

MAY, 2007



NEW MID-TERM PLAN  
"12VISION" - TO REALIZE A GLORIOUS EXCELLENT COMPANY

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President

STRICTLY PRIVATE AND CONFIDENTIAL

# FY2006 Consolidated results

Achieved historical high in sales, operating income, ordinary income and net income for 2 consecutive years

	(¥bn)	FY2005 Actual	FY2006 Mid-year Forecast	FY2006 Actual	05-06 %growth
Sales		2,007	2,300	<b>2,384</b>	+19%
Operating Income		106	115	<b>129</b>	+22%
Ordinary Income		113	125	<b>145</b>	+28%
Net Income		58	62	<b>76</b>	+30%
Capital Expenditure		122	128	<b>120</b>	(2%)
Depreciation		87	95	<b>100</b>	+14%
R & D		64	68	<b>68</b>	+6%
ROA ※		7.9%	7.9%	<b>8.8%</b>	+0.9%
ROE		7.8%	7.5%	<b>8.9%</b>	+1.1%

※ROA=Operating income/Capital employed

# FY2007 Consolidated financials (Forecast)

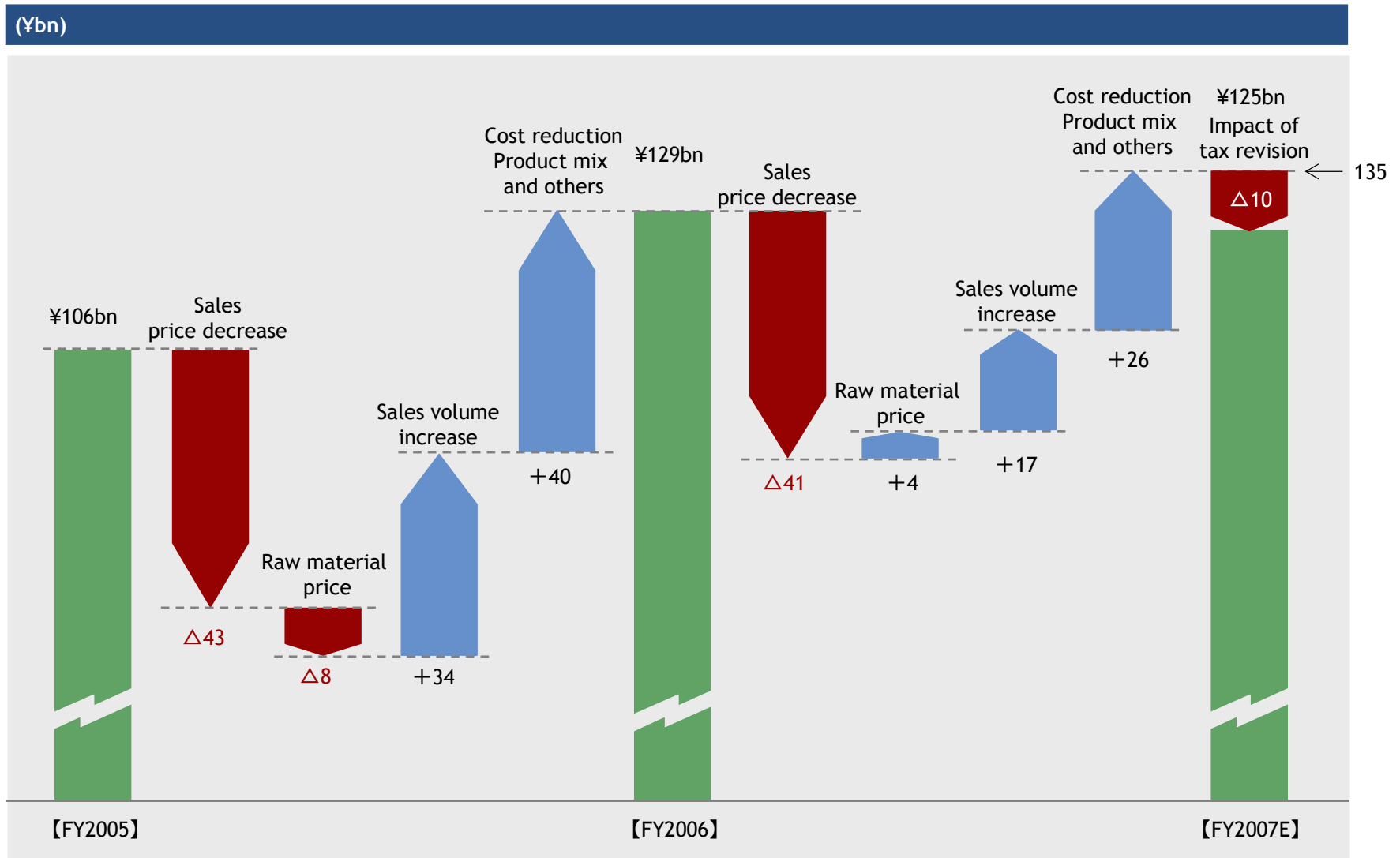
Expects record profits in FY2007 (since FY 2005) excluding the impact of tax revision

