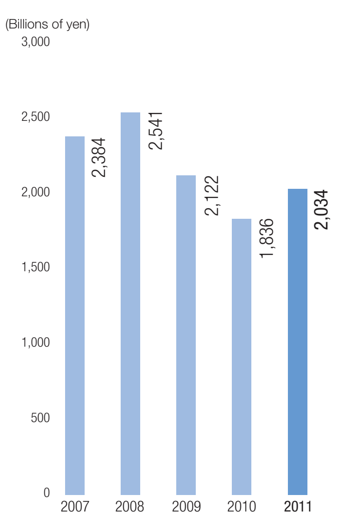
Segment Information

In the Automotive segment, sales for the reporting period increased 17.6% year-on-year, to ¥960.0 billion reflecting the global recovering in demand for automotives mainly among developing countries, the increasing order receipt of wiring harnesses for new car models, and the sales expansion of new products relating to the environment such as high-voltage wiring harnesses for HEV and EV. The operating income increased by ¥29.6 billion to ¥64.1 billion. The operating income margin increased 2.5 of a percentage point, to 6.7%.

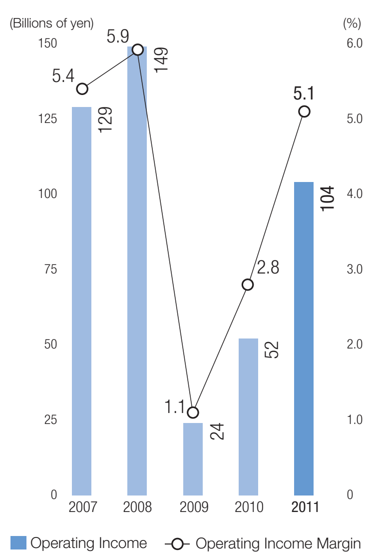
In the Information & Communications segment, sales decreased 19.5% to ¥218.2 billion, because the business environment for optical fiber businesses got worse due to the rapidly appreciated yen and intensifying foreign competition, and Commuture Corp. has been changed from being a consolidated subsidiary to the status of an equity-method affiliate in the second half of fiscal 2011, despite the increasing demand for opto-electronic devices, under the influence of the global expansion of data communication traffic. The operating income fell 17.7% to ¥3.0 billion in the reporting period. The operating income margin was up by 0.1 of a percentage point to 1.4%.

In the Electronics segment, sales increased 8.0% to ¥178.2 billion due to an increase in demand for electronic wires and compound semiconductors for mobile phones and digital appliances like flat-screen TVs, and demand for coated products for printers. The operating income increased by ¥1.8 billion to ¥6.6 billion. The operating income margin was up by 0.8 percentage points, to 3.7%.

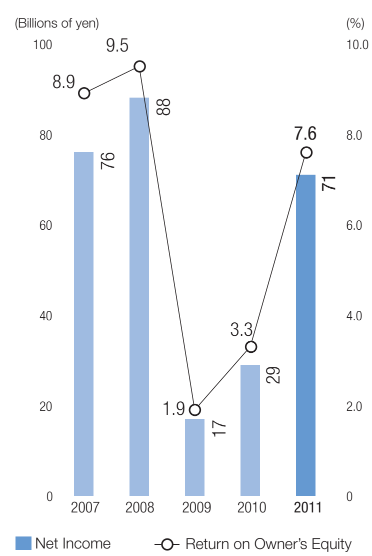
Net Sales



Operating Income
and Operating Income Margin



Net Income
and Return on Owner's Equity



In the Electric Wire & Cable, Energy segment, sales increased by 12.7% to ¥464.9 billion due to an increase in demand for both magnet wires for automotives & electronics, and the charged particle beam-oriented equipment produced by Nissin Electric Co., Ltd., in addition to the rising prices of copper, despite a decrease in demand for constructions and electric substation equipment, resulted from a continuous decrease in domestic business equipment investments. The operating income increased by ¥5.5 billion to ¥13.4 billion. The operating income margin increased 1.0 of a percentage point to 2.9%.

In the Industrial Materials & Others segment, sales increased 21.6% at ¥277.5 billion due to an increase in demand for electronics-related products like diamond tools produced by A.L.M.T. Corp., and demand for automotive-related products such as carbide tools, sintered parts and valve springs, in accordance with the recovering of global automotive market. The operating income increased by ¥15.9 billion to ¥16.9 billion. The operating income margin increased 5.7 percentage points to 6.1%.

Cash Flows

The term-end balance of cash and cash equivalents increased by ¥16.5 billion, or 9.4%, compared with the previous term-end, to stand at ¥192.1 billion.

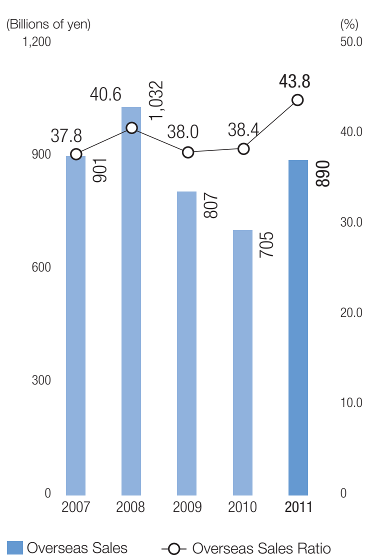
Net cash provided by operating activities decreased by ¥32.3 billion to ¥139.3 billion. This is primarily attributable to ¥113.8 billion in income before income taxes and minority interests and ¥97.0 billion in depreciation and amortization.

Net cash used in investing activities increased by ¥13.7 billion to ¥86.6 billion. Expenditures for purchase of property, plant and equipment increased to ¥91.2 billion.

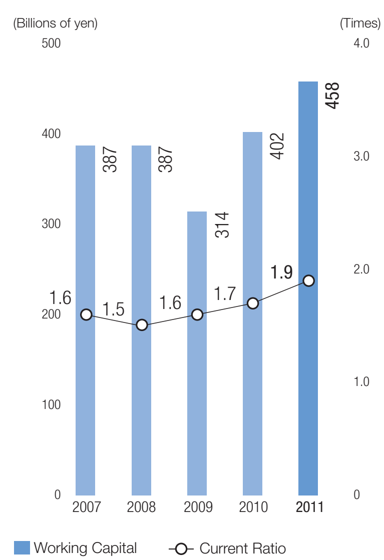
Free cash flow, cash flows provided from operating activities and investing activities (combined), posted a positive figure in the amount of ¥52.7 billion, compared with ¥98.7 billion (positive) in the previous year.

Net cash used in financing activities came to ¥27.8 billion, compared with ¥67.6 billion used in the previous year. This is primarily attributable to the decrease of net decrease in short-term debt.

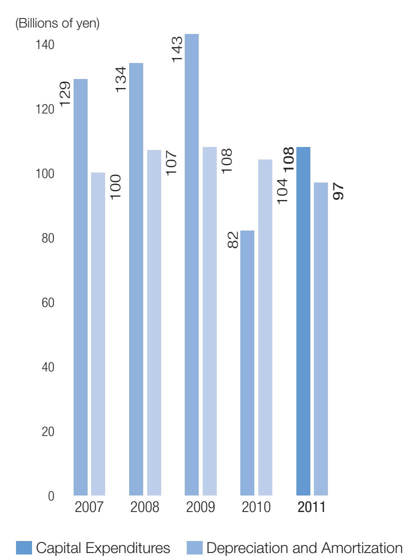
Overseas Sales and Overseas Sales Ratio



Working Capital and Current Ratio



Capital Expenditures and Depreciation and Amortization



Consolidated Balance Sheets

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
ASSETS			
Current Assets:			
Cash and time deposits (Notes 3 and 4)	¥ 142,287	¥ 143,851	$ 1,711,209
Securities (Notes 4 and 5)	53,993	32,000	649,345
Receivables (Notes 4 and 11):			
Trade notes and accounts	425,187	441,892	5,113,494
Other	29,920	41,312	359,831
Allowance for doubtful receivables	(2,195)	(2,902)	(26,398)
	452,912	480,302	5,446,927
Inventories (Note 7)	286,519	251,727	3,445,809
Deferred income taxes (Note 12)	32,979	31,755	396,621
Other current assets	20,093	20,315	241,647
Total current assets	988,783	959,950	11,891,558
Property, Plant and Equipment (Note 8)**:**			
Land	75,528	82,619	908,334
Buildings and structures	459,461	480,389	5,525,689
Machinery, equipment and others	1,079,955	1,097,870	12,988,034
Construction in progress	16,420	15,868	197,474
	1,631,364	1,676,746	19,619,531
Accumulated depreciation	(1,149,589)	(1,152,089)	(13,825,484)
Net property, plant and equipment	481,775	524,657	5,794,047
Investments and Other Assets:			
Investments in and loans to unconsolidated subsidiaries and affiliates (Note 4)	187,256	156,254	2,252,026
Investment securities (Notes 4, 5 and 8)	175,793	161,681	2,114,167
Deferred income taxes (Note 12)	17,745	23,133	213,410
Other	104,932	114,260	1,261,960
Total investments and other assets	485,726	455,328	5,841,563
Total assets	¥1,956,284	¥1,939,935	$23,527,168

