

FY2010 1st Half Results and Activities for Vision 2012

Masayoshi Matsumoto

President and CEO



1H / FY2010 Result of Operations

FY2010 1st Half Results

Unit: ¥Billion	1H/FY2009	1H/FY2010		Increase Decrease from 1H/FY2009	Increase Decrease from Plan
		Plan	Actual		
Net Sales	812.3	975.0	990.6	+178.3	+15.6
Operating Profit(Loss)	(7.0)	40.0	46.0	+53.0	+6.0
Equity in net income	1.9	10.0	14.2	+12.3	+4.2
Others	1.2	0.0	2.0	+0.8	+2.0
Ordinary Income	(3.9)	50.0	62.2	+66.1	+12.2
Extraordinary gain or loss	(5.8)	(4.0)	(9.0)	(3.2)	(5.0)
Income Taxes and Minority Interests	0.0	(21.0)	(19.9)	(19.9)	+1.1
Net Income	(9.7)	25.0	41.4	+51.1	+16.4

Performance by Segments in 1H / FY2010

FY2010 1st Half Results

Under global recovery in Auto and Electronics markets and expansion of emerging markets, Sales and Operating Profit improved mainly in Auto and exporting businesses.

In Information & Communication business, sales and OP declined, because of NW equipment peaked in the same period last year.

Unit: ¥Billion	1H/2009		1H/2010				Increase Decrease	
	①		Plan ②		Actual ③		③-①	
	Sales ※	OP	Sales	OP	Sales	OP	Sales	OP
Automotive	349.4	(3.1)	455.0	29.0	468.9	32.7	+119.5	+35.8
Information & Communication	129.0	0.8	115.0	(3.0)	119.4	(1.5)	(9.6)	(2.3)
Electronics	72.7	(0.2)	95.0	5.0	86.0	3.9	+13.3	+4.1
Electric Wire & Cable, Energy	183.6	(1.1)	210.0	3.0	214.6	3.9	+31.0	+5.0
Industrial Materials & Others	103.9	(3.4)	135.0	6.0	133.1	7.0	+29.2	+10.4
Eliminations	(26.3)	0.0	(35.0)	0.0	(31.4)	0.0	(5.1)	+0.0
Total	812.3	(7.0)	975.0	40.0	990.6	46.0	+178.3	+53.0

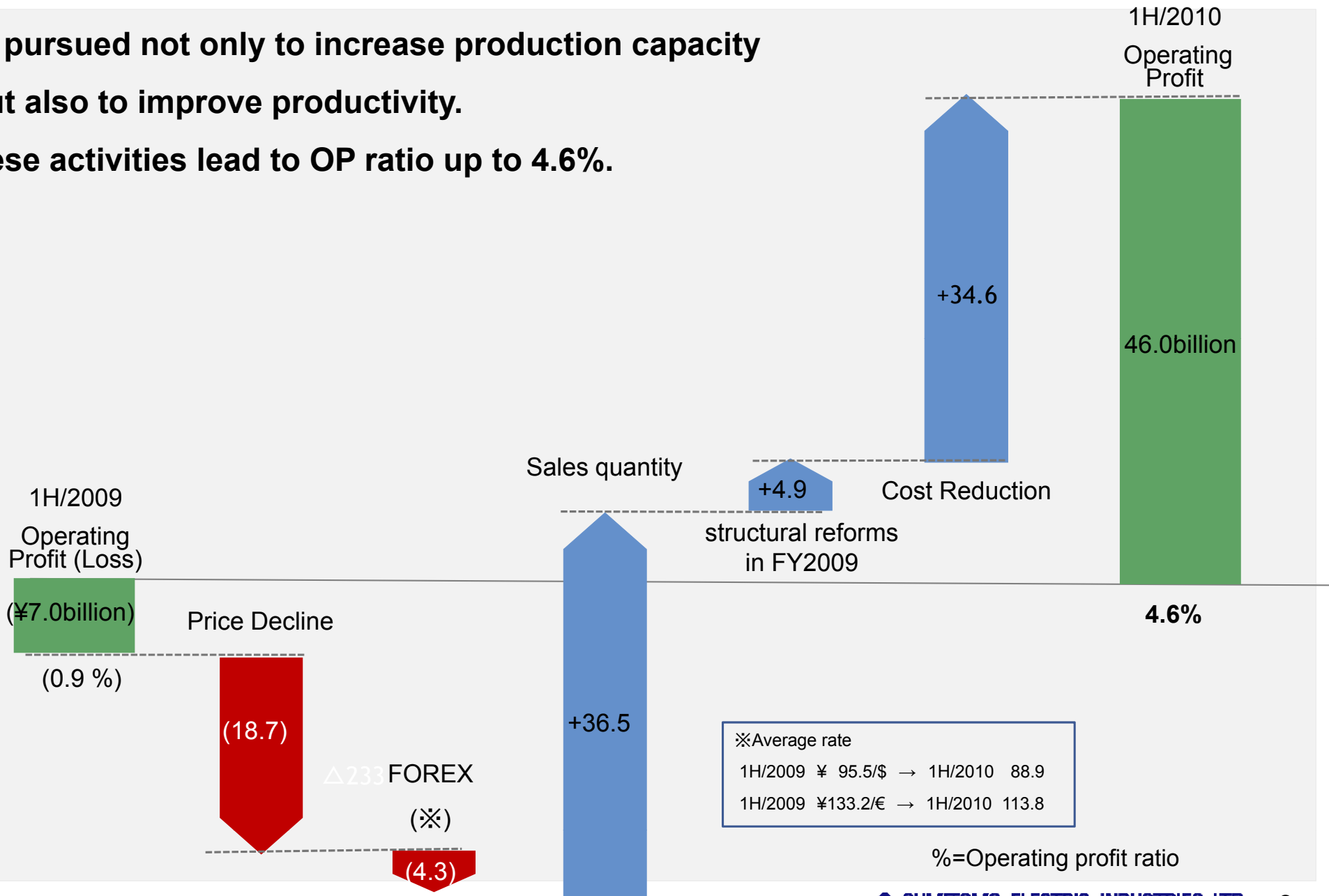
※OP=Operating Profit (Loss)



Improvement in Operating Profit

We pursued not only to increase production capacity but also to improve productivity.

These activities lead to OP ratio up to 4.6%.





FY 2010 Forecast

FY2010 1st Half Results

In spite of unfavorable trends such as a slowdown in economy and strong Yen in 2H/2010, we will not change FY2010 original plan.

(exchange rates in 2H/FY2010 : ¥83/\$, ¥115/€)

Unit: ¥Billion	FY 2009	FY 2010			Plan ①+②	%Growth Year-on-Year
		1H Plan ①	[1H Actual]	2H Plan ②		
Net Sales	1836.4	975.0	[990.6]	1025.0	2000.0	+9%
Operating Profit	51.7	40.0	[46.0]	60.0	100.0	+93%
Ordinary Income	68.2	50.0	[62.2]	70.0	120.0	+76%
Net Income	28.7	25.0	[41.4]	35.0	60.0	+109%
Capital Expenditure	73.3				110.0	+50%
Depreciation Expenses	103.8				100.0	▲4%
R&D Expenses	72.3				75.0	+4%
R O A※	3.6%				7.1%	+3.5%
R O E	3.3%				6.5%	+3.2%

FY2010 Forecasts by Segments

FY2010 1st Half Results

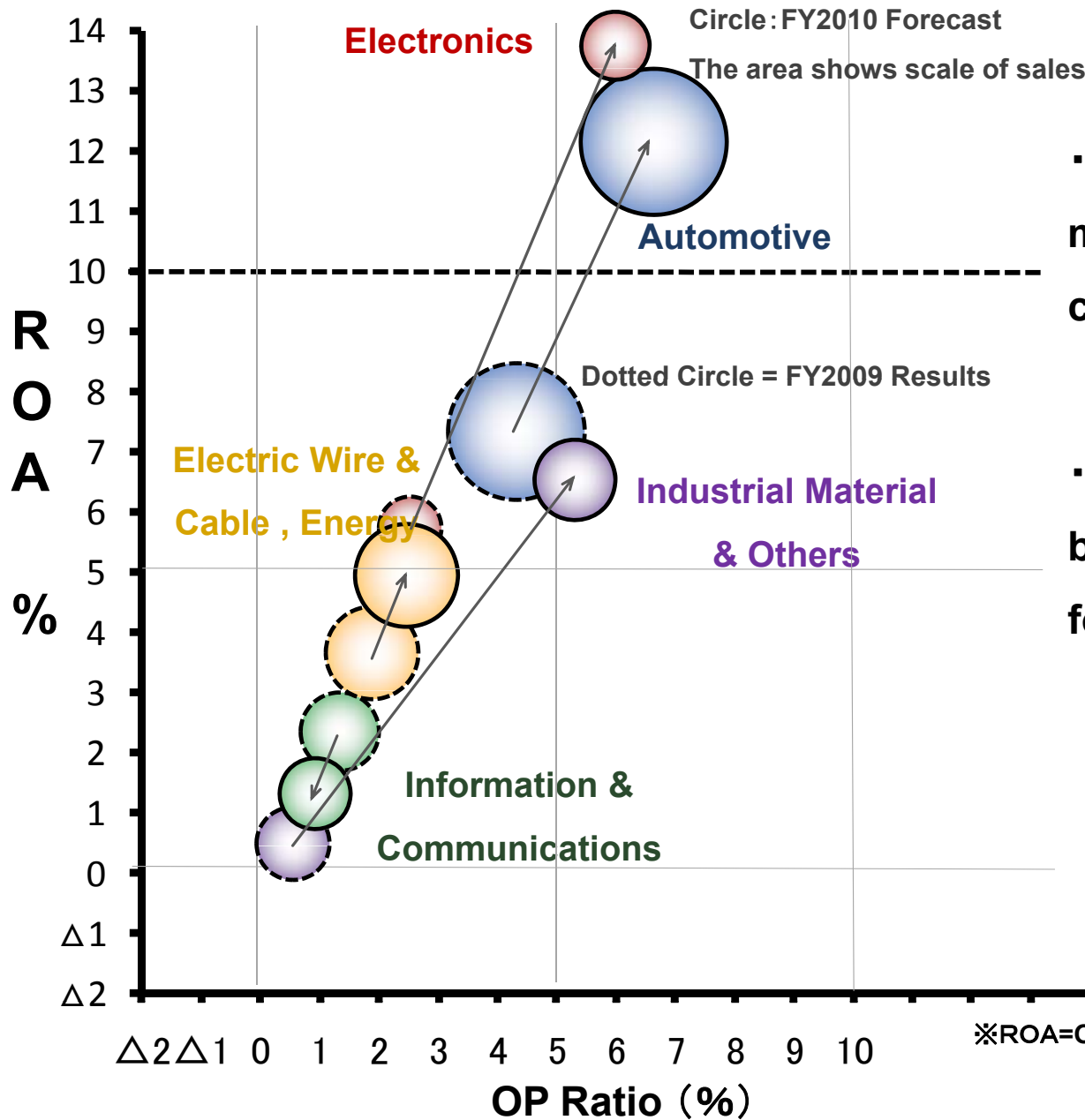
Although market forecasts vary depending on regions or segments, we take the best measures for each market condition and obtain ¥100bn of OP.