	(¥bn)	FY2006 Actual	FY2007 Forecast	06-07 %growth
Sales		2,384	2,400	+ 1%
Operating Income		129	125	(3%)
Ordinary Income		145	140	(4%)
Net Income		76	80	+ 5%
Capital Expenditure		120	130	+ 8%
Depreciation		100	105	+ 5%
R & D		68	72	+ 5%
ROA ※		8.8%	8.2%	(0.6%)
ROE		8.9%	8.4%	(0.5%)

※ROA=Operating income/Capital employed

# Operating income analysis for FY2006 and FY2007

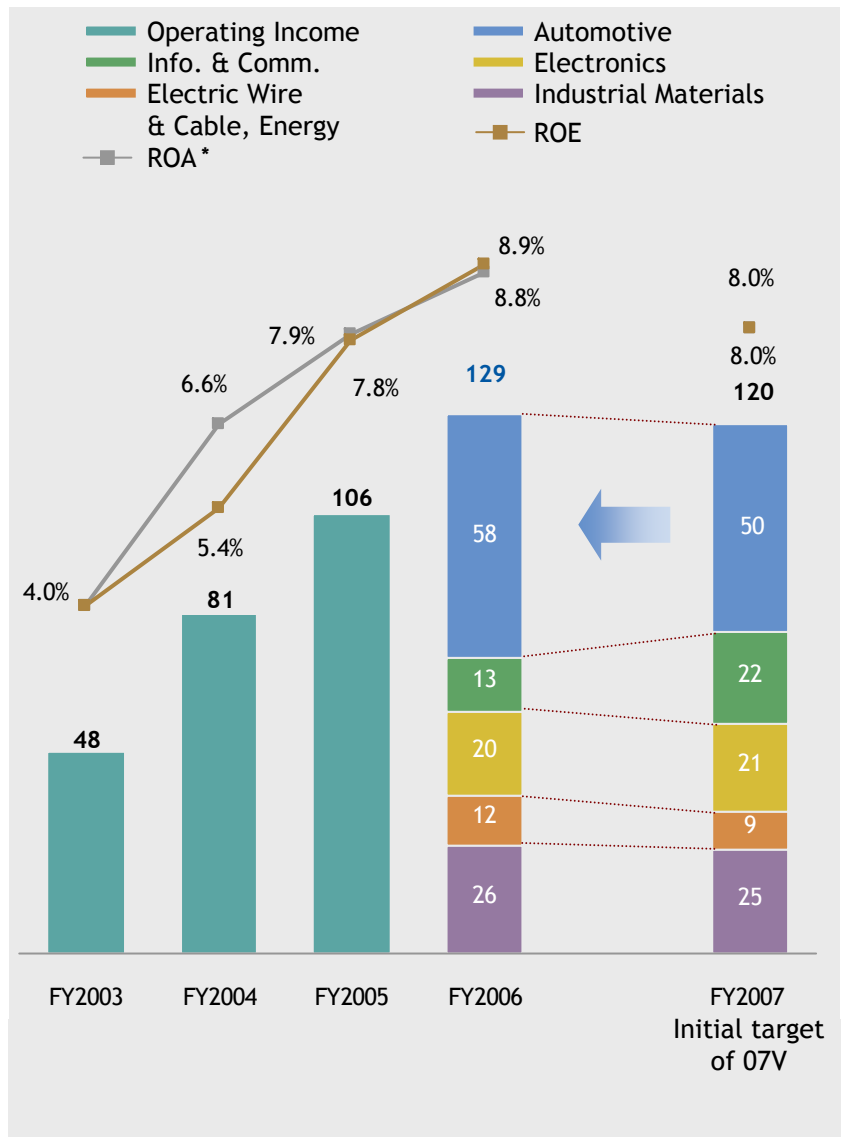
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# Progress of mid-term plan “07Vision”