The accompanying notes to consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
LIABILITIES			
Current Liabilities:			
Short-term debt (Notes 4 and 8)	**¥ 74,019**	¥ 93,938	**$ 890,186**
Current portion of long-term debt (Notes 4 and 8)	**43,364**	50,695	**521,515**
Notes and accounts payable (Notes 4 and 11):			
Trade	**250,820**	255,574	**3,016,476**
Construction	**22,988**	21,431	**276,464**
Accrued expenses	**69,673**	72,039	**837,920**
Accrued income taxes	**18,272**	16,886	**219,747**
Provision for loss on disaster (Note 17)	**4,114**	—	**49,477**
Provision for surcharge (Note 19)	**—**	6,763	**—**
Other current liabilities (Note 12)	**47,700**	40,543	**573,663**
Total current liabilities	**530,950**	557,869	**6,385,448**
Long-Term Liabilities:			
Long-term debt (Notes 4 and 8)	**224,540**	210,953	**2,700,421**
Accrued pension and severance costs (Note 13)	**30,381**	32,716	**365,376**
Deferred income taxes (Note 12)	**64,369**	61,176	**774,131**
Other long-term liabilities	**13,434**	12,646	**161,563**
Total long-term liabilities	**332,724**	317,491	**4,001,491**
Total liabilities	**863,674**	875,360	**10,386,939**
Contingent Liabilities (Note 14)			
NET ASSETS (Note 9)			
Shareholders' Equity:			
Common stock;			
Authorized—3,000,000 thousand shares in 2011 and 2010			
Issued—793,941 thousand shares in 2011 and 2010	**99,737**	99,737	**1,199,483**
Capital surplus	**171,020**	171,020	**2,056,765**
Retained earnings	**696,776**	637,478	**8,379,747**
Treasury stock, at cost; 728 thousand shares in 2011 and 702 thousand shares in 2010	**(640)**	(619)	**(7,697)**
Total shareholders' equity	**966,893**	907,616	**11,628,298**
Accumulated Other Comprehensive Income:			
Net unrealized holding gains on available-for-sale securities	**61,184**	50,087	**735,827**
Deferred gains and losses on hedges	**(35)**	33	**(421)**
Land revaluation	**—**	(1,188)	**—**
Foreign currency translation adjustments	**(78,996)**	(52,387)	**(950,042)**
Total accumulated other comprehensive income	**(17,847)**	(3,455)	**(214,636)**
Share Warrants	**17**	22	**205**
Minority Interests	**143,547**	160,392	**1,726,362**
Total net assets	**1,092,610**	1,064,575	**13,140,229**
Total liabilities and net assets	**¥1,956,284**	¥1,939,935	**$23,527,168**

Consolidated Statements of Income

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Net Sales (Note 11)	**¥2,033,827**	¥1,836,352	**$24,459,735**
Cost of Sales (Note 11)	**1,656,750**	1,516,688	**19,924,834**
Gross profit	**377,077**	319,664	**4,534,901**
Selling, General and Administrative Expenses	**273,267**	267,936	**3,286,434**
Operating income	**103,810**	51,728	**1,248,467**
Other Income (Expenses):			
Interest and dividend income	**4,355**	5,323	**52,375**
Interest expense	**(5,189)**	(6,186)	**(62,405)**
Equity in net income	**23,861**	12,159	**286,963**
Gain on sales of property, plant and equipment	**368**	1,825	**4,426**
Gain on sales of investment securities	**7,970**	7,140	**95,851**
Loss on disposal of property, plant and equipment	**(2,188)**	(4,371)	**(26,314)**
Loss on valuation of investment securities	**(1,287)**	(1,240)	**(15,478)**
Impairment losses of fixed assets (Note 16)	**(11,336)**	(3,595)	**(136,332)**
Loss on disaster (Note 17)	**(8,845)**	—	**(106,374)**
Restructuring expenses (Note 18)	**—**	(5,777)	**—**
Provision for surcharge (Note 19)	**—**	(6,763)	**—**
Other, net	**2,262**	5,182	**27,203**
	9,971	3,697	**119,915**
Income before Income Taxes and Minority Interests	**113,781**	55,425	**1,368,382**
Income Taxes (Note 12)**:**			
Current	**30,993**	24,971	**372,736**
Deferred	**165**	(8,050)	**1,984**
	31,158	16,921	**374,720**
Income before Minority Interests	**82,623**	38,504	**993,662**
Minority Interests	**(12,009)**	(9,796)	**(144,426)**
Net Income	**¥ 70,614**	¥ 28,708	**$ 849,236**

	Yen		U.S. dollars (Note 1)
Per Share of Common Stock (Note 10)**:**			
Net income (basic)	**¥89.02**	¥36.19	**$1.071**
Net income (diluted)	**89.02**	36.19	**1.071**
Cash dividends	**19.00**	16.00	**0.229**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Income before Minority Interests	**¥82,623**	¥38,504	**$993,662**
Other Comprehensive Income			
Net unrealized holding gains on available-for-sale securities	**11,022**	19,384	**132,556**
Deferred gains and losses on hedges	**(44)**	(385)	**(529)**
Foreign currency translation adjustments	**(26,368)**	7,910	**(317,114)**
Share of other comprehensive income of affiliates in equity method	**(7,791)**	1,958	**(93,698)**
Total other comprehensive income	**(23,181)**	28,867	**(278,785)**
Comprehensive Income	**59,442**	67,371	**714,877**
Comprehensive income attribute to:			
Owners of the Company	**52,956**	53,838	**636,873**
Minority interests	**6,486**	13,533	**78,004**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2011 and 2010

	Millions of yen										
	Shareholders' Equity				Accumulated Other Comprehensive Income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation	Foreign currency translation adjustments	Share warrants	Minority interests	Total net assets (Note 9)
Balance at March 31, 2009	¥99,737	¥171,020	¥622,186	¥(612)	¥31,514	¥377	¥(1,422)	¥(60,713)	¥37	¥151,958	¥1,014,082
Cash dividends			(11,107)								(11,107)
Net income for the year			28,708								28,708
Effect arising from net increase in number of subsidiaries and affiliates for consolidation			(593)								(593)
Purchases of treasury stock				(7)							(7)
Other		0	(1,716)	0	18,573	(344)	234	8,326	(15)	8,434	33,492
Balance at March 31, 2010	99,737	171,020	637,478	(619)	50,087	33	(1,188)	(52,387)	22	160,392	1,064,575
Effect arising from change in closing period of consolidated subsidiaries (Note 2 a)			4,605								4,605
Cash dividends			(14,280)								(14,280)
Net income for the year			70,614								70,614
Effect arising from net decrease in number of subsidiaries and affiliates for consolidation			(1,607)								(1,607)
Purchases of treasury stock				(22)							(22)
Disposal of treasury stock		0		1							1
Other			(34)		11,097	(68)	1,188	(26,609)	(5)	(16,845)	(31,276)
Balance at March 31, 2011	¥99,737	¥171,020	¥696,776	¥(640)	¥61,184	¥ (35)	¥ —	¥(78,996)	¥17	¥143,547	¥1,092,610

	Thousands of U.S. dollars (Note 1)										
	Shareholders' Equity				Accumulated Other Comprehensive Income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation	Foreign currency translation adjustments	Share warrants	Minority interests	Total net assets (Note 9)
Balance at March 31, 2010	$1,199,483	$2,056,765	$7,666,603	$(7,444)	$602,369	$ 397	$(14,287)	$(630,030)	$265	$1,928,948	$12,803,069
Effect arising from change in closing period of consolidated subsidiaries (Note 2 a)			55,382								55,382
Cash dividends			(171,738)								(171,738)
Net income for the year			849,236								849,236
Effect arising from net decrease in number of subsidiaries and affiliates for consolidation			(19,327)								(19,327)
Purchases of treasury stock				(265)							(265)
Disposal of treasury stock		0		12							12
Other			(409)		133,458	(818)	14,287	(320,012)	(60)	(202,586)	(376,140)
Balance at March 31, 2011	$1,199,483	$2,056,765	$8,379,747	$(7,697)	$735,827	$(421)	$ —	$(950,042)	$205	$1,726,362	$13,140,229

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**¥113,781**	¥ 55,425	**$1,368,382**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**96,969**	103,712	**1,166,193**
Impairment losses of fixed assets	**11,336**	4,948	**136,332**
Interest and dividend income	**(4,355)**	(5,323)	**(52,375)**
Interest expense	**5,189**	6,186	**62,405**
Equity in net income	**(23,861)**	(12,159)	**(286,963)**
Increase (decrease) in accrued pension and severance costs	**(868)**	2,089	**(10,439)**
Loss on disposal of property, plant and equipment	**2,296**	4,891	**27,613**
Gain on sales of investment securities	**(7,826)**	(7,140)	**(94,119)**
Loss on valuation of investment securities	**1,287**	1,418	**15,478**
Increase (decrease) in provision for loss on disaster	**4,114**	—	**49,477**
Provision for surcharge	**—**	6,763	**—**
(Increase) decrease in trade notes and accounts receivable	**(16,232)**	(58,559)	**(195,213)**
(Increase) decrease in inventories	**(52,521)**	28,307	**(631,642)**
Increase (decrease) in trade notes and accounts payable	**21,658**	37,275	**260,469**
Other, net	**12,281**	8,982	**147,697**
Subtotal	**163,248**	176,815	**1,963,295**
Interest and dividend received	**10,411**	8,309	**125,207**
Interest paid	**(5,204)**	(6,042)	**(62,586)**
Payments for surcharge	**(6,763)**	—	**(81,335)**
Income taxes paid	**(29,998)**	(19,732)	**(360,770)**
Income tax refunds	**7,604**	12,226	**91,449**
Net cash provided by operating activities	**139,298**	171,576	**1,675,260**
Cash Flows from Investing Activities:			
Expenditures for purchase of property, plant and equipment	**(91,163)**	(84,565)	**(1,096,368)**
Proceeds from sales of property, plant and equipment	**3,518**	6,669	**42,309**
Expenditures for purchase of securities	**(7,413)**	(10,103)	**(89,152)**
Proceeds from sales and redemption of securities	**10,766**	27,296	**129,477**
Expenditures for purchase of investments in subsidiaries	**(1,551)**	(2,473)	**(18,653)**
Special dividend distribution received from an affiliate	**9,446**	4,723	**113,602**
Expenditures for acquisition of shares of newly consolidated subsidiaries	**—**	(7,037)	**—**
Other, net	**(10,154)**	(7,409)	**(122,117)**
Net cash used in investing activities	**(86,551)**	(72,899)	**(1,040,902)**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term debt	**(13,768)**	(62,946)	**(165,580)**
Net increase (decrease) in commercial paper	**—**	(14,997)	**—**
Proceeds from long-term debt	**55,793**	68,203	**670,992**
Repayment of long-term debt	**(51,184)**	(43,372)	**(615,562)**
Proceeds from issuance of stock to minority shareholders	**135**	—	**1,624**
Sale of treasury stock	**0**	0	**0**
Purchase of treasury stock	**(5)**	(4)	**(60)**
Cash dividends paid	**(14,280)**	(11,107)	**(171,738)**
Cash dividends paid to minority shareholders	**(3,489)**	(2,738)	**(41,960)**
Other, net	**(1,047)**	(652)	**(12,592)**
Net cash used in financing activities	**(27,845)**	(67,613)	**(334,876)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(2,720)**	(264)	**(32,712)**
Net Increase (Decrease) in Cash and Cash Equivalents	**22,182**	30,800	**266,770**
Cash and Cash Equivalents at Beginning of Year	**175,617**	143,946	**2,112,051**
Increase (Decrease) in Cash and Cash Equivalents from Change in Closing Period of Consolidated Subsidiaries	**(689)**	—	**(8,286)**
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	**1,037**	1,146	**12,471**
Cash and Cash Equivalents of Deconsolidated Subsidiaries	**(6,322)**	(472)	**(76,031)**
Increase in Cash and Cash Equivalents Resulting from Merger with Unconsolidated Subsidiaries	**267**	197	**3,211**
Cash and Cash Equivalents at End of Year (Note 3)	**¥192,092**	¥175,617	**$2,310,186**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Electric Industries, Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in Japanese yen, and in accordance with the provisions set forth in the Japanese Corporate Law (the "Law"), the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas consolidated subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance in Japan as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory consolidated financial statements prepared in Japanese, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S.$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. All significant intercompany transactions and balances have been eliminated. The difference between the cost of investments in consolidated subsidiaries and the underlying equity at dates of acquisition is amortized over periods within 20 years; however, most are in five years.