Unit: ¥Billion	FY 2010						Annual Plan①+②	
	1H Plan ①		[1H Actual]		2H Plan ②		Sales	OP
	※ Sales	OP	[Sales]	[OP]	Sales	OP		
Automotive	455.0	29.0	[468.9]	[32.7]	460.0	31.0	915.0	60.0
Information & Communication	115.0	(3)	[119.4]	[(1.5)]	105.0	5.0	220.0	2.0
Electronics	95.0	5.0	[86.0]	[3.9]	105.0	7.0	200.0	12.0
Electric Wire & Cable, Energy	210.0	3.0	[214.6]	[3.9]	245.0	8.0	455.0	11.0
Industrial Materials & Others	135.0	6.0	[133.1]	[7.0]	145.0	9.0	280.0	15.0
Eliminations	(35)	0.0	[(31.4)]	[0.0]	(35)	0.0	(70)	0.0
Total	975.0	40.0	[990.6]	[46.0]	1025.0	60.0	2000.0	100.0

※OP=Operating Profit (Loss)



FY2010 OP Ratio & ROA by Segments (※)



•Improvement of ROA is essential to mid-term growth. We take measures continuously to improve it.

•We aim to enhance not only OP ratio, but also ROA, by taking measures as follows.

- Reducing lead time
- Increasing yield ratio
- Improving inventory control

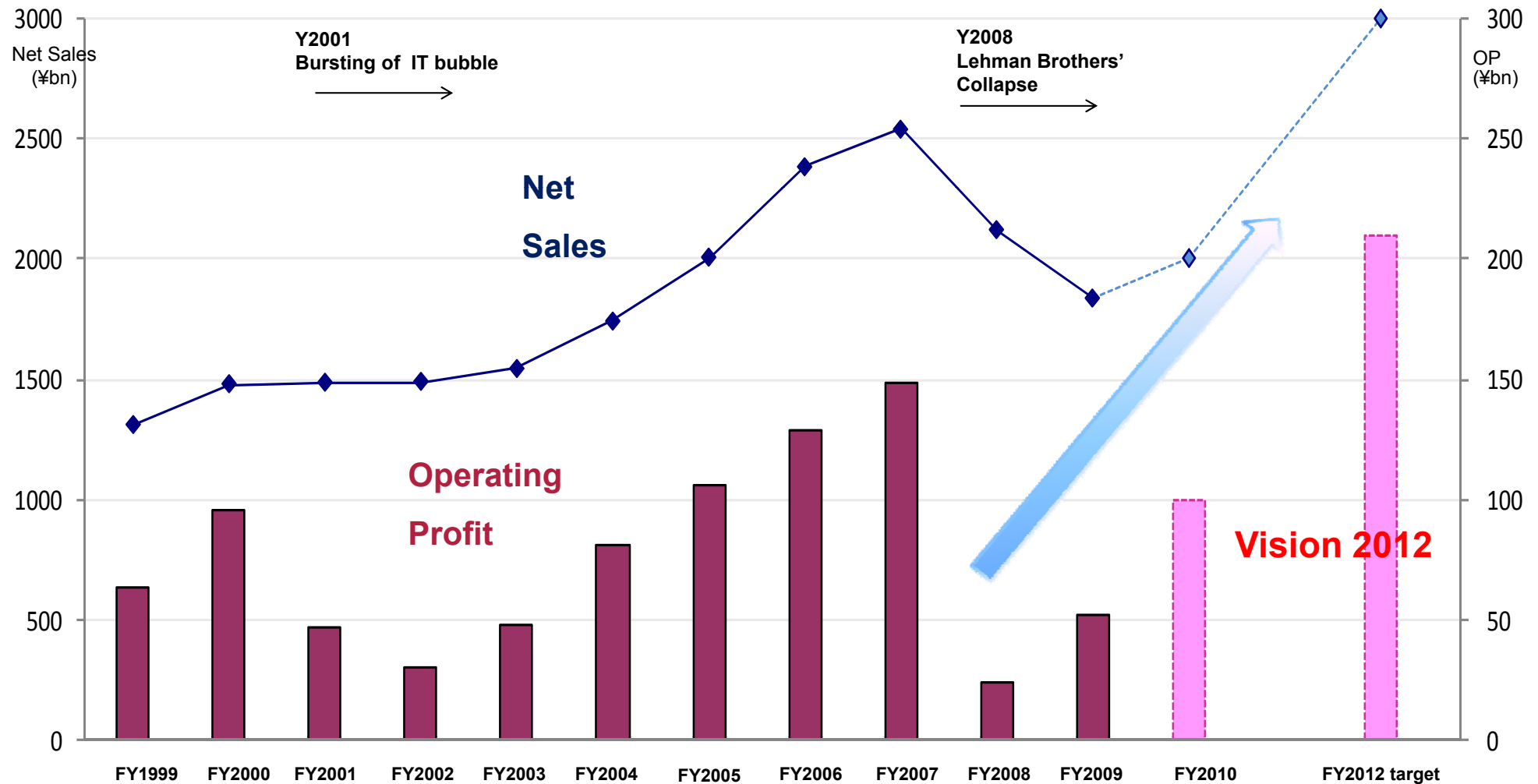
※ROA=Operating Profit/Average capital employed during FY.

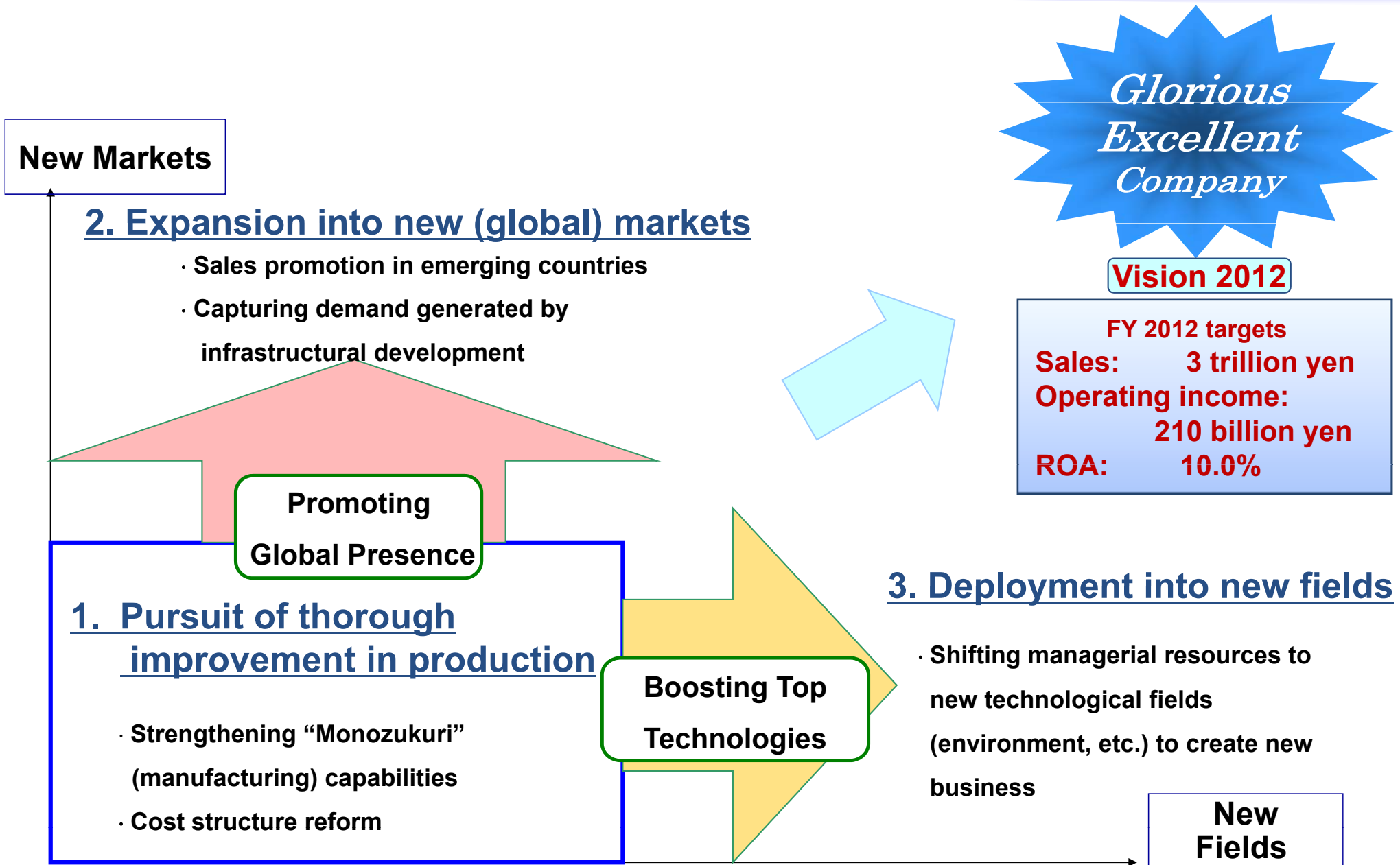


Realizing Vision 2012 (1) – Group performance evolution –

FY2010 1st Half Results

To achieve our medium-term business plan “Vision 2012” , we accelerate unremitting efforts to reinforce our business foundation and to start up new business.