NEW MID-TERM PLAN “12VISION” - TO REALIZE A GLORIOUS EXCELLENT COMPANY

## Progress of financial goals (¥bn)



\* ROA=Operating income / Capital employed

## Progress of “07Vision”

- Achieved financial target in major business segments, such as Automotive segment, despite the increase of raw material price
- **Automotive**
  - Increased market share within Japanese manufacturers
  - Established base in European market through the acquisition of VWBN
  - Accomplished “GLOBAL 20 (20% global market share)” in wiring harness business
- **Information & Communications**
  - Realized significant profit recovery despite sales price decrease
- **Electronics**
  - Enjoyed strong demand for FPCs and new products such as GaN
- **Electric Wire & Cable, Energy**
  - Succeeded in structural reform and business alliance
- **Industrial Materials**
  - Reaped a benefit from active capital investment and strong overseas demand

- Achieved operating income target
  - Achieved one year ahead of schedule
- Established “12Vision” focusing on further growth and higher profitability

# New mid-term plan “12Vision” -Growth strategies

NEW MID-TERM PLAN “12VISION” - TO REALIZE A GLORIOUS EXCELLENT COMPANY

## From 07Vision to 12Vision

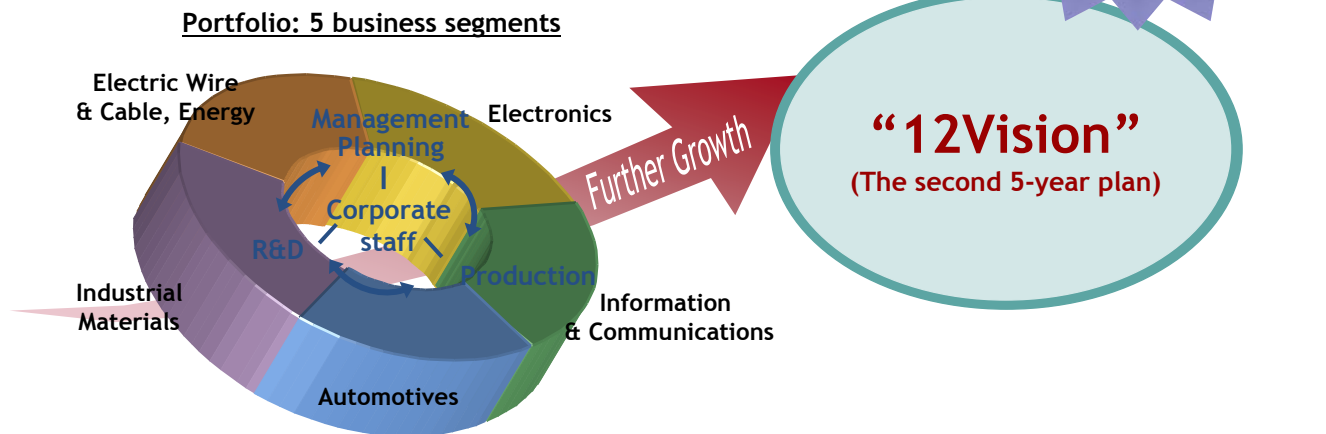
### Growth Strategies

Aiming to become a Glorious and Excellent Group by achieving both “07Vision” and “12Vision” with the business spirit and management philosophy of Sumitomo

**“07Vision”**  
(The first 5-year plan)

[Consolidated financial target] (initial)

Sales:	<u>¥2,000bn</u>
Operating Income:	<u>¥120bn</u>
ROA <sup>1</sup> :	<u>8.0%</u>



<sup>1</sup> ROA=Operating income/capital employed

# New mid-term plan “12Vision” -Summary

**“07Vision”**  
(FY2003-FY2007)

Profit recovering phase  
by separate problem solving

**“Shift to the growth phase”**

- Transform from ‘defensive restructuring’ stage
- Establish a base as a global company
- Develop growth strategy by building up method (Business plans as an extension of existing business)