Investments in significant affiliates and unconsolidated subsidiaries are accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates, not accounted for by the equity method, are stated at cost.

110 overseas consolidated subsidiaries report on a calendar year for consolidation purpose in fiscal 2011. Necessary adjustments, such as significant transactions that occurred during January 1 to March 31, 2011, are included. All but 110 of the overseas consolidated subsidiaries that have the fiscal year ending December 31 processed additional financial closings at March-end for consolidation purposes, aiming at a more appropriate disclosure.

44 overseas consolidated subsidiaries have changed the fiscal year-end from December 31 to March 31 starting from April 1, 2010. 21 overseas consolidated subsidiaries that have the fiscal year ending December 31 have changed to process additional financial closings at March-end for consolidation purposes, aiming at a more appropriate disclosure. As a result of these changes, the Company consolidated the 12 months' result from April 1, 2010 to March 31, 2011. As for those 65 (44 plus 21) companies, 3 months gains and losses from January 1, 2010 to March 31, 2010, are included in the retained earnings on the Balance Sheet. Additionally, 3 months cash flows during the period are included in an adjustment item of cash and cash equivalents at the beginning of year on the Statements of Cash Flows.

All but five of the overseas consolidated subsidiaries have December 31 balance sheet date in fiscal 2010. Any significant differences in intercompany accounts and transactions during the period from January 1 through March 31 have been adjusted, if necessary.

b) Translation of Foreign Currencies

All assets and liabilities of overseas subsidiaries and affiliates are translated into Japanese yen at the current exchange rate of the respective fiscal year end, and shareholders' equity is at historical rates. The resulting foreign currency translation adjustments are shown as a separate component of net assets, net of minority interests. In fiscal 2011, the Company has changed the exchange rate for revenue and expense of overseas subsidiaries and affiliates from the current exchange rate to the average exchange rate to calculate more properly figures on consolidated financial statements.

The effect of this change was to increase net sales by ¥41,851 million (US$503,319 thousand), operating income by ¥1,946 million (US$23,403 thousand) and income before income taxes and minority interests by ¥2,469 million (US$29,693 thousand).

c) Cash and Time Deposits

Cash and time deposits include cash on hand, readily available deposits and deposits with a maturity of one year or less.

d) Securities

The Company and its domestic consolidated subsidiaries classify and account for securities as follows:

Held-to-maturity debt securities are stated at amortized cost. Investments in unconsolidated subsidiaries and affiliates, excluding those accounted for by the equity method, are stated at cost.

Debt and equity securities, not classified as above, are classified as available-for-sale securities. Available-for-sale securities which have fair values are stated at the fair value at the fiscal year end, and unrealized gains and losses, net of related taxes and minority interests, are reported as a separate component of net assets. Available-for-sale securities which do not have fair values are stated at average cost. Realized gains or losses on sales of such securities are computed using average cost.

Held-to-maturity debt securities and available-for-sale securities maturing within one year from the fiscal year end, and highly liquid investment funds are included in securities in current assets. Other securities are included in investments in and loans to unconsolidated subsidiaries and affiliates and investment securities.

Effective from the fiscal year ended March 31, 2010, the Company adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008). The effect of this change was immaterial to the consolidated financial statements.

e) Derivatives and Hedging Transactions

The Company and its consolidated subsidiaries utilize hedge accounting for foreign currency forward exchange contracts and currency options hedging foreign currency monetary assets and liabilities, foreign currency swap contracts hedging foreign currency debt, interest rate swap contracts hedging interest on debt and bonds, and commodity forward contracts, etc., hedging raw materials.

Derivative financial instruments are stated at fair value. If derivative financial instruments meet certain hedging criteria, the Company and its consolidated subsidiaries defer the recognition of gains or losses until the hedged transactions occur. Certain foreign currency exchange contracts, currency options and foreign currency swap contracts, meeting certain conditions, are accounted for as a part of translating foreign currency monetary assets and liabilities in the consolidated balance sheets. In case where an interest rate swap contract is used as a hedge and meets certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

The Company and its consolidated subsidiaries utilize hedging instruments to hedge risks of future changes in foreign exchange rates and interest rates in accordance with respective internal policies and procedures on risk control.

The Company and its consolidated subsidiaries assess the effectiveness of each hedge contract by comparing the total cash flow fluctuation of hedging instruments and hedged items, except in case where interest rate swap contract is used as hedges and meet certain hedging criteria.

f) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided based upon estimated uncollectible amounts for individually identified doubtful receivables and historical loss experience for other receivables.

g) Inventories

Inventories are mainly stated at the lower of average cost or net realizable value.

h) Property, Plant and Equipment (excluding Leases)

The Company and its domestic consolidated subsidiaries principally use the straight-line method for depreciation of buildings and the declining-balance method for other depreciable assets, and overseas subsidiaries principally use the straight-line method, based on the estimated useful lives of the respective assets.

i) Land Revaluation

Pursuant to the "Law Concerning Land Revaluation," a domestic consolidated subsidiary revaluated land used in business activities on March 31, 2002. The net unrealized losses in value of the subsidiary's land, net of related income taxes and minority interests, are recorded as "Land revaluation" in net assets based upon a real estate tax value.

j) Revenue Recognition

Sales are generally recorded at the time of shipment of products.

Prior to the year ended March 31, 2010, for significant long-term and large-scale construction contracts, revenue was recognized using the percentage-of-completion method. The completed-contract method was used for all other contracts. In applying the completed-contract method, during the construction period, accumulated costs of the contracts were included in inventories and advances from customers received on the related contracts were included in other current liabilities.

Effective from the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued on December 27, 2007).

Accordingly, when the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method to work commencing in the year ended March 31, 2010, otherwise the completed-contract method is applied. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

The effect of this change was immaterial to net sales, operating income, income before income taxes and minority interests, and segment information.

k) Research and Development

Expenses related to research and development activities are charged to income as incurred and totaled ¥79,026 million (US$950,403 thousand) and ¥72,259 million for the years ended March 31, 2011 and 2010, respectively.

l) Pension and Severance Costs

The Company and most of its domestic consolidated subsidiaries have contributory and noncontributory defined benefit plans and lump-sum retirement benefit plans, while the Company and some of its subsidiaries have defined contribution plans and prepaid retirement allowance plans. Some overseas subsidiaries have defined benefit plans.

Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008).

This change had no material impact on the consolidated financial statements for the year ended March 31, 2010.

m) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are determined based on the financial statements carrying amounts and tax bases of assets and liabilities, using the effective tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating loss carryforwards. Valuation allowances are provided to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

n) Leases

Finance leases which do not transfer ownership are accounted for as purchase and sale transactions and are depreciated by straight-line method over their lease terms, while some of such leases are accounted for in the same manner as operating leases if they commenced prior to April 1, 2008.

o) Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

p) Appropriation of Retained Earnings

The Company and its domestic consolidated subsidiaries record, as a charge directly to retained earnings, cash dividends in the financial year in which the appropriation of retained earnings is approved at the shareholders' meeting.

q) Use of Estimates

The management of the Company has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in preparing these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

r) Reclassifications and Restatement

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications and restatement had no effect on previously reported results of operations or retained earnings.

s) New Accounting Standards

Effective from the year ended March 31, 2011, the following new standards have been adopted.

(1) Equity Method of Accounting for Investments

- The "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on March 10, 2008)
- The "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24, issued on March 10, 2008)

The effect of this change was immaterial to the consolidated financial statements for the year ended March 31, 2011.

(2) Asset Retirement Obligations
- The "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008)
- The "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008)

The effect of this change was immaterial to the consolidated financial statements for the year ended March 31, 2011.