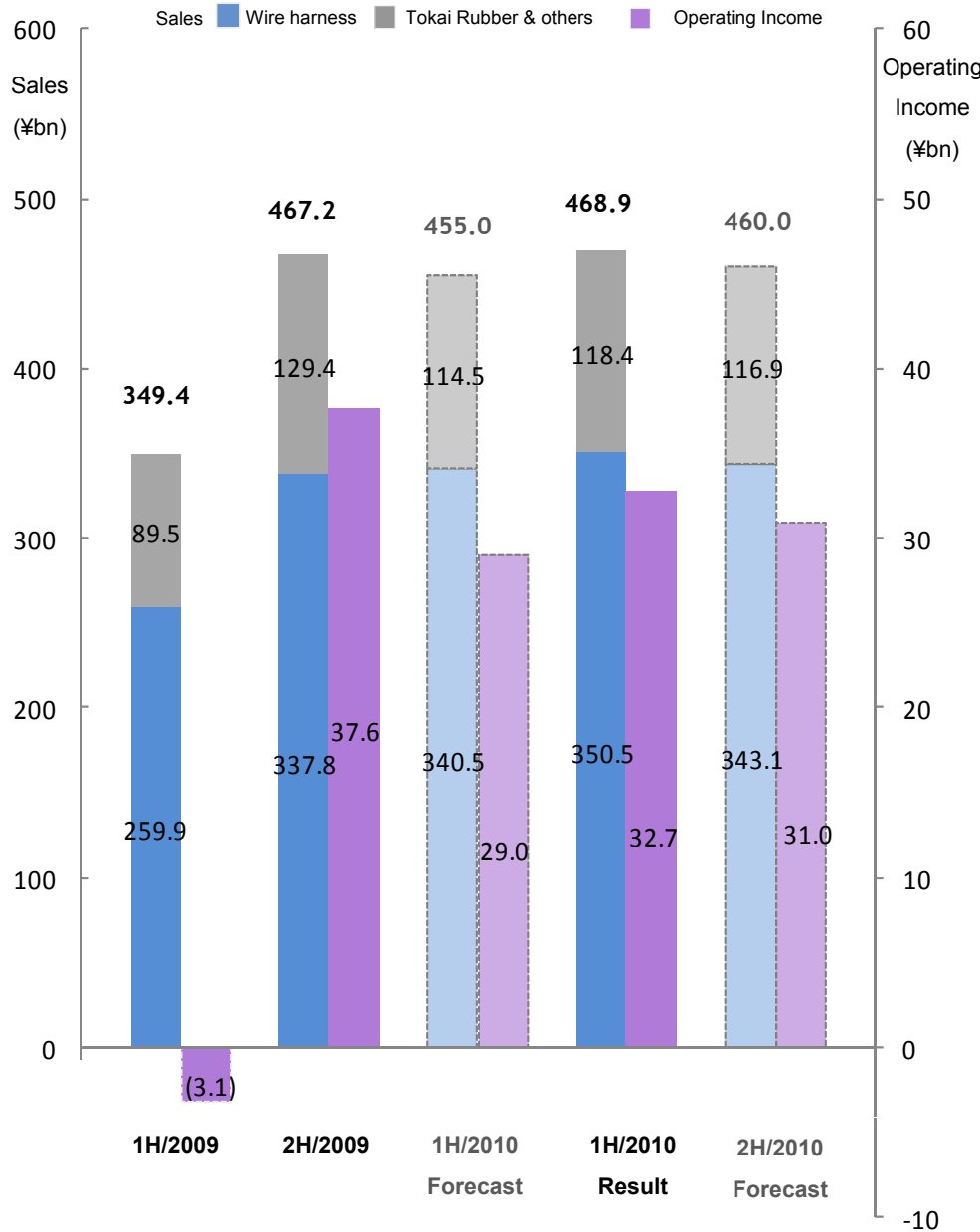
Activities: Automotive

FY2010 1st Half Results

Sales/Operating Profit (Loss)

Unit: ¥Billion

Main targets, Progress situation



Main targets

- ① 25% share of global WH market (FY2012).
 - Japanese car : significant share of major car lines and global strategic models.
 - Non-Japanese car : Enhanced R&D and sales network. Sales promotion in emerging markets.
- ② Global optimization of production bases and increase in productivity (inc. automation).
- ③ New products and technologies.
 - HEV/EV-related products
 - Wire harness for low-priced cars, Optical wire harness .

Progress and Future Measures

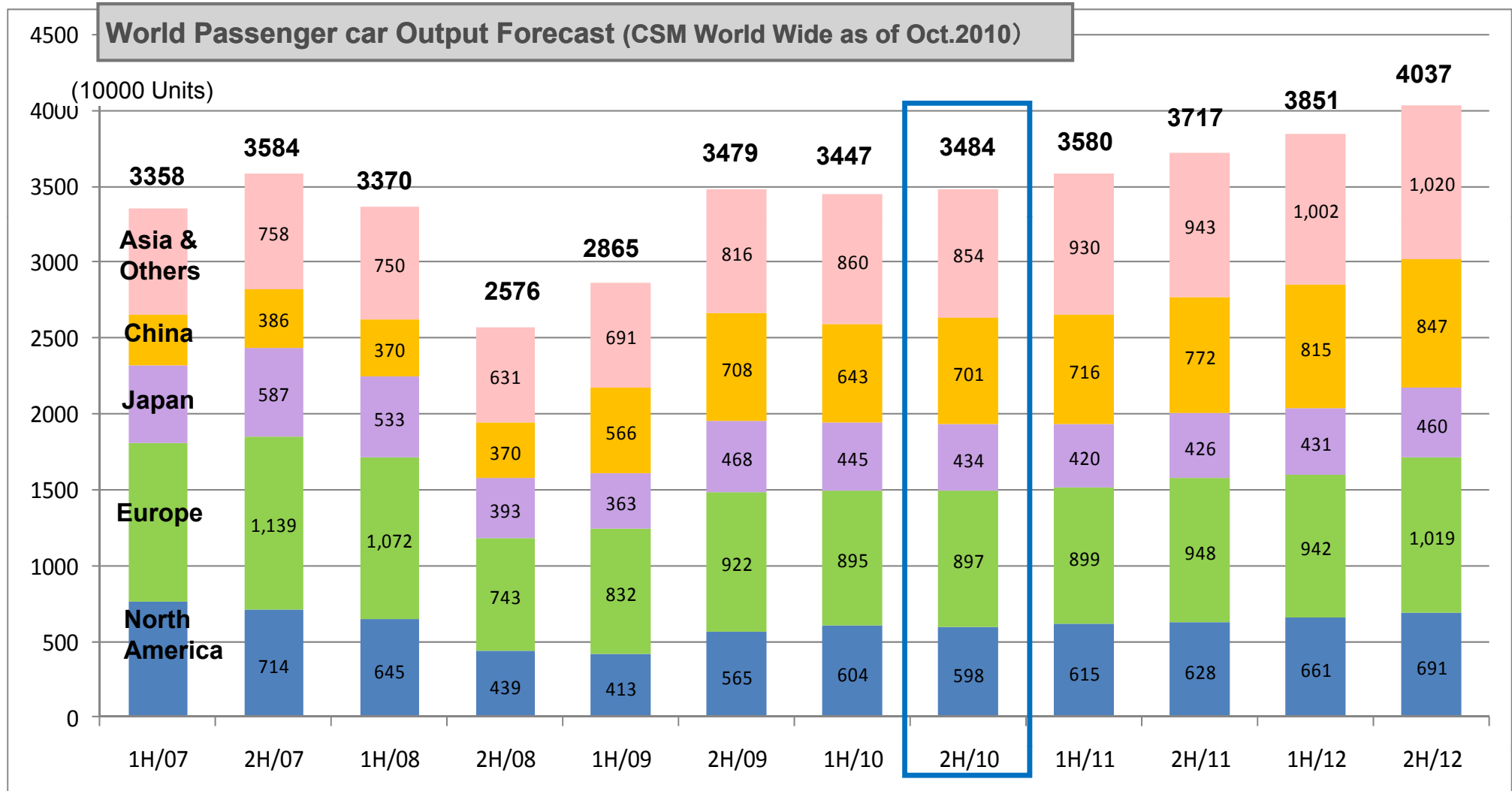
- For non-Japanese car makers
 - Established R&D and sales bases in Europe
 - Established sales bases in China
- Cost reduction
 - Production shifted to lower cost regions
 - Production bases for European market : Eastern Europe→North Africa,
for North American market : Mexico→ASEAN
- Inventory turnover (3/2009 64days⇒3/2010 48days)
- HEV-related products
- Aluminum Wire Harness (in 2H /2010)



World Automobile (Passenger cars) Output Forecast

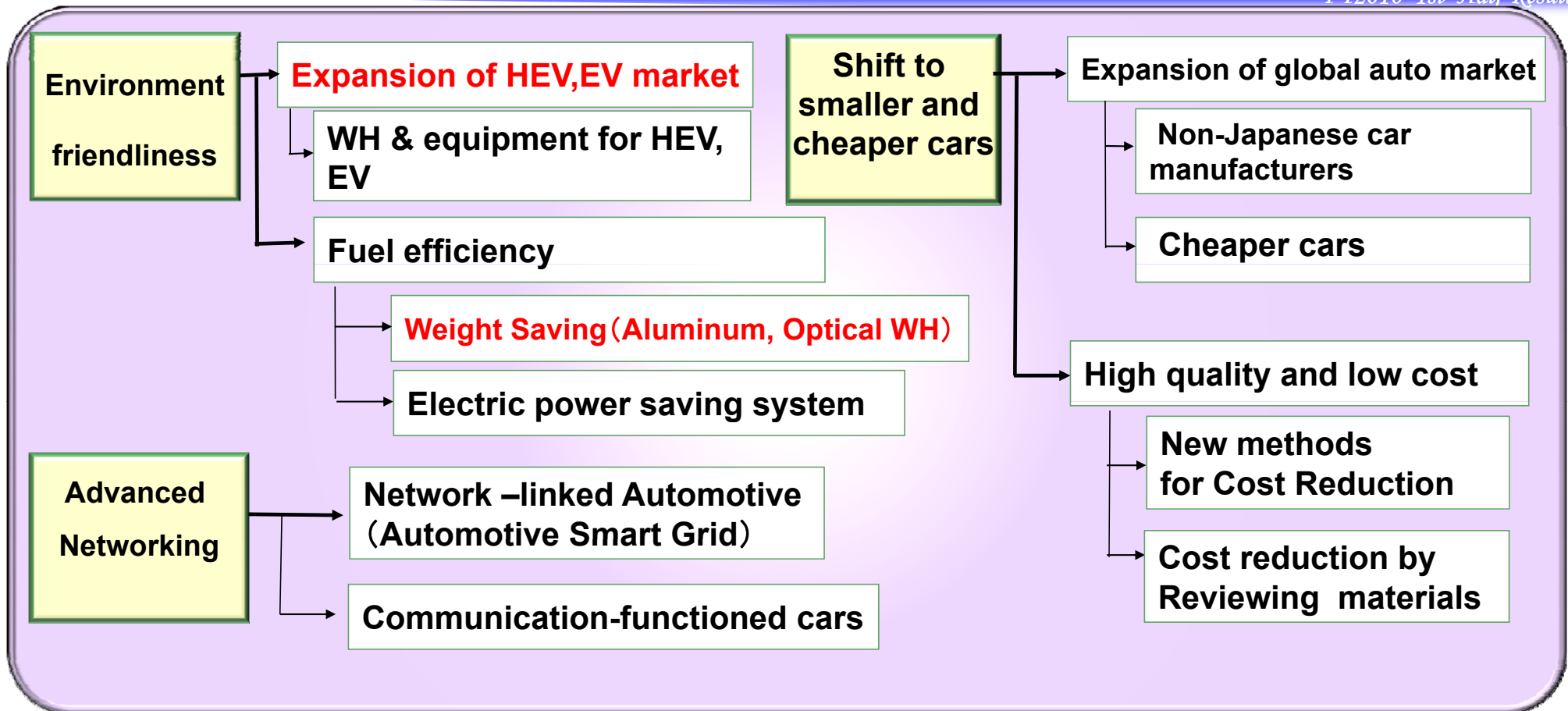
FY2010 1st Half Results

- ✓ Production volume recovered to FY2007 and FY2008 levels.
- ✓ 40million/half year expected in FY2012 due to the boom in emerging markets.
- ✓ While, low growth in Japan, North America and Europe.