**“12Vision”**  
(FY2008-FY2012)

Strategic effort  
for sustainable growth

**“Driving strategy”**

- Develop a robust portfolio aiming at higher profitability
- Improve a company quality by intensive capital and financial strategies
- Optimize global group management

# New mid-term plan “12Vision” -Financial target

Financial target in “12Vision” (¥bn)

	<u>FY2007 (E)</u>	<u>FY2009(Target)</u>	<u>“12Vision” FY2012(Target)</u>
Sales	2,400	2,520	3,000
Operating income (margin)	125 <sup>1</sup> (5.2%)	150 <sup>1</sup> (6.0%)	210 (7.0%)
Net income (margin)	80 (3.3%)	92 (3.7%)	130 (4.3%)
ROE	8.4%	8.0% <sup>2</sup>	10.0%

**Target sales: ¥3trillion, Operating margin: 7%, ROE: 10%**

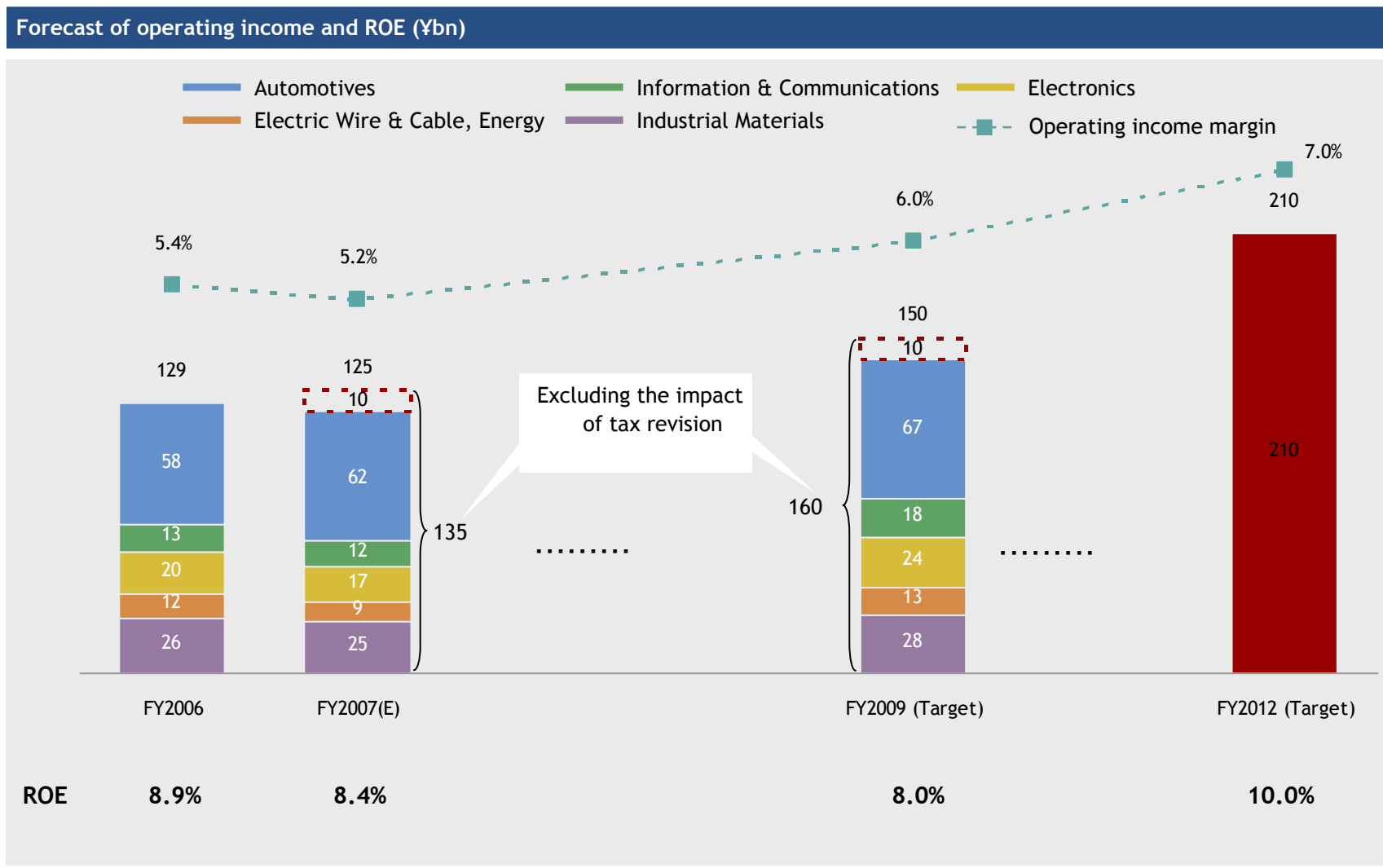
<sup>1</sup> Tax revision effect decreases operating income by ¥10bn