(3) Business Combinations
- The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008)
- The "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008)
- The "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, issued on December 26, 2008)
- The "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 (Revised 2008), issued on December 26, 2008)
- The "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 (Revised 2008), issued on December 26, 2008)
- The "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 (Revised 2008), issued on December 26, 2008)

(4) Presentation of Comprehensive Income
- The "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010)

As the result of the adoption of this standard, the Company has presented the consolidated statements of comprehensive income in the consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

The reconciliations between cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and time deposits	**¥142,287**	¥143,851	**$1,711,209**
Securities (excluding held-to-maturity debt securities)	**51,000**	32,000	**613,349**
Deposits placed with banks with a maturity of over three months	**(1,195)**	(234)	**(14,372)**
Cash and cash equivalents	**¥192,092**	¥175,617	**$2,310,186**

In fiscal 2011, Commuture Corp., together with Daimei Telecom Engineering Corp. and Todentsu Corp. transferred its share and established Mirait Holdings Corp. As a result Commuture Corp. and its two subsidiaries have been excluded from the consolidated subsidiaries. Details of decrease in assets and liabilities are provided below as a result of this transaction.

2011	Millions of yen	Thousands of U.S. dollars
Current assets	**¥30,014**	**$360,962**
Long-term assets	**21,145**	**254,299**
Total assets	**51,159**	**615,261**
Current liabilities	**10,022**	**120,529**
Long-term liabilities	**2,071**	**24,907**
Total liabilities	**12,093**	**145,436**

In fiscal 2010, the Company and its consolidated subsidiaries did not have any significant non-cash transactions.

4. FINANCIAL INSTRUMENTS

a) Qualitative Information on Financial Instruments

(1) Policies for using financial instruments

The Company and its consolidated subsidiaries finance investment in equipment and operating capital for business, mainly using borrowings from banks and the issuance of bonds based on their cash flow planning. Temporary excess cash is managed with low risk financial assets. The Company and its consolidated subsidiaries utilize derivative transactions only to hedge risks of future changes in cash flows and fair values not for trading purpose.

(2) Details of financial instruments used and the exposures to risk and how they arise

Trade notes and accounts receivable are exposed to the credit risks of customers, but the Company and its consolidated subsidiaries try to reduce the risk according to rules for credit control. Operating receivables denominated in foreign currency are exposed to foreign exchange risks, but the Company and its consolidated subsidiaries hedge the risks using forward exchange contracts, etc. for the net position of foreign currency operating receivables and payables. Securities are mainly held to build and maintain good customer relationships. The Company and its consolidated subsidiaries review the circumstances periodically and evaluate the fair value of the securities or the financial condition of the issuer, which are generally business counterparties.

The main purpose of holding debt and issuing bonds is to secure financing for equipment and operating capital. The derivative transactions entered into comprise forward exchange contracts to hedge exchange risks of foreign currency debts and credits, interest swap contracts to hedge fluctuation risks of interest rates and fair value for debt and bonds, and commodity forward transactions to hedge the risk of price fluctuation for materials. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

b) Fair Value of Financial Instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet at March 31, 2011 and 2010 are as follows. Financial instruments whose fair value is hard to determine are not included in the table.

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			**2011**		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits	**¥142,287**	**¥142,287**	**¥ –**	¥143,851	¥143,851	¥ –	**$ 1,711,209**	**$ 1,711,209**	**$ –**
Trade notes and accounts receivable	**425,187**	**425,187**	**–**	441,892	441,892	–	**5,113,494**	**5,113,494**	**–**
Securities and investment securities	**309,691**	**337,369**	**27,678**	250,592	274,442	23,850	**3,724,485**	**4,057,354**	**332,869**
Total assets	**877,165**	**904,843**	**27,678**	836,335	860,185	23,850	**10,549,188**	**10,882,057**	**332,869**
Trade notes and accounts payable	**250,820**	**250,820**	**–**	255,574	255,574	–	**3,016,476**	**3,016,476**	**–**
Construction notes and accounts payable	**22,988**	**22,988**	**–**	21,431	21,431	–	**276,464**	**276,464**	**–**
Loans in current liabilities	**81,857**	**81,857**	**–**	101,170	101,170	–	**984,450**	**984,450**	**–**
Bonds	**95,000**	**96,921**	**1,921**	138,000	140,566	2,566	**1,142,514**	**1,165,616**	**23,102**
Long-term loans	**163,590**	**165,704**	**2,114**	115,337	115,439	102	**1,967,408**	**1,992,833**	**25,425**
Total liabilities	**614,255**	**618,290**	**4,035**	631,512	634,180	2,668	**7,387,312**	**7,435,839**	**48,527**
Derivative transactions	**(30)**	**(30)**	**–**	60	60	–	**(361)**	**(361)**	**–**

1. Valuation approach for the fair value of financial instruments

Cash and time deposits, trade notes and accounts receivable:

The carrying amount approximates fair value because of the short maturity.

Securities and investment securities:

Securities in current assets are stated at the carrying amount which approximates fair value because they consist of negotiable certificates of deposit settled in the short term. Investment securities, including investment in affiliates, which have a quoted market value are stated at the fair market value. The fair value of investment securities which do not have a quoted market value is estimated based on the present value of future cash flows using appropriate current discount rates.

Trade notes and accounts payable, construction notes and accounts payable:

The carrying amount approximates fair value because of the short maturity.

Loans in current liabilities:

The carrying amount approximates fair value because of the short maturity.

Bonds:

The fair value of bonds is stated at the fair market value.

Long-term loans:

The fair value of long-term loans is estimated based on the present value of future cash flows using appropriate current discount rates.

Derivative transactions:

See Note 6.

2. Financial instruments whose fair value is hard to determine

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Unlisted securities (available-for-sale securities)	**¥ 9,228**	¥ 7,297	**$ 110,980**
Unlisted investments in affiliates	**97,547**	91,845	**1,173,145**

These financial instruments do not have quoted market value and their future cash flows can not be estimated. Because the fair value is hard to determine, these instruments are not included in "Securities and investment securities."

5. SECURITIES

The carrying amounts of securities in current assets and investment securities at March 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Securities in current assets:			
Available-for-sale securities	**¥ 51,100**	¥ 32,000	**$ 614,552**
Held-to-maturity debt securities	**2,893**	—	**34,793**
	¥ 53,993	¥ 32,000	**$ 649,345**
Investment securities:			
Available-for-sale securities	**¥175,783**	¥161,672	**$2,114,047**
Held-to-maturity debt securities	**10**	9	**120**
	¥175,793	¥161,681	**$2,114,167**

Available-for-sale securities with fair value or quoted market values included in investment securities, at March 31, 2011 and 2010 are as follows:

	Millions of yen			
2011	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
Equity securities	**¥33,643**	**¥125,670**	**¥(3,002)**	**¥156,311**
Other	**10,000**	**244**	**—**	**10,244**
	¥43,643	**¥125,914**	**¥(3,002)**	**¥166,555**

	Millions of yen			
2010	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
Equity securities	¥36,721	¥110,142	¥(2,643)	¥144,220
Other	10,000	155	—	10,155
	¥46,721	¥110,297	¥(2,643)	¥154,375

	Thousands of U.S. dollars			
2011	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
Equity securities	**$404,606**	**$1,511,365**	**$(36,103)**	**$1,879,868**
Other	**120,265**	**2,934**	**—**	**123,199**
	$524,871	**$1,514,299**	**$(36,103)**	**$2,003,067**

Proceeds from sales of available-for-sale securities were ¥10,730 million (US$129,044 thousand) and ¥8,127 million for the years ended March 31, 2011 and 2010, respectively. The net realized gains on those sales were ¥7,970 million (US$95,851 thousand) and ¥5,484 million for the years ended March 31, 2011 and 2010, respectively. Impairment losses of securities during fiscal 2011 amounted to ¥1,287 million (US$15,478 thousand), which consist of ¥1,226 million (US$14,744 thousand) for the available-for-sale securities and ¥61 million (US$734 thousand) for the securities of the non-consolidated subsidiaries. Impairment losses of securities during fiscal 2010 amounted to ¥1,418 million, which consist of ¥1,240 million for the available-for-sale securities and ¥178 million for the securities of the non-consolidated subsidiaries, which is included in "Restructuring expenses."

6. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have entered into foreign currency forward exchange contracts, currency options and foreign currency swap contracts to hedge risks of exchange rate fluctuations of foreign currency monetary assets and liabilities, interest rate swap contracts to hedge risks of interest rate fluctuations, and commodity forward contracts, etc., for copper and aluminum to hedge risks of price fluctuations. The Company and its consolidated subsidiaries use derivative transactions for managing market risk related to recorded assets and liabilities as well as for future commitments, and not for speculation or dealing purposes. The Company and its consolidated subsidiaries deal with highly rated international financial institutions and trading concerns as counterparties to these transactions to minimize credit risk exposure. Derivative transactions are entered into by each operational division, and the processing of the transactions is controlled and reviewed by administrative divisions, in accordance with established policies that restrict dealing in derivatives, including limits on authorities and amounts.

Additional information for derivative transactions as of and for the years ended March 31, 2011 and 2010 is as follows:

	Millions of yen									
	2011					2010				
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*		Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*	
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Interest rate swap contracts	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 5,000	¥(88)	¥(88)	¥ 8,000	¥127
Foreign currency forward exchange contracts:										
Buy	4,728	5	5	14,044	145	3,830	2	2	4,291	108
Sell	9,274	(61)	(61)	7,525	(148)	6,594	38	38	10,962	(180)
Commodity forward contracts for copper:										
Buy	1,914	0	0	—	—	1,267	0	0	—	—
Sell	1,926	(1)	(1)	569	1	1,191	(13)	(13)	—	—
Copper swap contracts	—	—	—	626	29	—	—	—	516	66
	¥17,842	¥(57)	¥(57)	¥22,764	¥ 27	¥17,882	¥(61)	¥(61)	¥23,769	¥121

	Thousands of U.S. dollars				
	2011				
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*	
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Interest rate swap contracts	$ —	$ —	$ —	$ —	$ —
Foreign currency forward exchange contracts:					
Buy	56,861	60	60	168,899	1,744
Sell	111,533	(734)	(734)	90,499	(1,780)
Commodity forward contracts for copper:					
Buy	23,019	0	0	—	—
Sell	23,163	(12)	(12)	6,843	12
Copper swap contracts	—	—	—	7,529	349
	$214,576	$(686)	$(686)	$273,770	$ 325

* Certain interest rate swap contracts (contracted amount ¥64,129 million (US$771,245 thousand) and ¥63,381 million for the years ended March 31, 2011 and 2010) meeting certain hedging criteria are excluded from the table above. Certain foreign currency forward exchange contracts (contracted amount "Buy" ¥9,632 million (US$115,839 thousand) and ¥10,134 million, "Sell" ¥98,077 million (US$1,179,519 thousand) and ¥77,248 million for the years ended March 31, 2011 and 2010, respectively) meeting certain hedging criteria are excluded from the table above. See Note 4.