Trends of Wiring Harness

FY2010 1st Half Results



These trends can be good opportunities to increase our global share. We concentrate managerial resources on R&D and accelerate it by making the best use of SEI group's wide-ranging technologies.



Activities for Cost Reduction of WH

FY2010 1st Half Results

Global optimization of production bases

Streamlining domestic production and building up of new production bases in China and ASEAN (for Japanese & North American markets), in Africa (for European market) to reduce cost.



Cost Reduction in overseas bases

【1H/2010】

Installed innovative machines and operations in some overseas production bases as pilot plants.



【2H/2010】

Started full-scale installation of items for cost reduction (fabricate, assembly, inspection , maintain) to many overseas production bases.

•Installed items as follows

Efficient operations

Cheaper automation machines

•Saving space & manpower

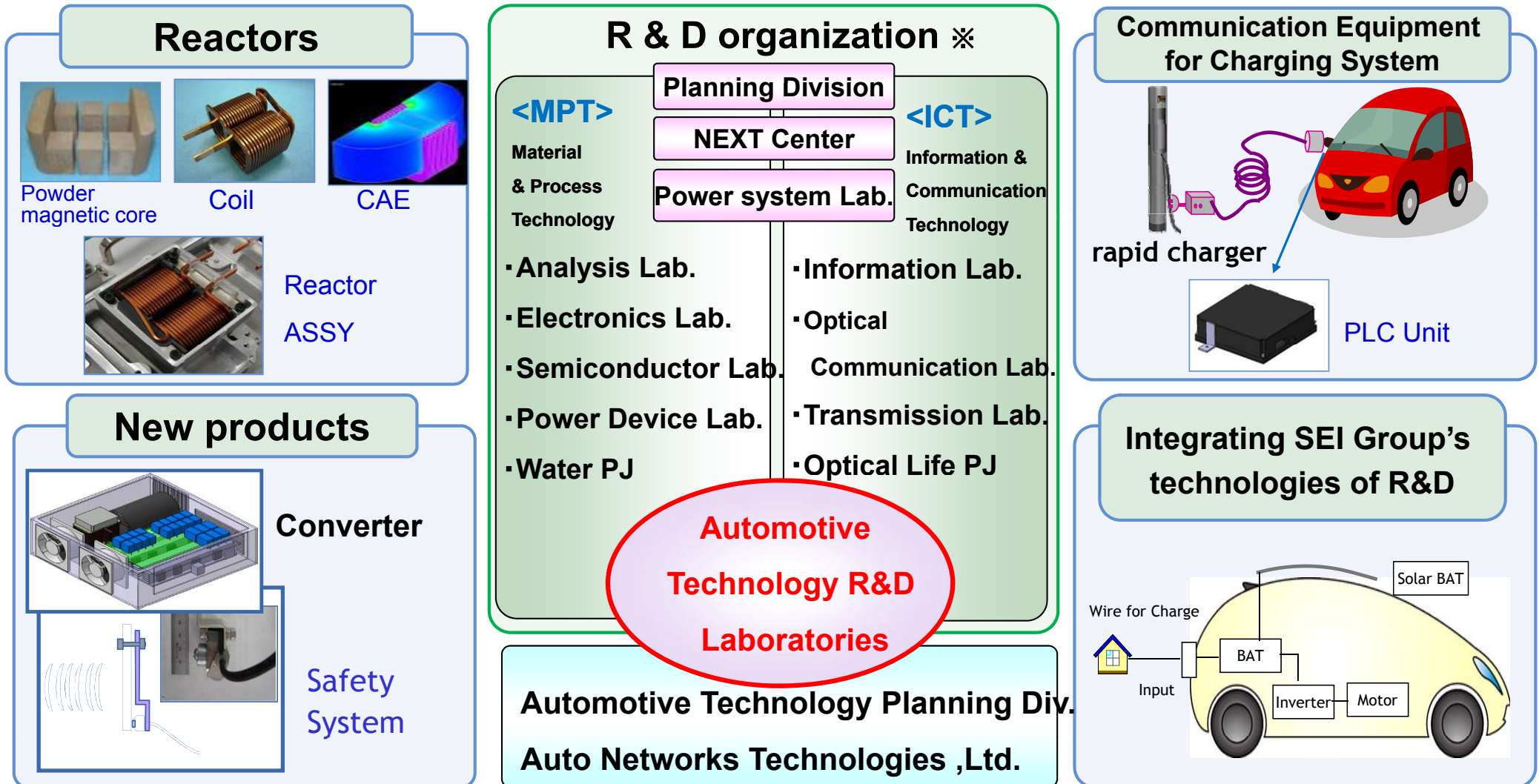
•Streamlining inspections

In addition, strengthening production technologies utilizing Japan bases as Mother Factories.

Enhanced Activities of R&D for Automotive

FY2010 1st Half Results

- ✓ **“Automotive Technology R&D Laboratories”** — a hub of the R&D network.
- ✓ Accelerated development of new products and technologies for automotive based on core technologies; Materials, Semiconductor Devices, Processing and IT.



※Some names of divisions or Laboratories are abbreviated.

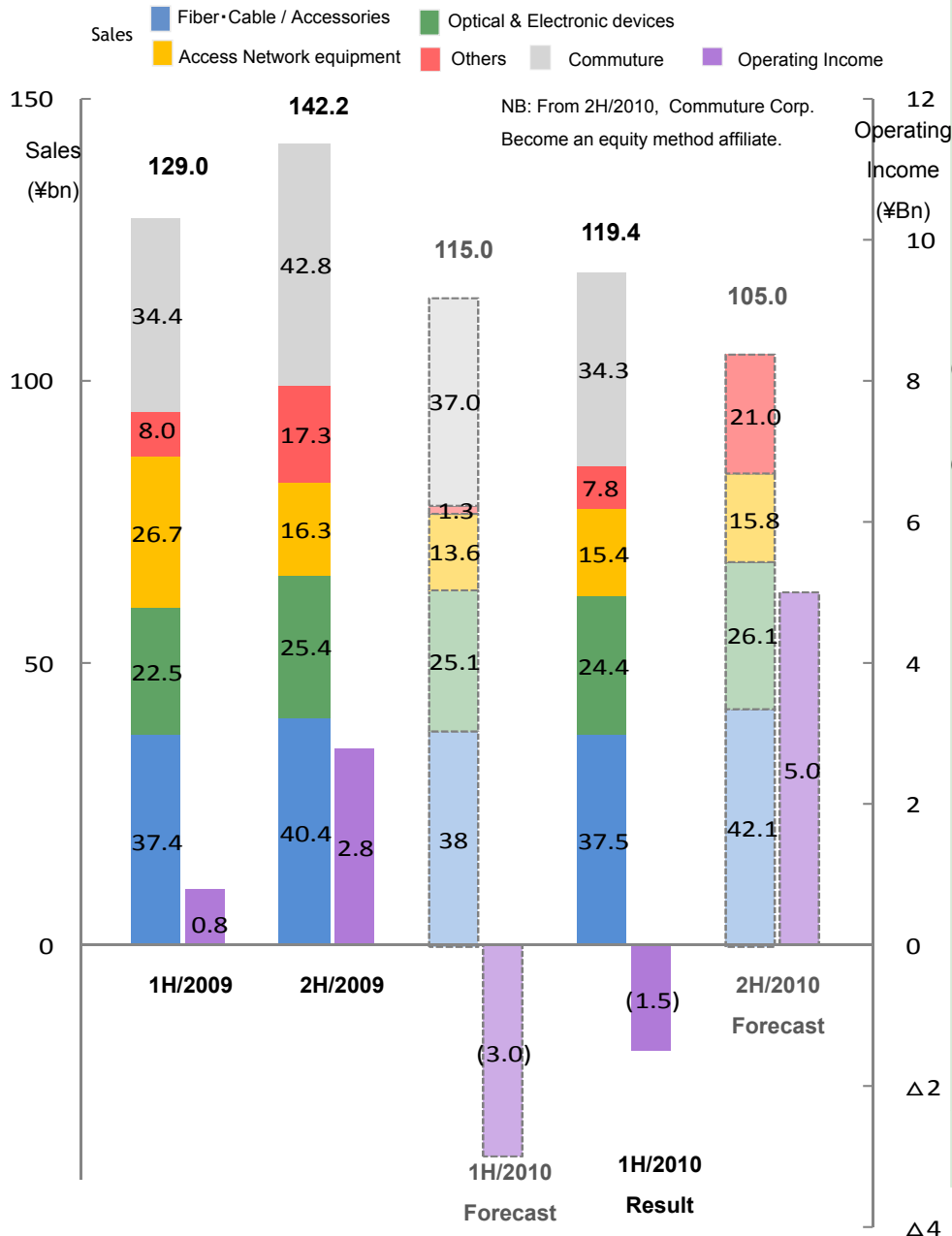


Activities : Information & Communications

FY2010 1st Half Results

Sales/Operating Profit (Loss) Unit: ¥Billion

Main targets, Progress situation



- ### Main targets
- ① Capture of growing demand for communications infrastructures in emerging markets.
 - ② Restructure of R&D and production bases corresponding to shrinking domestic market.
 - ③ Global optimization of production in response to strong yen.
 - ④ Development and sales promotion of high-speed optical communication devices.
 - ⑤ Development of new products such as GaN semiconductor devices for broadband wireless telecommunication equipment.
- ### Progress and Future Measures
- **Optical fiber/cable**
 - Alliance with Futong in China.
 - **Optical equipment**
 - JV for FTTx optical networking equipment with Nanjing Putian Telecommunications Co.,Ltd.
 - Merged Toyokuni Electric Cable Co.,Ltd. and Sumiden High Precision Co.,Ltd. into SEI Optifrontier Co.,Ltd..
 - **Optical & Electric devices**
 - 40/100Gbps optical devices
 - GaN-semiconductor devices for next-generation base station (for LTE).
 - **Commutere Corp.** ,shareholding ratio 54%→22% on Oct. 1st, 2010.

Streamlining Japanese Bases & Strengthening Overseas Activities

FY2010 1st Half Results

Market conditions

- Increasing oversea demand for communications infrastructures
- Decreasing domestic investment in optical products



Measures in Japan

- Streamlining manufacturing operations.
- Consolidation and Integration of production lines.

Activities in FY2010

• Optical Equipment

Toyokuni Electric Cable and Sumiden High Precision were merged into SEI Optifrontier (July.2010)

• Commutur

Through “Miraito-Holding Corporation”, Commutur, Daimei and Todentsu merged their operations. Commutur became an equity method affiliate. (Oct.2010)

Overseas measures



- To capture demand in emerging markets, SEI Group reinforce production capacity.

→ **Strengthening ties with local partners in China**

Activities in 2010

SEI-Nanjing Putian Optical Network

Began operation Aug.2010.

JV with Nanjing Putian

Telecommunications for FTTx optical networking equipment

Chengdu SEI-Futong Optical Cable

Started fiber drawing July.2010 in addition to cable manufacturing

Hangzhou SEI-Futong Optical Fiber

Began preform manufacturing Sep.2010

Tianjin SEI-Futong optical cable Co.,Ltd.