<sup>2</sup> Calculated on fully diluted basis of 6<sup>th</sup> unsecured CB (¥47.3bn as of March 2007, expected redemption in FY2008)



# New mid-term plan “12Vision” -Financial target by segment

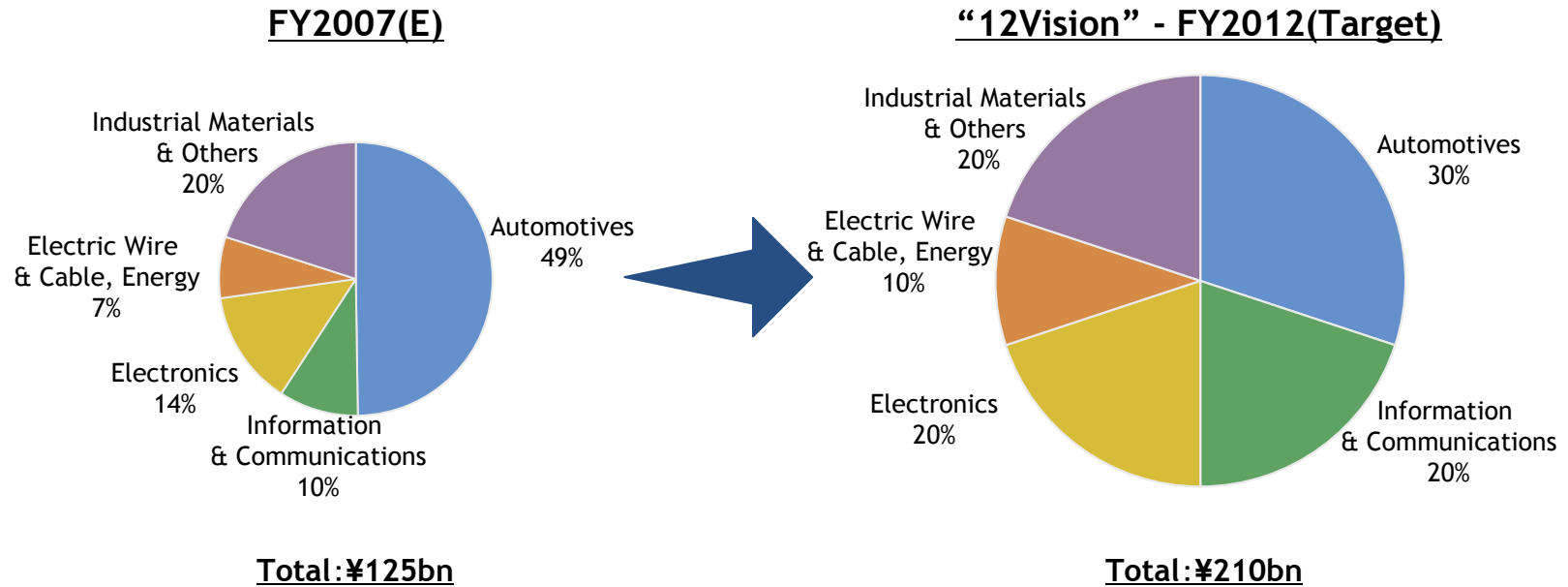
NEW MID-TERM PLAN “12VISION” - TO REALIZE A GLORIOUS EXCELLENT COMPANY



<sup>1</sup> Calculated on fully diluted basis of 6<sup>th</sup> unsecured CB (¥47.3bn outstanding as of March 2007, expected redemption in FY2008)