7. INVENTORIES

Inventories at March 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise and finished goods	¥ 81,830	¥ 73,192	$ 984,125
Work in process	118,148	101,803	1,420,902
Raw materials and supplies	86,541	76,732	1,040,782
	¥286,519	¥251,727	$3,445,809

8. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured	¥70,675	¥86,763	$849,970
Secured	3,344	7,175	40,216
	¥74,019	¥93,938	$890,186

Weighted average year end interest rates were approximately 1.8% and 1.5% in 2011 and 2010, respectively. The Company and its consolidated subsidiaries have had no difficulty in renewing such notes upon maturity.

Long-term debt at March 31, 2011 and 2010 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured bonds, payable in yen, due 2010 to 2016, interest 0.62%–1.97%	¥ 95,000	¥138,000	$1,142,514
Secured loans from banks, insurance companies and other financial institutions, due 2011–2015, interest 1.0%–1.8%	1,248	1,617	15,009
Unsecured loans from banks, insurance companies and other financial institutions, due 2011–2021, interest 0.2%–8.8%	170,180	120,952	2,046,662
Finance lease obligations, due 2011–2017	1,476	1,079	17,751
	267,904	261,648	3,221,936
Current portion of long-term debt and finance lease obligations	(43,364)	(50,695)	(521,515)
	¥224,540	¥210,953	$2,700,421

Substantially all of the loans from banks are made under basic agreements, customary in Japan, which provide that, with respect to all present or future liabilities to the banks, the Company and its consolidated subsidiaries shall provide collateral or a third-party guarantee at the request of any such banks, that any collateral provided under any agreement will be applicable to all indebtedness to the banks and that lending banks have the right to offset deposits with them against any debt or obligation that becomes due and, in case of default or certain other specified events, against all debts payable to the banks.

The aggregate annual maturities of long-term debt outstanding at March 31, 2011 are as follows:

March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 43,364	$ 521,515
2013	47,563	572,015
2014	38,038	457,462
2015	76,241	916,909
2016	10,381	124,847
2017 and thereafter	52,317	629,188
	¥267,904	$3,221,936

The following assets were pledged as collateral for short-term debt and long-term debt, including current portion, at March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investment securities	¥6,845	¥11,426	$ 82,321
Property, plant and equipment, net of accumulated depreciation	2,200	2,241	26,458
	¥9,045	¥13,667	$108,779

9. NET ASSETS

Under the Law, the entire amount of the issue price of shares is required to be accounted for as common stock. However a company may, by a resolution of the Board of Directors, account for an amount not exceeding 50% of the issue price of the new shares as additional paid-in capital, which is included in capital surplus. However, an increase resulting from share exchange can be included in capital surplus up to a full amount.

The Law provides that the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve, in cases where a dividend distribution of surplus is made.

Under the Law, additional paid-in capital may be used to eliminate or reduce a deficit, or may be capitalized by a resolution of the shareholders' meeting, and legal earnings reserve may be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that a company can distribute as dividends is calculated based on its non-consolidated financial statements in accordance with the Law.

Conversions of convertible bonds into common stock are accounted for in accordance with the provisions of the Law by crediting approximately one-half of the conversion proceeds to the common stock account and the remainder to the capital surplus account.

a) Stock Information

Changes in number of shares issued and outstanding during the years ended March 31, 2011 and 2010 are as follows:

Common stock outstanding

	Thousands of shares	
	2011	2010
Balance at beginning	**793,941**	793,941
Balance at end	**793,941**	793,941

Treasury stock outstanding

	Thousands of shares	
	2011	2010
Balance at beginning	**702**	696
Increase due to purchase of odd-lot stocks	**5**	4
Other, net	**21**	2
Balance at end	**728**	702

b) Dividend Information

Dividends paid in fiscal 2011

			Total amount	
Resolution	Record date	Effective date	Millions of yen	Thousands of U.S. dollars
The shareholders' meeting on June 25, 2010	March 31, 2010	June 28, 2010	¥7,140	$85,869
The board of directors on October 29, 2010	September 30, 2010	December 1, 2010	¥7,140	$85,869

Dividend paid after March 31, 2011 with record date in fiscal 2011

			Total amount	
Resolution	Record date	Effective date	Millions of yen	Thousands of U.S. dollars
The shareholders' meeting on June 24, 2011	March 31, 2011	June 27, 2011	¥7,933	$95,406

10. EARNINGS PER SHARE

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding increased by the number of shares which would have been outstanding assuming the conversion of dilutive bonds and exercise of dilutive share warrants at the beginning of the period. The related interest expense, net of income taxes, has been eliminated for the purpose of this calculation.

11. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Sales to and purchases from unconsolidated subsidiaries and affiliates, related year end trade notes and accounts receivable and payable, and other receivables in current assets from those companies are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
For the years ended March 31:			
Sales	**¥99,710**	¥90,809	**$1,199,158**
Purchases	**61,656**	63,025	**741,503**
As of March 31:			
Trade notes and accounts receivable	**30,107**	25,929	**362,081**
Trade notes and accounts payable	**13,440**	14,105	**161,636**
Other receivables in current assets	**660**	1,191	**7,937**

12. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to several taxes based on income which, in the aggregate, result in statutory tax rates of approximately 40.6% for the years ended March 31, 2011 and 2010.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2011 and 2010:

	2011	2010
Statutory tax rate	40.6%	40.6%
Equity in net income	(8.5)	(8.9)
Expenses not deductible for tax purposes	0.3	0.6
Dividend income from overseas consolidated subsidiaries	1.4	6.7
Tax credits	(2.4)	(5.2)
Effect of lower tax rates for overseas consolidated subsidiaries	(10.2)	(11.6)
Valuation allowance	3.0	(1.3)
Intercompany profits	0.4	(0.6)
Undistributed earnings of consolidated subsidiaries and affiliates	0.2	0.9
Amortization of goodwill	0.4	1.4
Provision for surcharge	—	5.0
Other	2.2	2.9
Effective tax rate	27.4%	30.5%

Deferred tax assets and liabilities included in the consolidated balance sheets at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred income taxes (current assets)	¥ 32,979	¥31,755	$ 396,621
Deferred income taxes (investments and other assets)	17,745	23,133	213,410
Other current liabilities	(653)	(405)	(7,854)
Deferred income taxes (long-term liabilities)	(64,369)	(61,176)	(774,131)
	¥(14,298)	¥ (6,693)	$(171,954)

Significant components of the deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Net operating loss carryforwards	¥ 31,238	¥ 34,207	$ 375,683
Fixed assets	21,131	19,272	254,131
Accrued pension and severance costs	11,353	12,238	136,536
Accrued expenses	13,993	13,165	168,286
Inventories	6,978	7,344	83,921
Intercompany profits	6,272	6,136	75,430
Investment securities	5,217	6,278	62,742
Accrued contributions of transfer to defined contribution plans	1,269	1,855	15,262
Allowance for doubtful receivables	1,017	1,399	12,231
Other	22,562	19,696	271,340
	121,030	121,590	1,455,562
Less—Valuation allowance	(41,143)	(38,506)	(494,804)
Total deferred tax assets	79,887	83,084	960,758
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	(50,248)	(44,279)	(604,305)
Prepaid pension cost	(14,886)	(16,302)	(179,026)
Undistributed earnings of consolidated subsidiaries and affiliates	(13,187)	(12,972)	(158,593)
Reserve for deferred gains on sales of fixed assets	(6,095)	(6,540)	(73,301)
Excess of fair value over the book value of assets and liabilities of consolidated subsidiaries at the acquisition dates	(4,936)	(4,906)	(59,363)
Accelerated depreciation of overseas consolidated subsidiaries	(2,095)	(2,593)	(25,195)
Land revaluation	—	(652)	—
Other	(2,738)	(1,533)	(32,929)
Total deferred tax liabilities	(94,185)	(89,777)	(1,132,712)
Net deferred tax liabilities	¥ (14,298)	¥ (6,693)	$ (171,954)

13. PENSION AND SEVERANCE COSTS

The following table sets forth the employee benefit obligations, plan assets and funded status of the Company and its consolidated subsidiaries at March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Benefit obligation at end of year	¥(250,795)	¥(261,250)	$(3,016,176)
Fair value of plan assets at end of year	218,486	234,496	2,627,613
Funded status:			
Plan assets in excess of (less than) benefit obligation	(32,309)	(26,754)	(388,563)
Unrecognized actuarial differences	69,170	61,649	831,870
Unrecognized prior service cost	(1,716)	(1,858)	(20,637)
Subtotal	35,145	33,037	422,670
Advances to funded pension plans	64,029	64,105	770,042
Accrued pension and severance costs for employees in the consolidated balance sheets	¥ (28,884)	¥ (31,068)	$ (347,372)

In addition, retirement benefits for directors and corporate auditors of certain subsidiaries of ¥1,497 million (US$18,004 thousand) and ¥1,648 million are included in accrued pension and severance costs as of March 31, 2011 and 2010, respectively.