Beginning cabling within Y2010

SEI Optical Cable (Shenzhen)

Reinforced capabilities

- Cable manufacturing
- fiber drawing



Opening Ceremony in Sep.2010

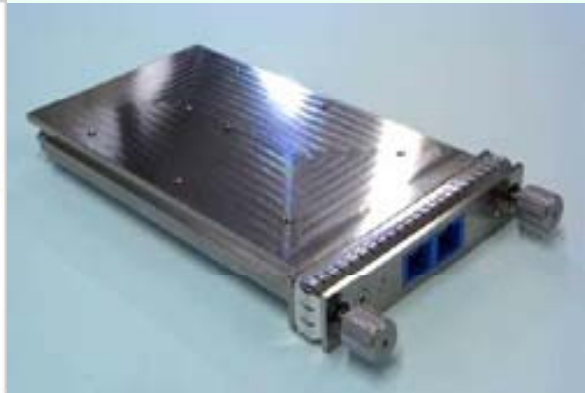


High-speed & large-capacity communications

Advanced communication & electric saving, contributing to building a broadband society .



Commercial production of high power "GaN HEMT" (Sep.2010)

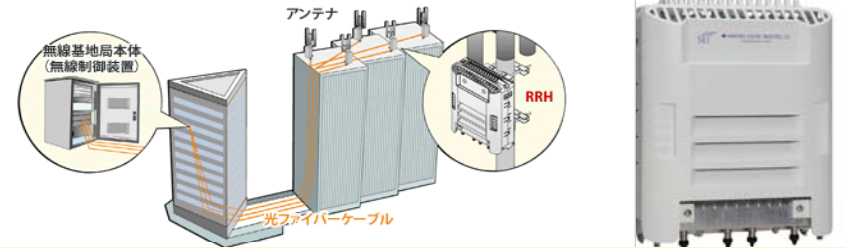


40GbE Optical Transceiver for 40Km transmission. (Sep.2010)



10Gbit/s XFP for 80 Km transmission corresponding to DWDM(July.2010)

Communication in any areas



Developed WiMAX Remote Radio Head(RRH) capable of transmitting and receiving up to 4 channels .



Optical transmission device for High Vision (Oct.2010)



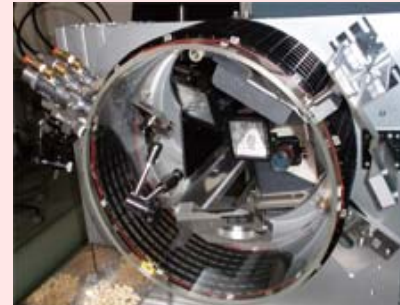
Lower attenuation single mode fiber capable of being bended at a 5mm radius.(Feb.2010)

Advanced optical technology to life science

Composition imaging system using near-infrared light "Compovision" (Aug.2010). This can create two-dimensional images of composition distribution in real time without destruction.



Microscope-type



Inline-type



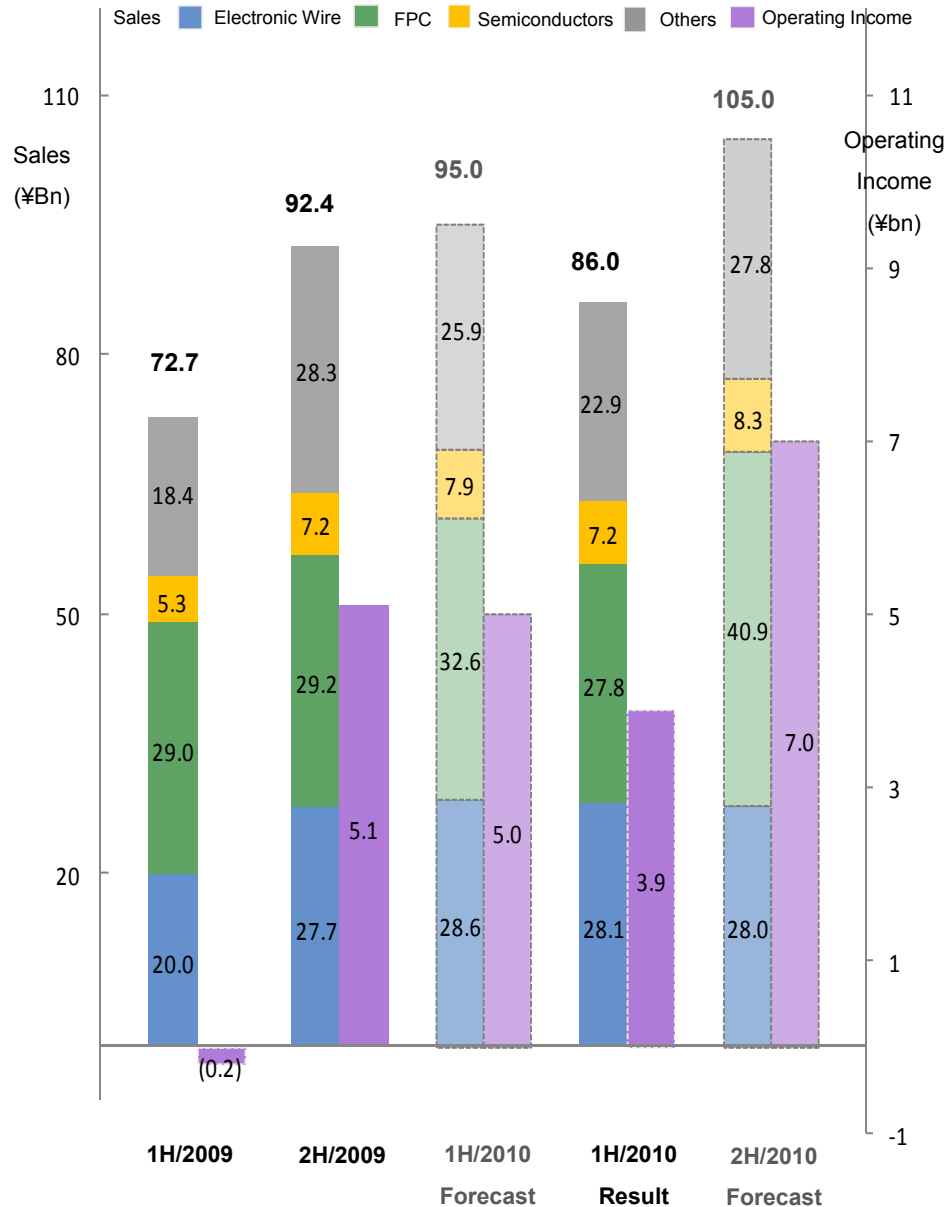
"MC3000" modems to create high-speed network by using existing community coaxial TV cable in building. (Nov. 2010).



Activities : Electronics

FY2010 1st Half Results

Sales /Operating profit (Loss) Unit: ¥Billion



Main targets, Progress situation

Main targets

- ① Sales promotion in growing area .
(cell phone, liquid crystal , storage devices, etc)
- ② Strengthening sales and production network in emerging markets.
- ③ Promoting sales of high-value -added products and reducing costs.
- ④ Launching new products and developing new technologies.

Progress and Future Measures

Electronic wires

- Tab-lead for Li-ion battery for Evs
- Halogen -free wire ,Flat cable for Chinese market

FPC

- Sales promotion for smart phones, HDDs
- Value-added products such as high-density IC mounting FPC and highly-modularized FPC
- Integrated production in China

Semiconductor

- Green lasers using GaN substrates
- GaAs substrates for cellular phones

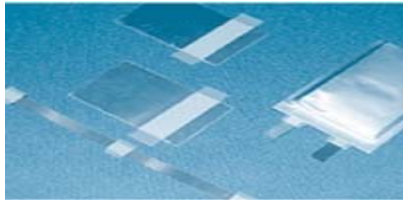
Others

- Superfine filtration membrane module
- ACF (Anisotropically-Conductive film), Nano metal powder paste

Major Challenges in Electronics

FY2010 1st Half Results

Development & sales promotion of new products



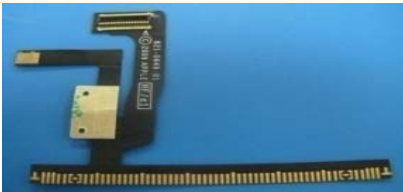
Tab-lead for Li-ion battery

For Li-ion battery of electric vehicles. The demand is expected to increase because Evs come to market.



Microfiltration Membrane Module

Strong and chemically resistant. Widely used in water purification plant in China and Taiwan.



FPC for touch panel

High-function and compactness achieved by high-density IC mounting. The demand is expanding due to Smart phones.



GaN substrate for green laser

The world's first pure green laser. Promote development to apply this laser to laser display & new applications.



Magnesium Alloy

Due to superiority in strength and corrosion resistance, expected to be used for mobile products & in many fields.



Optical/Coaxial combined wire

Promoting sales for CCD utilizing the advantage of high-speed transmission. Prepared for high-volume production

Global optimization of production



Sumitomo Electric Interconnect Products(Shenzhen) Limited

- the largest base of SEI in China
- approx. 10000 employees
- Sales of FY2011= approx. ¥60bn
FY2012= approx. ¥68bn
- Expanded sales to Chinese market.
(Started Yuan-based transaction)

- Strengthening production capacity for Vision 2012
- Sales promotion to local customers
- Cost reduction



- Built the new factory by ¥3billion
- Captured demand for electronic parts mainly for smart phones in China.
- Started integrated production of FPC in China
- Shifted Electronic wire production partially to China.
- Further steps are under consideration as follows.