Pension and severance costs of the Company and its consolidated subsidiaries consist of the following components for the years ended March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥ 9,802	¥ 9,971	$117,883
Interest cost	6,152	6,286	73,987
Expected return on plan assets	(2,806)	(2,699)	(33,746)
Amortization:			
Actuarial differences	7,582	9,640	91,185
Prior service cost	(147)	(192)	(1,768)
Net periodic pension and severance costs	¥20,583	¥23,006	$247,541

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2011 and 2010 are as follows:

	2011	2010
Method of attributing benefits to periods of service	Straight-line basis (Some subsidiaries adopt point basis.)	Straight-line basis
Discount rates	Mainly 2.5%	Mainly 2.5%
Long-term rates of expected return on plan assets	0.0%–6.8%	0.0%–7.0%
Amortization period for prior service cost	Mainly 15 years	Mainly 15 years
Amortization period for actuarial differences	Average remaining service period or less (mainly 15 years)	Average remaining service period or less (mainly 15 years)

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2011, are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes receivable discounted	¥ 187	$ 2,249
Notes receivable endorsed	543	6,530
Guarantees:		
Guarantees for debt of employees, unconsolidated subsidiaries and affiliates	4,899	58,918
Contingent guarantees for debt of unconsolidated subsidiaries and affiliates	430	5,171
Keepwell agreements and letters of awareness for debt of unconsolidated subsidiaries and affiliates	1,350	16,236

15. LEASES

Information related to non-capitalized finance leases commenced prior to April 1, 2008, except for which the ownership of the leased assets is considered to be transferred to the lessee, and operating leases is as follows:

a) Finance Leases as Lessor

Finance leases as lessor, at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition cost	¥404	¥404	$4,859
Accumulated depreciation	384	316	4,618
Net book value	¥ 20	¥ 88	$ 241

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Payments due within one year	¥59	¥ 66	$710
Payments due after one year	—	59	—
	¥59	¥125	$710

Lease payments received under such leases for the years ended March 31, 2011 and 2010 were ¥66 million (US$794 thousand) and ¥72 million, respectively.

b) Finance Leases as Lessee

Information on lease obligations for non-capitalized finance leases accounted for as operating leases at March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Original lease obligation*	¥3,994	¥6,851	$48,034
Payments made to date	2,637	4,475	31,714
Payments remaining*	¥1,357	¥2,376	$16,320

* Including assumed future interest

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Payments due within one year	¥ 383	¥ 784	$ 4,606
Payments due after one year	974	1,592	11,714
	¥1,357	¥2,376	$16,320

Lease payments under such leases for the years ended March 31, 2011 and 2010 were ¥761 million (US$9,152 thousand) and ¥986 million, respectively.

c) Operating Leases as Lessee

Lease obligations under non-cancellable operating leases at March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Payments due within one year	¥3,477	¥ 3,347	$ 41,816
Payments due after one year	5,456	7,196	65,616
	¥8,933	¥10,543	$107,432

16. IMPAIRMENT LOSSES OF FIXED ASSETS

Details of impairment losses of fixed assets for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Machinery, equipment and others	¥ 4,316	¥1,876	$ 51,906
Buildings and structures	6,395	1,682	76,909
Construction in progress	223	61	2,682
Intangible assets	381	487	4,582
Other	21	842	253
	¥11,336	¥4,948*	$136,332

* The amount of ¥3,595 million is shown as "Impairment losses of fixed assets" and the amount of ¥1,353 million is included in "Restructuring expenses" (Note 18) in the consolidated statements of income for fiscal 2010.

The Company and its consolidated subsidiaries grouped long-lived assets into asset groups by business segment, and conducted impairment tests with the conclusion that the carrying amounts should be reduced by ¥11,336 million (US$136,332 thousand) and ¥4,948 million to the recoverable amounts in fiscal 2011 and 2010, respectively.

The recoverable amount is the net selling price or the value in use, which is equal to net future cash flow discounted at 8.3%.

Figures of impairment losses of fixed assets for each reportable segment are disclosed in Note 20 b), for the year ended March 31, 2011.

17. LOSS ON DISASTER

Details of loss on disaster which has been accounted for caused by the Great East Japan Earthquake for the year ended March 31, 2011 are as follows:

2011	Millions of yen	Thousands of U.S. dollars
Loss on disposal of inventories	¥ 926	$ 11,136
Loss on disposal of property, plant and equipment	108	1,299
Restoration expense and others*	7,811	93,939
	¥8,845	$106,374

* Including the amount of provision for loss on disaster, ¥4,114 million (US$49,477 thousand)

18. RESTRUCTURING EXPENSES

In fiscal 2010, restructuring expenses were mainly related to the restructuring of manufacturing locations in overseas automotive business for the purpose of business structure improvement.

Details of the expenses are as follows:

2010	Millions of yen
Impairment losses of fixed assets (Note 16)	¥1,353
Loss on disposal of property, plant and equipment	520
Extra payment of retirement benefit and others	3,904
	¥5,777

19. PROVISION FOR SURCHARGE

In fiscal 2010, the Company recognized a provision for surcharge as a result of a prior notice of draft of surcharge payment orders from the Japan Fair Trade Commission with respect to the sale of optical fiber cables for telecommunications carriers and related products.

20. SEGMENT INFORMATION

a) Reportable Segments

The reportable segment of the Company is regular consideration, whose divided financial information is available for the President, the supreme decision-making body, to make decisions regarding management resources allocation and evaluate each business result.

The Company has adopted a business unit system based upon the similarity in product's category, method for manufacturing and sales markets, etc., and devises comprehensive strategies of the Company and its affiliates by dividing businesses such as product development, manufacturing, sales and supplementary services into the following five classifications: "Automotive," "Information & Communications," "Electronics," "Electric Wire & Cable, Energy" and "Industrial Materials & Others." Therefore, the Company considers the above five classifications as reportable segments.

The method of calculation of sales, profit or loss, assets and other items by reportable segment is pursuant to the accounting policies stated in Note 2. Intersegment sales are stated at current market value.

Automotive:
Wiring harnesses, anti-vibration rubber products and other automotive parts

Information & Communications:
Optical fiber cables, optical fiber fusion splicers, optical data links and other optical components, access network system products such as GE-PON, CDN-related product and traffic control systems

Electronics:
Electronic wires, compound semiconductors, materials for electronic components, irradiated products and flexible printed circuits (FPCs)

Electric Wire & Cable, Energy:
Copper wire rods, electric power cables, magnet wires, power system equipment such as substation equipment, supervisory telecontrol equipment and power cable construction works

Industrial Materials & Others:
Special steel wires, hard materials and sintered parts

Reportable segment information for the years ended March 31, 2011 and 2010 is as follows:

	Millions of yen						
2011	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Adjustments	Consolidated
Sales to customers	¥959,341	¥216,752	¥169,546	¥449,771	¥238,417	¥ —	¥2,033,827
Intersegment sales	661	1,413	8,663	15,112	39,116	(64,965)	—
Net sales	¥960,002	¥218,165	¥178,209	¥464,883	¥277,533	¥(64,965)	¥2,033,827
Segment profit or loss	¥ 64,118	¥ 2,983	¥ 6,603	¥ 13,428	¥ 16,884	¥ (206)	¥ 103,810
Segment assets	¥735,249	¥198,573	¥145,036	¥404,779	¥424,499	¥ 48,148	¥1,956,284
Depreciation and amortization	¥ 45,044	¥ 12,264	¥ 9,458	¥ 13,173	¥ 16,821	¥ —	¥ 96,760
Amortization of goodwill	168	304	63	719	127	—	1,381
Investments in equity method affiliates	67,912	32,164	381	39,573	30,995	—	171,025
Amount of increase in tangible and intangible fixed assets	47,910	20,423	10,816	10,701	15,289	—	105,139

2010	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Adjustments	Consolidated
	Millions of yen						
Sales to customers	¥814,821	¥269,952	¥156,950	¥401,712	¥192,917	¥ —	¥1,836,352
Intersegment sales	1,802	1,225	8,100	10,799	35,308	(57,234)	—
Net sales	¥816,623	¥271,177	¥165,050	¥412,511	¥228,225	¥(57,234)	¥1,836,352
Segment profit or loss	¥ 34,526	¥ 3,624	¥ 4,849	¥ 7,893	¥ 944	¥ (108)	¥ 51,728
Segment assets	¥705,376	¥237,635	¥136,578	¥390,313	¥427,849	¥ 42,184	¥1,939,935
Depreciation and amortization	¥ 50,586	¥ 12,200	¥ 10,290	¥ 13,347	¥ 17,425	¥ —	¥ 103,848
Amortization of goodwill	403	288	63	1,083	118	—	1,955
Investments in equity method affiliates	67,232	9,497	388	33,153	29,862	—	140,132
Amount of increase in tangible and intangible fixed assets	32,310	15,049	7,227	16,680	9,663	—	80,929

2011	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Adjustments	Consolidated
	Thousands of U.S. dollars						
Sales to customers	$11,537,474	$2,606,759	$2,039,038	$5,409,152	$2,867,312	$ —	$24,459,735
Intersegment sales	7,949	16,993	104,185	181,744	470,427	(781,298)	—
Net sales	$11,545,423	$2,623,752	$2,143,223	$5,590,896	$3,337,739	$(781,298)	$24,459,735
Segment profit or loss	$ 771,112	$ 35,875	$ 79,411	$ 161,491	$ 203,055	$ (2,477)	$ 1,248,467
Segment assets	$ 8,842,441	$2,388,130	$1,744,269	$4,868,058	$5,105,220	$ 579,050	$23,527,168
Depreciation and amortization	$ 541,720	$ 147,492	$ 113,746	$ 158,425	$ 202,297	$ —	$ 1,163,680
Amortization of goodwill	2,020	3,656	758	8,647	1,527	—	16,608
Investments in equity method affiliates	816,741	386,819	4,582	475,923	372,760	—	2,056,825
Amount of increase in tangible and intangible fixed assets	576,188	245,616	130,078	128,695	183,873	—	1,264,450

1. Segment profit or loss included in Adjustments of ¥206 million (US$2,477 thousand) and ¥108 million at March 31, 2011 and 2010, respectively, consist mainly of unrealized profits caused by intersegment transactions.
2. Segment assets included in Adjustments of ¥48,148 million (US$579,050 thousand) and ¥42,184 million at March 31, 2011 and 2010, respectively, consist mainly of cash and time deposits and investment securities owned by the Company.
3. Segment profit or loss corresponds to operating income.