Further Investment in China

Promotion of export from China to ASEAN

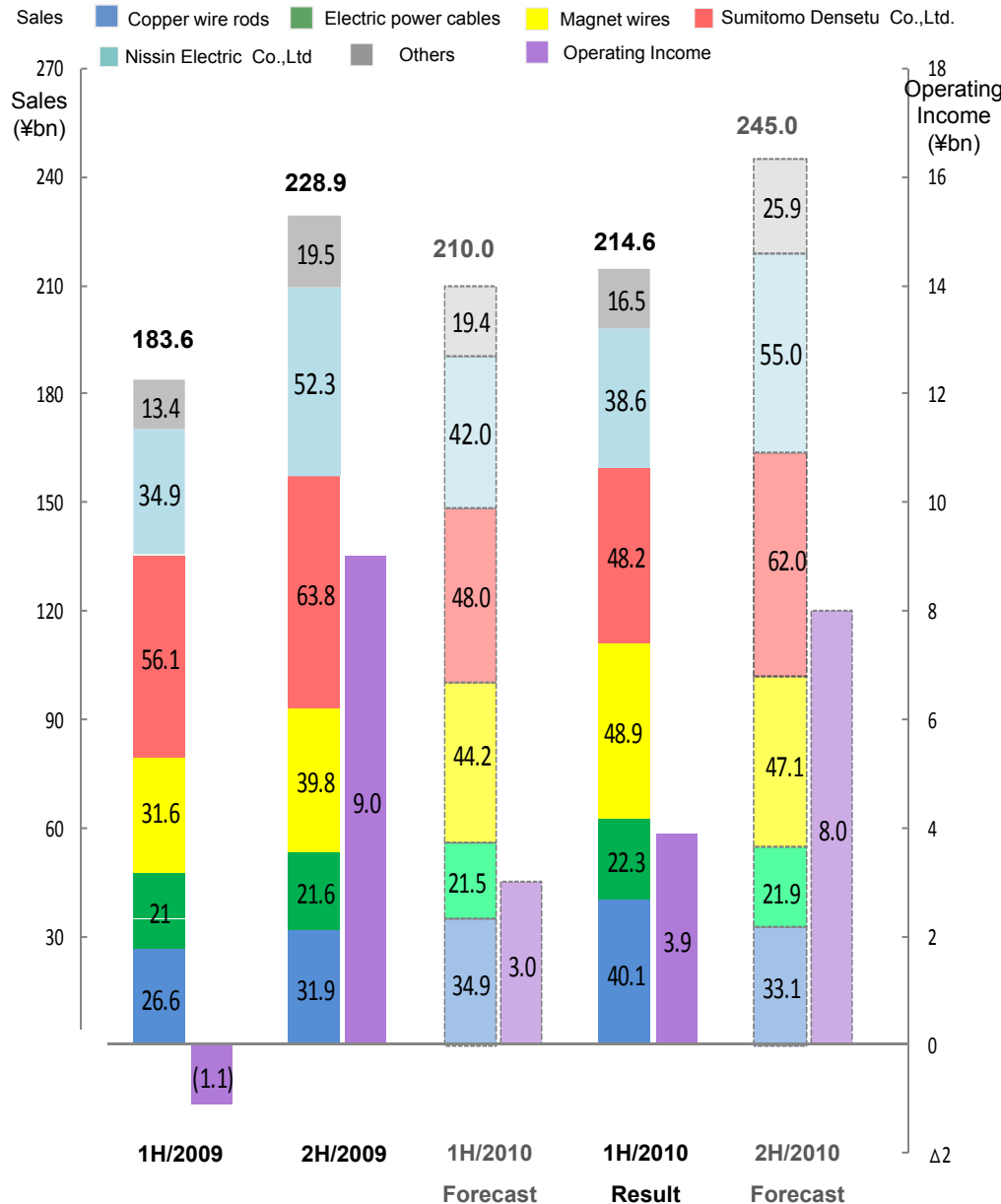


Activities : Electric Wire, Cables and Energy

FY2010 1st Half Results

Sales/Operating Profit (Loss)

Unit:¥Billion



Main targets, Progress situation

Main targets

- (1) Further structural reforms in mature business areas and thorough reduction of costs.
- (2) Capturing demand for infrastructures such as energy and railway in overseas and emerging markets.
- (3) Developing products for automobile and electric fields.
- (4) Exploring new business opportunities in environment, energy and resource-conservation fields.

Progress and Future Measures

Magnet wire

- Quality improvement for HEVs and EVs.
- Thorough cost reduction.

Others

- Electricity infrastructures in Asia and Middle-East
- Globalization of production bases of high & middle-voltage electric cables.
- Air cushions and trolley wire in response to increasing railway infrastructure demand .
- R&D and commercialization of superconducting cables and apparatus.
- Recyclable energy (solar, wind, etc.) and electric-efficient infrastructure .

Overseas Activities

Market conditions

- Domestic construction markets remain stagnant.
- Increasing overseas demand with tougher competition



- Capturing overseas demand for infrastructures
- Promoting sales in emerging markets
- Cost reduction utilizing overseas bases

J-Power Systems Saudi Arabia Co.,Ltd

- Mid-voltage submarine cables
- Begin operation in Y2011

Finolex J-Power Systems Private Limited.

- High-voltage CV cables
- Begin operation in Y2011



DCCV Cable

Demand for Railways

Promotion of sales utilizing production bases in China (Air Cushion=Changzhou, Trolley =Yantai)



Air Cushion

Trolley Wire

Growing Market

Overhead Power Line

Export for China and India



Invar Wire

Demand for electricity infrastructure

- Establishing new cable production bases in India and Saudi Arabia (JPS)
- Capturing electric power projects in Asia
- Accelerate R&D in coalition with Power System lab., Nissin Electric Co., and Meidensha Co..

Demand for WR

- Capturing Asian demand for WR not only in electricity infrastructure field but in Auto & Electronics fields, utilizing an Indonesian production base (KSI)



Meeting changing needs in the areas of energy, resources and environment.

Electric power transmission

Environment-friendly products



↑ DCCV cable
(JPS)



←
Power Conditioner
for solar power
generation system

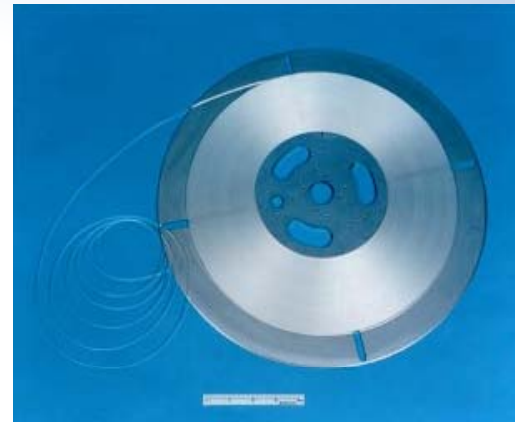
(Nissin Electric
Co.,Ltd)

Solar power generation system
design and installation

⇒(Nissin Electric, Co.,Ltd.
Sumitomo Densetsu Co.,Ltd.)



High-temperature superconducting cable



Bismuth-based superconducting wire



High-temperature
superconducting
cable

<Merit >

- 50% reduction of loss compared with Cu cable
- 200 times current density compared with Cu
- Reducing construction cost drastically
by much smaller cable size

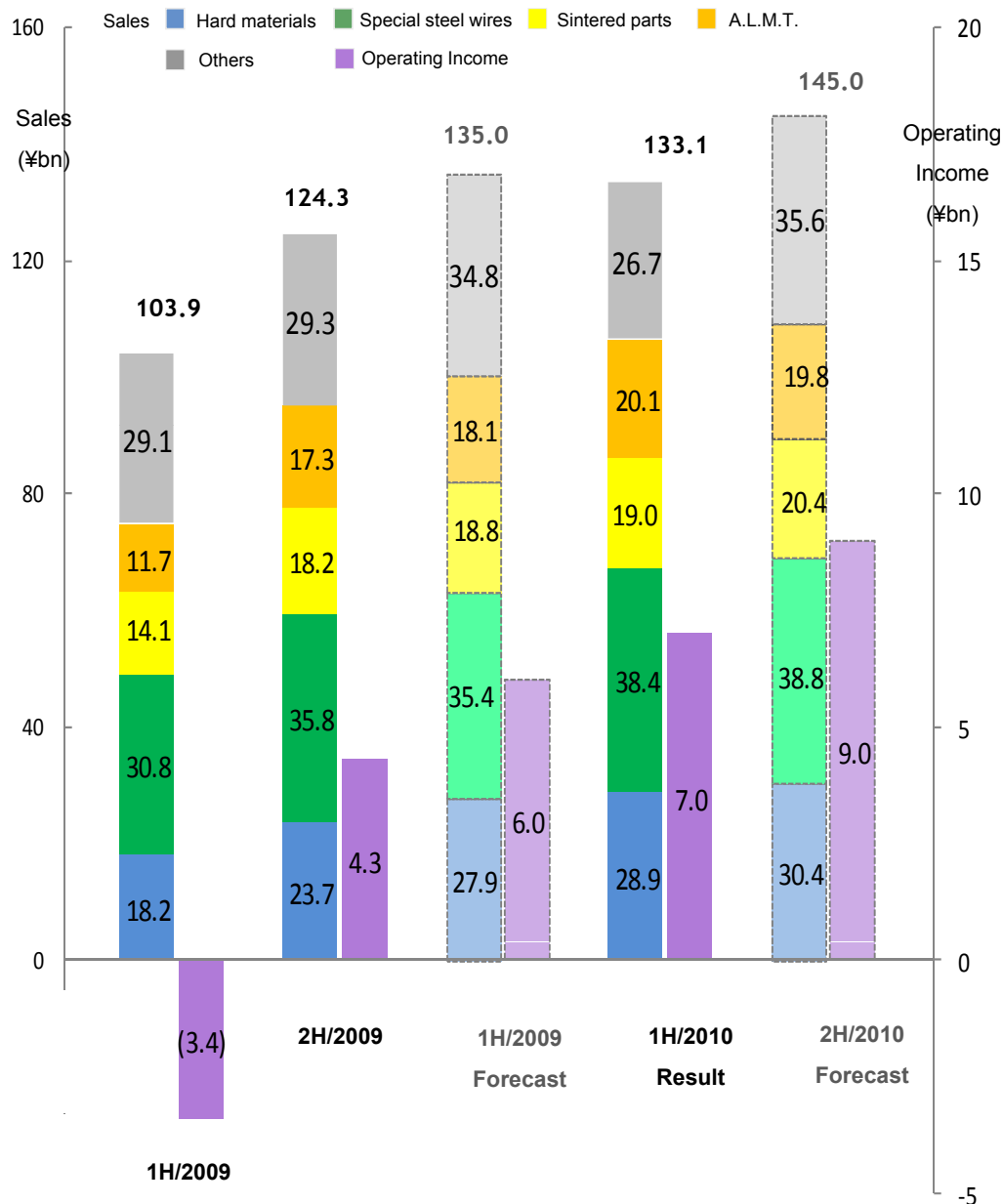
Besides joining demonstration projects in Japan
(Tokyo Electric Power Company, Chubu Univ., etc),
supplied materials to oversea experiments.
(ex. Russia.)



Activities : Industrial Materials

FY2010 1st Half Results

Sales/Operating Profit (Loss) Unit: ¥Billion



Main targets, Progress situation

Main targets

- (1) Increasing overseas market share and structuring global manufacturing network.
- (2) Strengthening core technologies (development of new materials, product and processing technologies etc.) and pursuing further differentiation.
- (3) Developing products for aviation, energy and other non-automotive sectors.
- (4) Ensuring stable supply of tungsten and other raw materials and developing recycling technologies.

Progress and Future Measures

Special steel wires

- Overseas production of steel cords for radial tires .
- Saw wires for processing solar cells.

Hard metal

- Sales promotion in emerging markets.
Establishing more branches in China (Dalian, etc)
- Sales promotion in aviation, energy, railways and other non-automotive sectors.

A.L.M.T.

- Precision wire saw and heat sinks for cellular towers.

Sintered parts

- Increase in production capacity in China
- Environment-friendly products (VVT, CVT, etc.)