b) Related Information

Information about products and services

2011	Wiring harnesses	Others	Total
	Millions of yen		
Sales to customers	¥714,182	¥1,319,645	¥2,033,827

2011	Wiring harnesses	Others	Total
	Thousands of U.S. dollars		
Sales to customers	$8,589,080	$15,870,655	$24,459,735

Information about geographical areas

2011	Japan	Asia: China	Asia: Others	Americas	Europe and Others	Consolidated
	Millions of yen					
Sales to customers	¥1,143,457	¥237,941	¥213,155	¥239,947	¥199,327	¥2,033,827
Net property, plant and equipment	¥ 324,289	¥ 54,810	¥ 41,348	¥ 32,973	¥ 28,355	¥ 481,775

2011	Japan	Asia: China	Asia: Others	Americas	Europe and Others	Consolidated
	Thousands of U.S. dollars					
Sales to customers	$13,751,738	$2,861,587	$2,563,500	$2,885,712	$2,397,198	$24,459,735
Net property, plant and equipment	$ 3,900,048	$ 659,170	$ 497,270	$ 396,549	$ 341,010	$ 5,794,047

Information about impairment losses of fixed assets by reportable segment

2011	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
	Millions of yen					
Impairment losses of fixed assets	¥1,124	¥9,133	¥245	¥48	¥786	¥11,336

2011	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
	Thousands of U.S. dollars					
Impairment losses of fixed assets	$13,518	$109,838	$2,946	$577	$9,453	$136,332

Information about goodwill by reportable segment

2011	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
	Millions of yen					
Amortization	¥168	¥304	¥63	¥ 719	¥127	¥1,381
Balance at end	¥650	¥678	¥95	¥1,732	¥262	¥3,417

2011	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
	Thousands of U.S. dollars					
Amortization	$2,020	$3,656	$ 758	$ 8,647	$1,527	$16,608
Balance at end	$7,817	$8,154	$1,142	$20,830	$3,151	$41,094

Effective April 1, 2010, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, issued on March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on March 21, 2008) were adopted.

21. RELATED PARTY TRANSACTIONS

Condensed financial information of a significant affiliate, Sumitomo 3M Ltd., as of fiscal 2011 is as follows:

2011	Millions of yen	Thousands of U.S. dollars
Total current assets	¥124,494	$1,497,221
Total long-term assets	23,008	276,705
Total current liabilities	40,255	484,125
Total long-term liabilities	2,397	28,827
Total net assets	104,850	1,260,974
Sales	212,954	2,561,082
Income before income taxes	48,542	583,788
Net Income	36,236	435,791

The Company entered into the following transaction with a related party in fiscal 2010:

Party type:	Affiliate
Party name:	Sumitomo 3M Ltd.
Address:	Setagaya-ku, Tokyo, Japan
Capital:	¥18,929 million
Business:	Industrial, electrical, electric, power and communications, automotive, construction, sign and display, lifestyle, health care products
% of voting stock held:	Direct 25.0
Business relationship:	Sending a board member to Sumitomo 3M
Details of transaction:	* Application for offer of share buyback for the purpose of own share retirement
Transaction amount:	¥23,221 million
Account title and balance at year end:	Other current assets (¥9,446 million) and other assets (¥4,723 million)

* The Company determined sales price based on the appraised value by an expert outside company.

22. OTHER

The Company was investigated by the Japan Fair Trade Commission in February 2010 about its trade in automotive wiring harnesses-related products, and is under investigation by EU, U.S. and other overseas antitrust regulators.

Independent Auditors' Report

To the Board of Directors of Sumitomo Electric Industries, Ltd.:

We have audited the accompanying consolidated balance sheets of Sumitomo Electric Industries, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Electric Industries, Ltd. and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Osaka, Japan
June 24, 2011

Corporate Directory

Head Office (Osaka)
5-33, Kitahama 4-chome, Chuo-ku, Osaka
541-0041, Japan
Tel.: 81 (6) 6220-4141
Fax: 81 (6) 6222-3380

Head Office (Tokyo)
Shibaura Renasite Tower 3-9-1 Shibaura,
Minato-ku, Tokyo 108-8539, Japan
Tel.: 81 (3) 6722-3100
Fax: 81 (3) 6722-3109

DOMESTIC WORKS

Osaka Works
Main Products: Electric conductors, electric power cables, power line construction and engineering, optical fiber cables, telecommunication cables, optical transmission components, information systems, control systems, high frequency products, hybrid products

Itami Works
Main Products: Special steel wires, powdered alloys, sintered powder metal products, diamond products, compounds semiconductors

Yokohama Works
Main Products: Optical fiber cables, telecommunication cables, optical connectors, optical fiber fusion splicers, optical amplifiers, optical transmission components

AUTOMOTIVE

DOMESTIC CONSOLIDATED SUBSIDIARIES

- **Tokai Rubber Industries, Ltd.**
Main Products: Rubber products

- Sumitomo Wiring Systems, Ltd.
Main Products: Automotive wiring harnesses

- Sumiden Electronics, Ltd.
Main Products: Electronic components and devices for automobiles

★AutoNetworks Technologies, Ltd.
Main Service: Automotive wiring harnesses R&D

OVERSEAS CONSOLIDATED SUBSIDIARIES

- Sumitomo Electric Wiring Systems, Inc.
Kentucky, U.S.A.
Main Products: Automotive wiring harnesses

- Sumitomo Electric Wiring Systems (Europe) Ltd.
Staffordshire, U.K.
Main Products: Automotive wiring harnesses

- Sumitomo Electric Bordnetze GmbH
Wolfsburg, Germany
Main Products: Automotive wiring harnesses

- SEWS-CABIND S.p.A.
Collegno, Italy
Main Products: Automotive wiring harnesses

- Sumidenso Vietnam Co., Ltd.
Hai Duong, Vietnam
Main Products: Automotive wiring harnesses

- Huizhou Zhurun Wiring Systems Co., Ltd.
Guangdong, China
Main Products: Automotive wiring harnesses

- Sumidenso Mediatech Suzhou Co., Ltd.
Jiangsu, China
Main Products: Automotive wiring harnesses

- Sumitomo do Brasil Industrias Eletricas Ltd.
Sao Paulo, Brazil
Main Products: Automotive wiring harnesses

113 other companies

INFORMATION & COMMUNICATIONS

DOMESTIC CONSOLIDATED SUBSIDIARIES

- Kiyohara Sumiden, Ltd.
Main Products: Optical fibers

- SEI Optifrontier Co., Ltd.
Main Products: Optical network devices and components, optical fiber cables, machinery and appliances for communication

- Sumitomo Electric Device Innovations, Inc.
Main Products: Optical and electronic devices

- Sumitomo Electric Networks, Inc.
Main Products: Information and communications equipment

OVERSEAS CONSOLIDATED SUBSIDIARIES

- Sumitomo Electric Lightwave Corp.
North Carolina, U.S.A.
Main Products: Optical fiber fusion splicers and optical fiber cables

- Sumitomo Electric Device Innovation (U.S.A.), Inc.
North Carolina, U.S.A.
Main Products: Optical transmission components

- Hangzhou SEI-Futong Optical Fiber Co., Ltd.
Zhejiang, China
Main Products: Optical fibers and preforms

- Sumitomo Electric Optical Components (Wuxi) Co., Ltd.
Jiangsu, China
Main Products: Optical couplers and optical connectors and jumper units

- Sumitomo Electric Photo-Electronics Components (Suzhou), Ltd.
Jiangsu, China
Main Products: Optical devices and optical transceivers

8 other companies

ELECTRONICS

DOMESTIC CONSOLIDATED SUBSIDIARIES

★Sumiden Tomita Shoji Co., Ltd.
Main Products: Electronic components, wires and systems

- Sumitomo (SEI) Electronic Wire, Inc.
Main Products: Electric wires and electric wire products

- Sumitomo Electric Flat Components, Inc.
Main Products: Flat cables

- Sumitomo Electric Printed Circuits, Inc.
Main Products: Flexible printed circuits

- Sumitomo Electric Fine Polymer, Inc.
Main Products: Fine polymer products

OVERSEAS CONSOLIDATED SUBSIDIARIES

- Judd Wire, Inc.
Massachusetts, U.S.A.
Main Products: Electronic wires

- Sumitomo Electric Semiconductor Materials, Inc.
Oregon, U.S.A.
Main Products: Compound semiconductor materials

• Sumitomo Electric Interconnect Products (Suzhou), Ltd.
Jiangsu, China
Main Products: Electronic wires, FPCs

• Suzhou Sumiden Electronic Materials Co., Ltd.
Jiangsu, China
Main Products: Electronic parts

• Sumitomo Electric Interconnect Products (Hong Kong), Ltd.
Hong Kong, China
Main Products: Electronic wires, FPCs and irradiated products

16 other companies

ELECTRIC WIRE & CABLE, ENERGY

DOMESTIC CONSOLIDATED SUBSIDIARIES

• **Sumitomo Densetsu Co., Ltd.**
Main Service: Electric transmission lines installation

• **Nissin Electric Co., Ltd.**
Main Products: Electric-power control systems

• Daikoku Electric Wire Co., Ltd.
Main Products: Electric wires and coils

• Sumitomo Electric Toyama Co., Ltd.
Main Products: Electric wires and cables and metal materials

• Sumitomo Electric Industrial Wire & Cable, Inc.
Main Products: Electric wires and cables

• Sumitomo Electric Wintec, Inc.
Main Products: Magnet wires and related products

OVERSEAS CONSOLIDATED SUBSIDIARIES

• P.T. Karya Sumiden Indonesia
Tangerang, Indonesia
Main Products: Copper wire rods

• **P.T. Sumi Indo Kabel Tbk**
Tangerang, Indonesia
Main Products: Power cables

• Sumitomo Electric Wintec (Wuxi) Co., Ltd.
Jiangsu, China
Main Products: Magnet wires and DG coils