Global Sales and Production Networks for Hard Metal

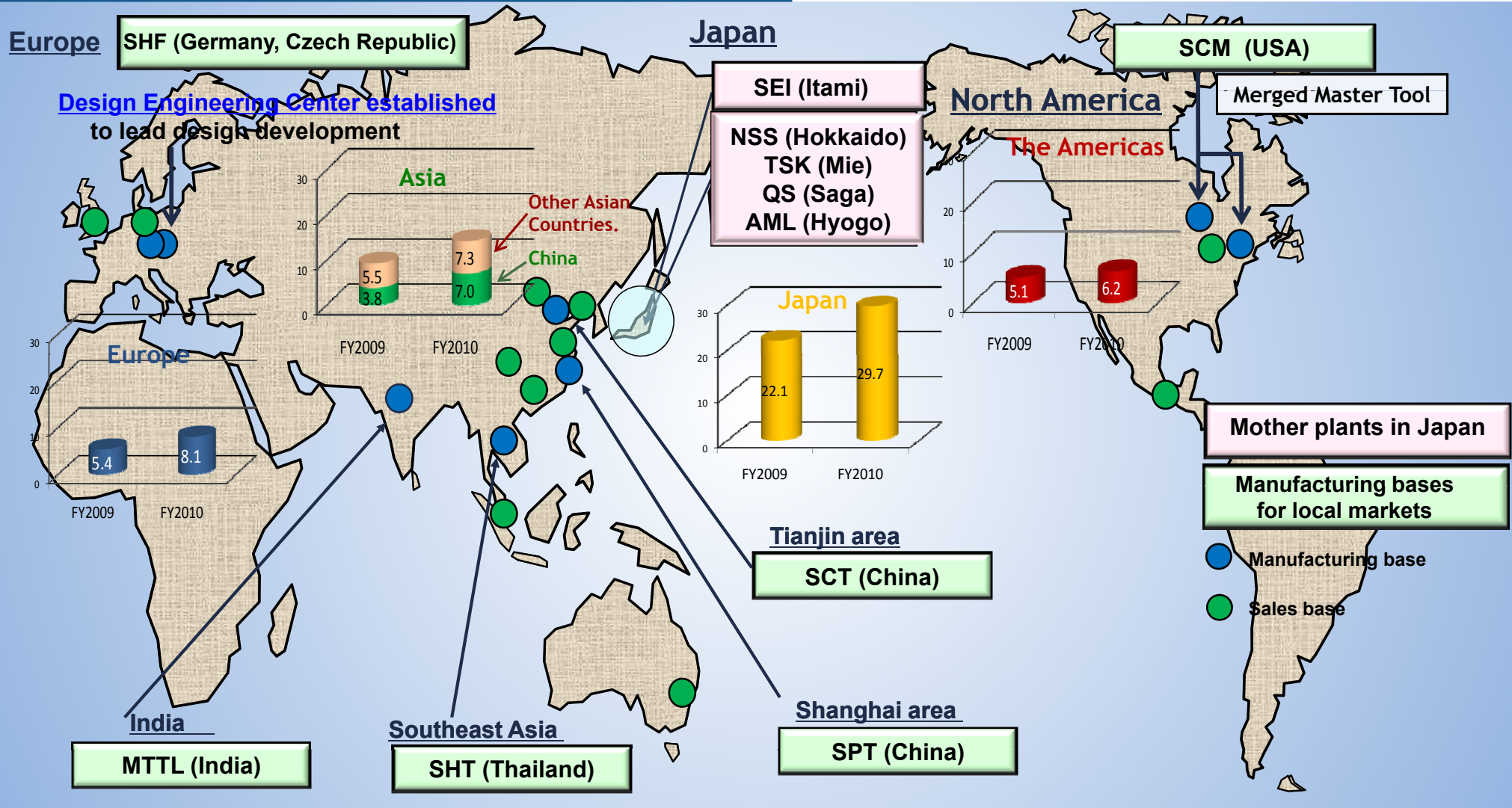
FY2010 1st Half Results

• Establishment of sales branches in emerging countries and more **production bases in China.**

• **Further promotion of material recycling** for resource conservation and cost reduction.

Hard metal global production bases (as of Oct. 2010)

Bar graphs show regional sales (¥bn/FY)





Abrasion- & defect-resistant cutting tool



"Ace-coat AC810P" ; long service life and efficiency in turning process.



"T1500A" realizing smoother finished surface by fine-grain-size control.

Cutoff tools for new fields such as solar energy generator



Bonded abrasive type

Saw wires

Currently Saw wire is used widely for cutting silicon ingot. We have a plan to establish a new production base to capture Asian demand .

PWS (Precision wire saw)

Environment-friendly and highly durable. The demand is expected to increase in the fields of cutting sapphire substrate for LED and silicon ingot for solar energy generator.



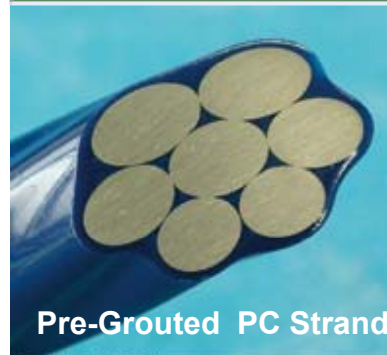
Loose abrasive type

High-functional Prestressed Materials realizing shortening work periods and excellent durability.

Molybdenous products used widely in the field of electronics and Information & Communication.



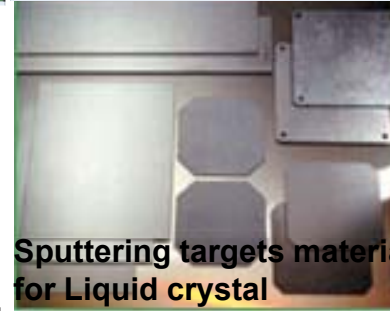
"Super Multi Drill HGS" realizing efficient and precise drilling



Pre-Grouted PC Strand



Epoxy-Coated PC Strand



Sputtering targets materials for Liquid crystal



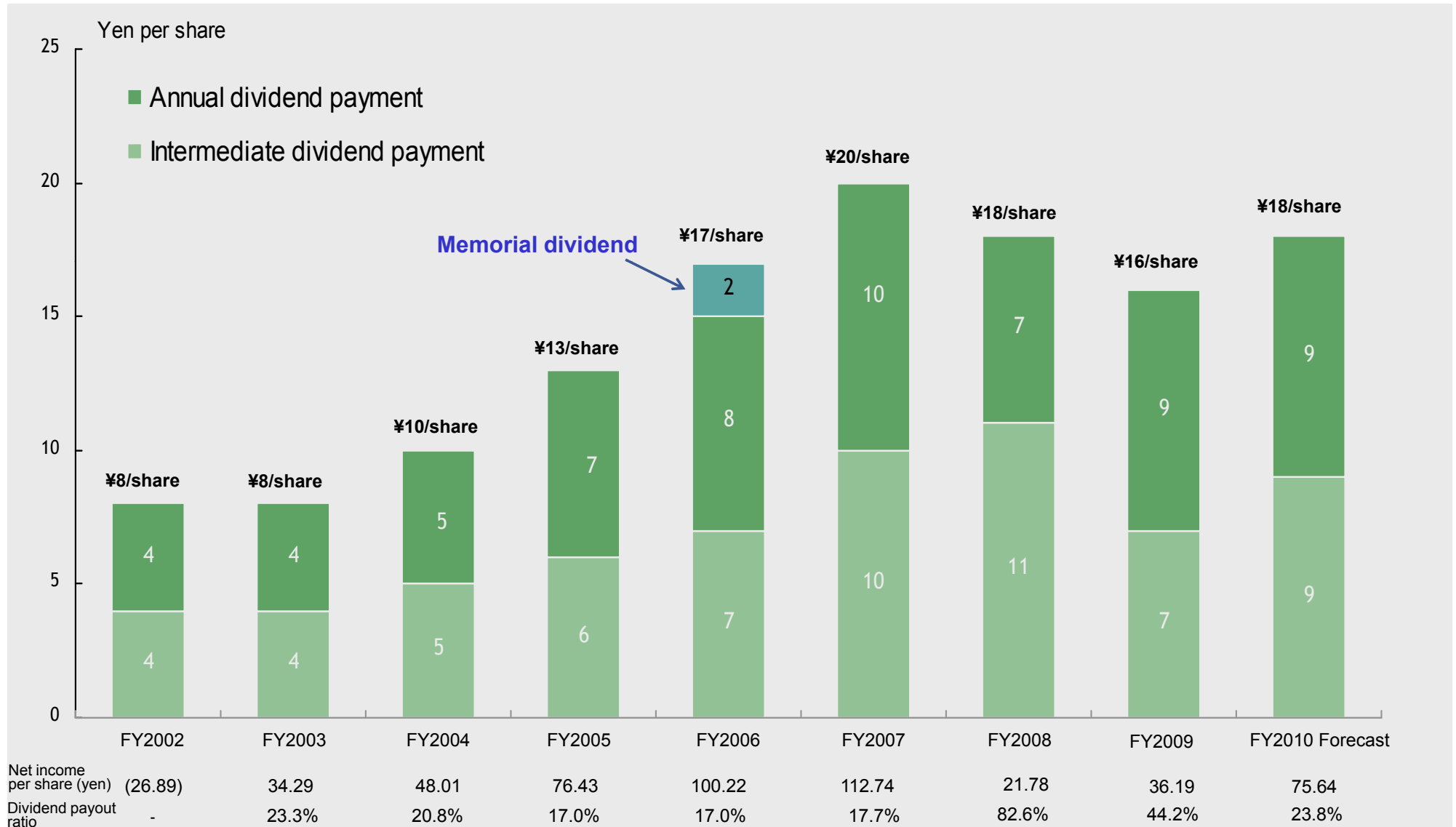
Heat sink



Return to Shareholders: Dividend Amount & Payout Ratio

FY2010 1st Half Results

In FY2010: Interim dividend is ¥9 / share. Year total dividend is planned to be ¥18 / share.





SEI Group Corporate Social Responsibility (CSR) Activities

FY2010 1st Half Results

What SEI wants to be.



SEI Group's CSR basic policy

The Sumitomo Spirit and the SEI Group Corporate Principles serve as the basic value standards.
 Our CSR basic policy is to contribute to society through business operations in line with compliance regulations.

⇒ Realizing “Glorious Excellent Company”

Activities (FY2010)

1. Activities of “the SEI Group CSR Foundation”
 Monetary contribution to Universities, Scholarship, etc.
2. Established “CSR Procurement Guide-line” in July 2010
 Promoted “CSR procurement” with suppliers through activities based on 9 guidelines such as preservation of the Global environment.
3. Started “Action ECO-21(Phase IV)”(FY2010~FY2012)
 Started 4th Phase activities to stop global warming. Besides in office and factory, recommend employees to reduce CO2 in their houses (ECO Life Activities), aiming to reduce total 5000t CO2 from FY2007.
4. Support for post-disaster restoration
 Group-wide donation for earthquake victims in Haiti and Qinghai Province, China.



Appendix



New Mid-term Management Plan "Vision 2012"

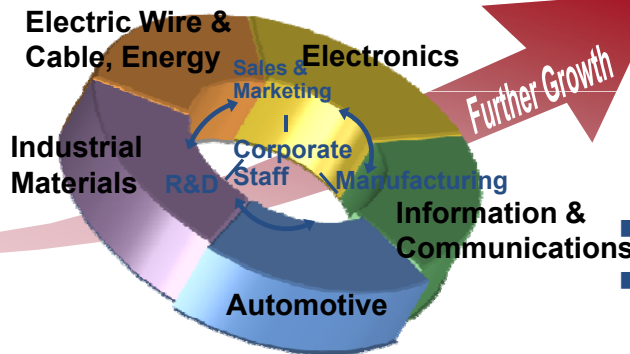
- Leaping forward to become a Glorious Excellent company

FY2010 1st Half Results

Glorious Excellent Company

"VISION 2007"
(First 5-year plan)
 FY 2007 targets (initial)
 Sales: ¥2,000 bn
 Operating income: ¥120 bn
 ROA: 8.0%
"Gearing up for growth"

Portfolio: 5 business segments



"VISION 2012"
(Second 5-year plan)
 FY2012 targets
 Sales: ¥3,000 bn
 Operating income: ¥210 bn
 ROA: 10.0%
"Strengthening strategies"

- Developing a profit-oriented growth portfolio
- Bolstering our business structure based on full implementation of capital and financial strategies
- Optimizing group global management

Raising Our Global Presence

- Expand overseas operations (manufacturing, R&D, sales, logistics).
- Create corporate alliances and expand business in a strategic manner.

Growth Strategies

Global Top 3 Targets

- Withdrawal from underperforming non-core businesses and focus on core businesses.
- Achieving global Top 3 status in sales, technology and profitability.

Strengthening Our Leading Technologies

- Being a global top competitor in "QCDD" (quality, cost, delivery and development).
- Exploiting intellectual properties (IP).

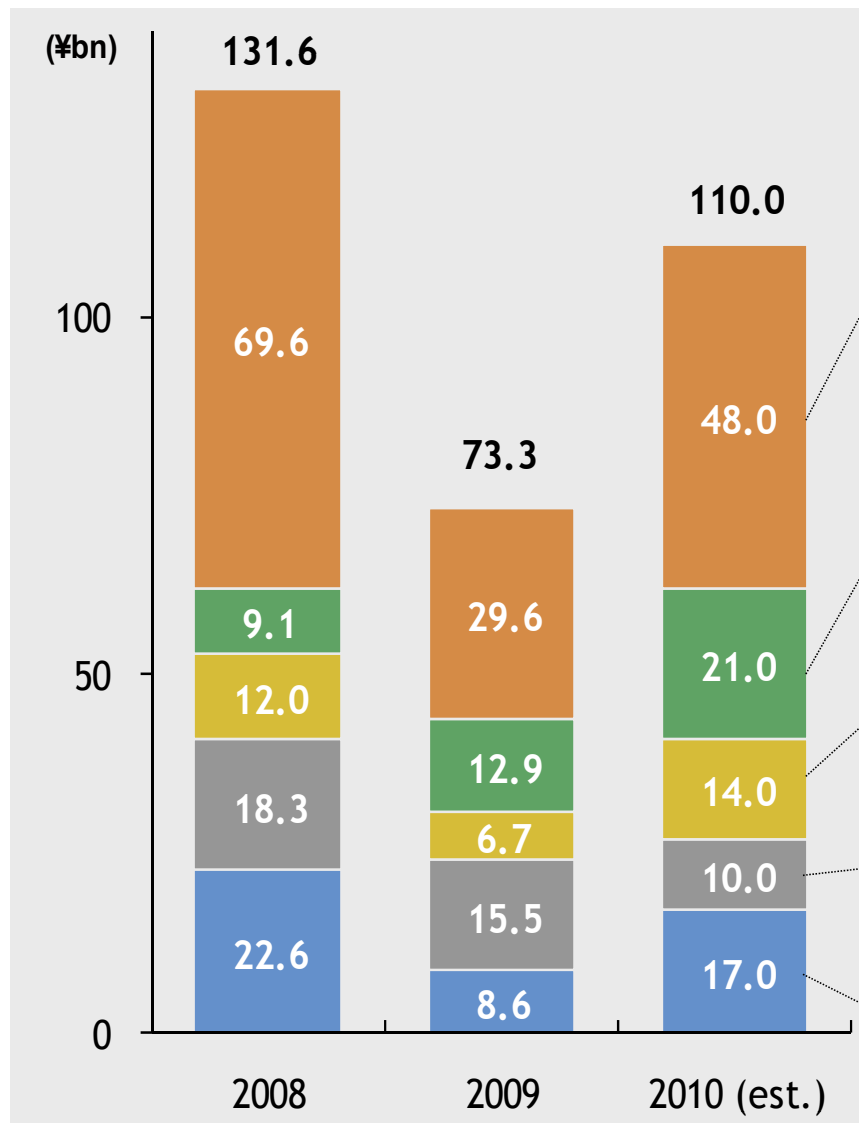
Human resources development (SEI University)

- Sumitomo Business Spirit
- Sumitomo Electric Group Corporate Principles

Prioritized Investments into Growing Areas: Capital Expenditures

FY2010 1st Half Results

• Capital expenditures



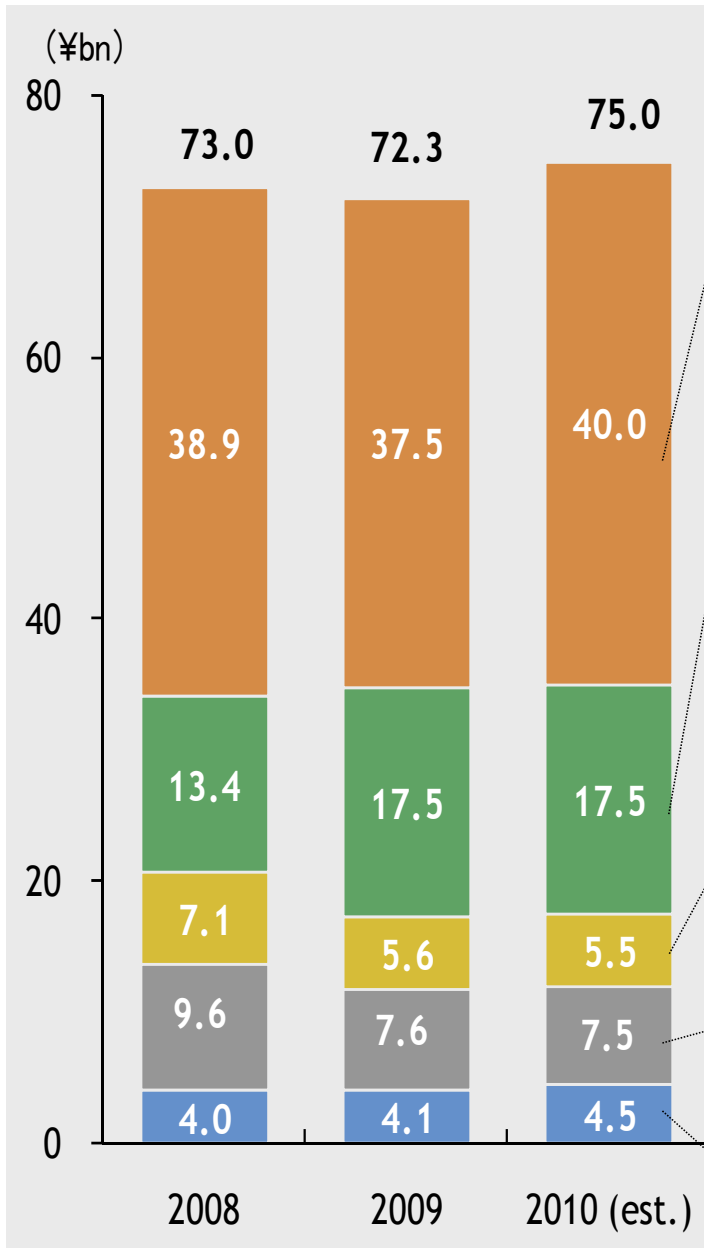
Segments	Main targets
Automotive	Wiring Harnesses <ul style="list-style-type: none"> Increasing capacity for new orders. Rationalization investments. Enhancing capacity in ASEAN& China. Tokai Rubber <ul style="list-style-type: none"> Strengthening overseas production bases. Increasing capacity for new orders.
Information & Communications	<ul style="list-style-type: none"> Increasing capacity in response to expanding demand for optical fiber in China. Increasing capacity of optical/electron devices. Rationalization investments.
Electronics	<ul style="list-style-type: none"> Increasing overseas capacity of FPC and Electronic Wire. Rationalization investments.
Electric Wire & Cable, Energy	<ul style="list-style-type: none"> Nissin Electric Co., Ltd. Developing business in China Increasing capacity for new orders Rationalization investments.
Industrial Materials	<ul style="list-style-type: none"> Increasing capacity of <ul style="list-style-type: none"> Special steel wire in China and Japan. Hard metal & Diamond tools. Rationalization investments.



Prioritized Investments into Growing Areas: R&D Expenses

FY2010 1st Half Results

• R&D expenses



Segments	Market	Main targets
Automotive	<ul style="list-style-type: none"> Ecology & Environment (HEVs/EVs) saving weight Safety (sensors, cameras) Computerization 	<ul style="list-style-type: none"> High-voltage harnesses Thin-diameter (Cu-SUS) harnesses Reactors for HEVs/EVs Electric control units Power distributors
Information & Communications	<ul style="list-style-type: none"> Higher backbone network capacity Expanded FTTH/wireless access Integration of communications and broadcasting Development of new products for NGN and Green IT 	<ul style="list-style-type: none"> High-speed optical links/modules. Specially functional optical fiber Optical wiring for Information equipment High power optical applications Optical access equipment, Wireless access equipment IP terminal equipment Image distribution equipment Power-saving technologies ITS wireless communication equipment
Electronics	<ul style="list-style-type: none"> Downsized, high density. Demand for power devices increasing. Saving-weight High performance SPE 	<ul style="list-style-type: none"> High-performance FPCs High-density mounted parts/materials, Lithium batteries, GaN/SiC/AlN Magnesium alloys
Electric Wire & Cable, Energy	<ul style="list-style-type: none"> Energy saving Ecology & Environment 	<ul style="list-style-type: none"> High-temp. superconducting wires, cables, coils
Industrial Materials	<ul style="list-style-type: none"> High-precision machining Scarcity of rare materials 	<ul style="list-style-type: none"> High-performance carbide Soft magnetic materials components Nano-polycrystalline diamond tools Research for tungsten recycling



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1. Market and economic conditions in the United States, Europe, Japan and other Asian countries, especially increases or decreases in personal consumption and capital expenditures.
2. Fluctuations of currency exchange rates, especially between Japanese yen and U.S. dollar, Euro and Asian currencies.
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4. Changes in financial, managerial, environmental and other assumptions.
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