47 other companies

INDUSTRIAL MATERIALS & OTHERS

DOMESTIC CONSOLIDATED SUBSIDIARIES

• Sumitomo Electric Hardmetal Corp.
Main Products: Cemented carbide and sintered diamond cutting tools

• Sumitomo Electric Sintered Alloy, Ltd.
Main Products: Sintered parts

• A.L.M.T. Corp.
Main Products: Tungsten and molybdenum products

• Sumitomo (SEI) Steel Wire Corp.
Main Products: Special steel wires

• Sumitomo Electric Tochigi Co., Ltd.
Main Products: Steel cords

OVERSEAS CONSOLIDATED SUBSIDIARIES

★Sumitomo Electric U.S.A., Inc.
California, U.S.A.
Regional headquarter

★Sumitomo Electric Finance U.S.A., Inc.
New York, U.S.A.
Finance company

★Sumitomo Electric Carbide, Inc.
Illinois, U.S.A.
Main Products: Cemented carbide tools

★Sumitomo Electric Europe Ltd.
Hertfordshire, U.K.
Regional Headquarter

★Sumitomo Electric Finance U.K. Ltd.
Hertfordshire, U.K.
Finance company

★Sumitomo Electric Hartmetall GmbH
Willich, Germany
Main Products: Cemented carbide alloys

• Sumitomo Electric Hardmetal Manufacturing (Thailand), Ltd.
Chachoengsao, Thailand
Main Products: Cemented carbide tools

• P.T. Sumiden Serasi Wire Products
Jakarta, Indonesia
Main Products: Special steel wires

★Sumitomo Electric Asia, Ltd.
Hong Kong, China
Regional Headquarter

46 other companies

SUBSIDIARIES AND AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD

DOMESTIC

• Kitanihon Electric Cable Co., Ltd.
Main Products: Electric wires and cables

★**TECHNO ASSOCIE Co., Ltd.**
Main Products: Threads and non-ferrous metal products

• Sumitomo 3M, Ltd.
Main Products: Abrasives and industrial tapes

• **Sumitomo Rubber Industries, Ltd.**
Main Products: Automotive tires and sporting goods

• Dyden Co., Ltd.
Main Products: Electric wires and cables

• J-Power Systems Corporation
Main Products: Power transmission cables and cable accessories

★ **MIRAIT Holdings Corporation**
Main Service: Telecommunications engineering work, electrical work, civil engineering work and construction work

OVERSEAS

• Kyungshin Corporation
Incheon, South Korea
Main Products: Automotive wiring harnesses

• Chengdu SEI-Futong Optical Fiber Co., Ltd.
Sichuan, China
Main Products: Optical fiber cables

32 other companies

Notes 1. Publicly listed companies are indicated in bold print.
2. The number of the companies is as of March 31, 2011.

• Manufacturing / Construction company
★Sales company / Others

History

1897	Sumitomo Copper Rolling Works was founded
1900	Started production of coated wires
1908	Started production of power cables
1909	Started trial production of telecommunication cables
1911	Established Sumitomo Electric Wire & Cable Works
	Laid first Japan-made high-voltage underground cables
1916	Opened a new factory (now the Osaka Works)
	Started production of enamel wires
1920	Sumitomo Electric Wire & Cable Works incorporated as a limited company
1931	Started production of cemented carbide tools
1932	Started production of special steel wires
1939	Company name changed to the current name, Sumitomo Electric Industries, Ltd.
1941	Opened the Itami Works
1943	Started production of vibration-proof rubber products and fuel tanks
1946	Opened a branch office in Tokyo (now the Tokyo Head Office)
1948	Started marketing sintered powder metal products
1949	Entered into the construction business of overhead transmission lines
1957	Delivered the first Japan-made television broadcasting antennas to NHK
1961	Opened the Yokohama Works
	Delivered the wiring harnesses for four-wheel vehicles for the first time in its history
1962	Started production of the "Irrax™ Tube" electron beam irradiation tubes
	The head office was moved from Osaka's Konohana Ward to its present location in Chuo Ward
1963	Started production of disc brakes
1964	Started production of electron beam irradiation wires
1968	Entered into the traffic control systems business
1969	Established the first overseas production subsidiary
	Started production of flexible printed circuits (FPCs)
1970	Started production of compound semiconductors
1971	Opened the Kanto Works
1974	Started production of optical fiber cables
1975	Contracted to construct a power transmission line in Iran
1976	Received an order for a large telecommunications network construction project in Nigeria
1978	Delivered and put into operation the world's first bidirectional fiber optics CATV system called "Hi-OVIS"
1981	Delivered and installed fiber optic LAN systems for the first time in its history
1982	Succeeded in producing the world's-largest-class (1.2 carats) synthetic diamonds
1996	Developed a technology for producing long-length oxide high voltage superconducting wires
1998	Developed and started marketing ecology wires and cables
1999	Sumitomo Electric Fine Polymer, Inc. (fine polymer products) started operation
2001	J-Power Systems Corporation (high-voltage power cables) started operation
2002	Sumitomo Electric Networks, Inc. (network equipment), Sumitomo (SEI) Steel Wire Corp. (special steel wires) and Sumitomo Electric Wintec, Inc. (magnet wires) started operation
2003	Sumiden Hitachi Cable Ltd. (wires and cables for buildings and industrial equipment) and Sumitomo Electric Hardmetal Corp. (powder metal and diamond products) started operation
2004	A.L.M.T. Corp. was made a wholly-owned subsidiary
2006	The HTS cable used in a power transmission grid in the U.S. started supplying electricity
2007	Sumitomo Wiring Systems, Ltd. was made a wholly-owned subsidiary
	Nissin Electric Co., Ltd. was made a consolidated subsidiary
2008	Opened Technical Training Center
2009	Eudyna Devices Inc. was made a wholly-owned subsidary and changed its trade name to Sumitomo Electric Device Innovations, Inc.
2010	Opened new R&D center "WinD Lab"
	SEI Optifrontier Co., Ltd. was made a wholly-owned subsidiary

Company Information

Sumitomo Electric Industries, Ltd. (As of March 31, 2011)

HEAD OFFICE (OSAKA)

5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan

HEAD OFFICE (TOKYO)

Shibaura Renasite Tower 3-9-1 Shibaura, Minato-ku,
Tokyo 108-8539, Japan

INCORPORATED

December 1920

NUMBER OF EMPLOYEES

182,773

COMMON STOCK

Authorized: 3,000,000,000 shares
Issued: 793,940,571 shares

NUMBER OF SHAREHOLDERS

78,526

STOCK EXCHANGE LISTINGS

Four domestic stock and securities exchanges: Tokyo, Osaka, Nagoya, and Fukuoka
Ticker Code: 5802

SHAREHOLDER REGISTER MANAGER

The Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan

SUMITOMO ELECTRIC VIA THE INTERNET

Sumitomo Electric Group's web site provides a wide range of corporate information, including the latest annual report, news releases, and financial results.
http://global-sei.com/

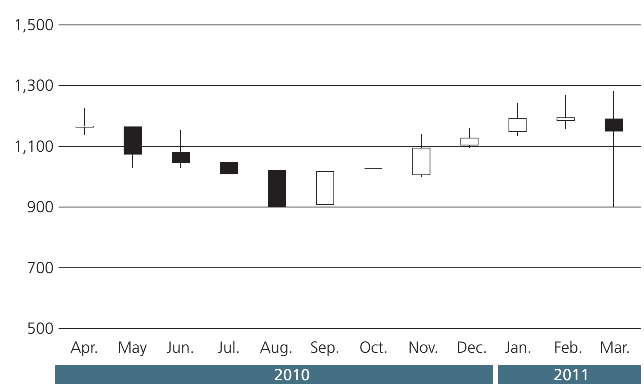
PRINCIPAL SHAREHOLDERS

	Shareholdings (Thousands)	Outstanding voting share (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	61,985	7.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	51,833	6.53
Nippon Life Insurance Company	28,903	3.64
Japan Trustee Services Bank, Ltd. (Trust Account 9)	16,217	2.04
Sumitomo Life Insurance Company	15,556	1.96
SSBT OD05 OMNIBUS ACCOUNT — TREATY CLIENTS	15,320	1.93
Sumitomo Mitsui Banking Corporation	12,551	1.58
THE CHASE MANHATTAN BANK, N. A. LONDON SECS LENDING OMNIBUS ACCOUNT	10,950	1.38
Japan Trustee Services Bank, Ltd. (Trust Account 4)	10,090	1.27
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	10,072	1.27

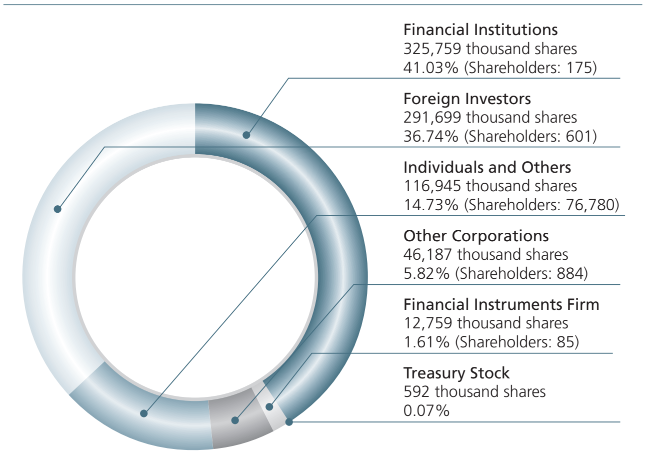
SHARE PRICE RANGE

Year	Month	Yen High	Yen Low
2010	Apr.	1,230	1,140
	May	1,165	1,031
	Jun.	1,154	1,030
	Jul.	1,073	991
	Aug.	1,038	879
	Sep.	1,036	900
	Oct.	1,099	978
	Nov.	1,143	1,000
	Dec.	1,163	1,097
2011	Jan.	1,244	1,137
	Feb.	1,272	1,160
	Mar.	1,285	904

SHARE PRICE



BREAKDOWN OF SHAREHOLDERS



SUMITOMO ELECTRIC
Ingenious Dynamics

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