# New mid-term plan “12Vision” -Growth strategies -business portfolio

## Operating income target by segment



Enhance all business segments to the core businesses  
Reduce dependence on particular businesses  
➔ Pursue well-balanced business portfolio

# New mid-term plan “12Vision” -Financial strategy

Financial strategy

**【Financial target for FY2012】**

**R O E : 10%**

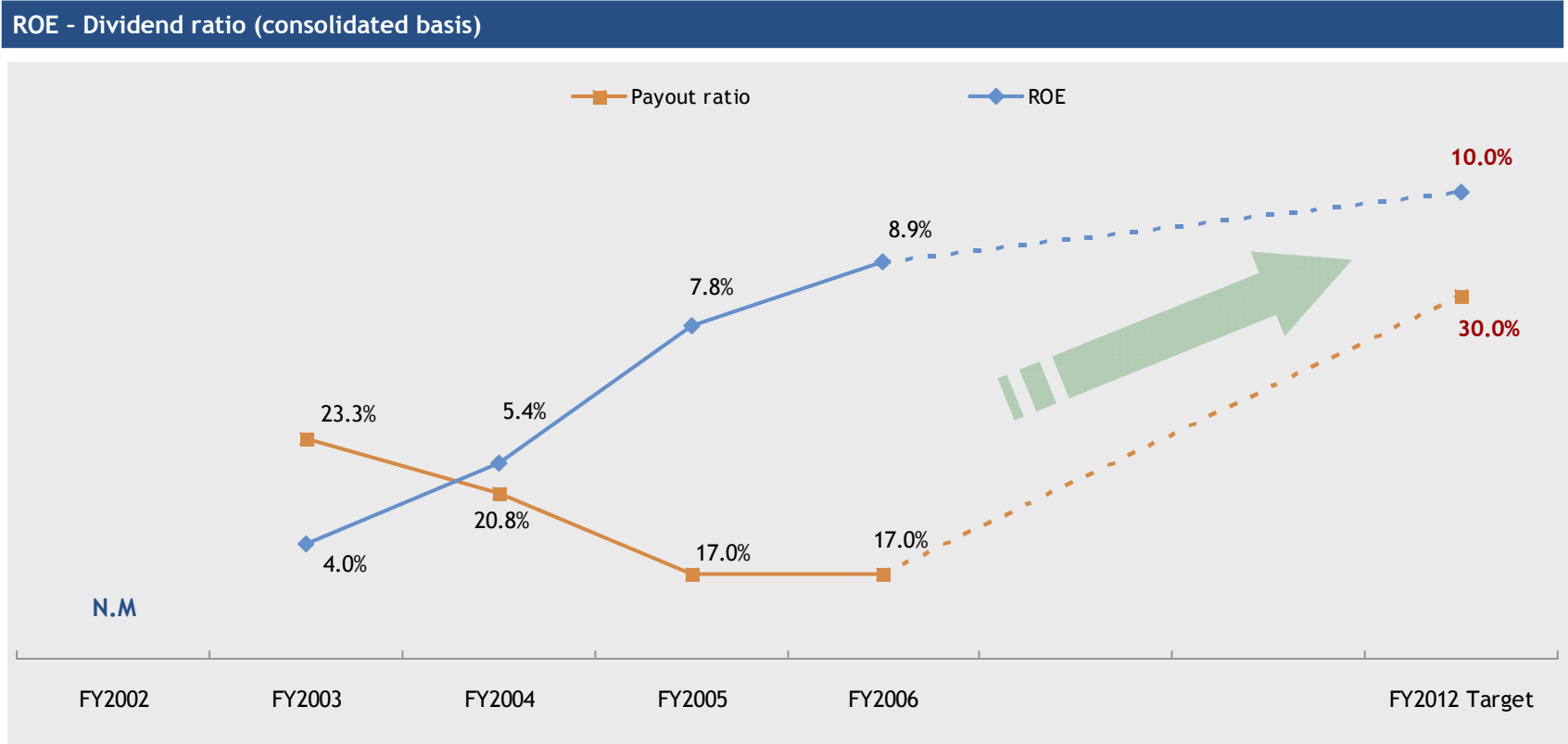
**Capital ratio : 50%**



**Establish a solid financial base to become a  
Glorious Excellent Company**

# New mid-term plan “12Vision” -Shareholder returns

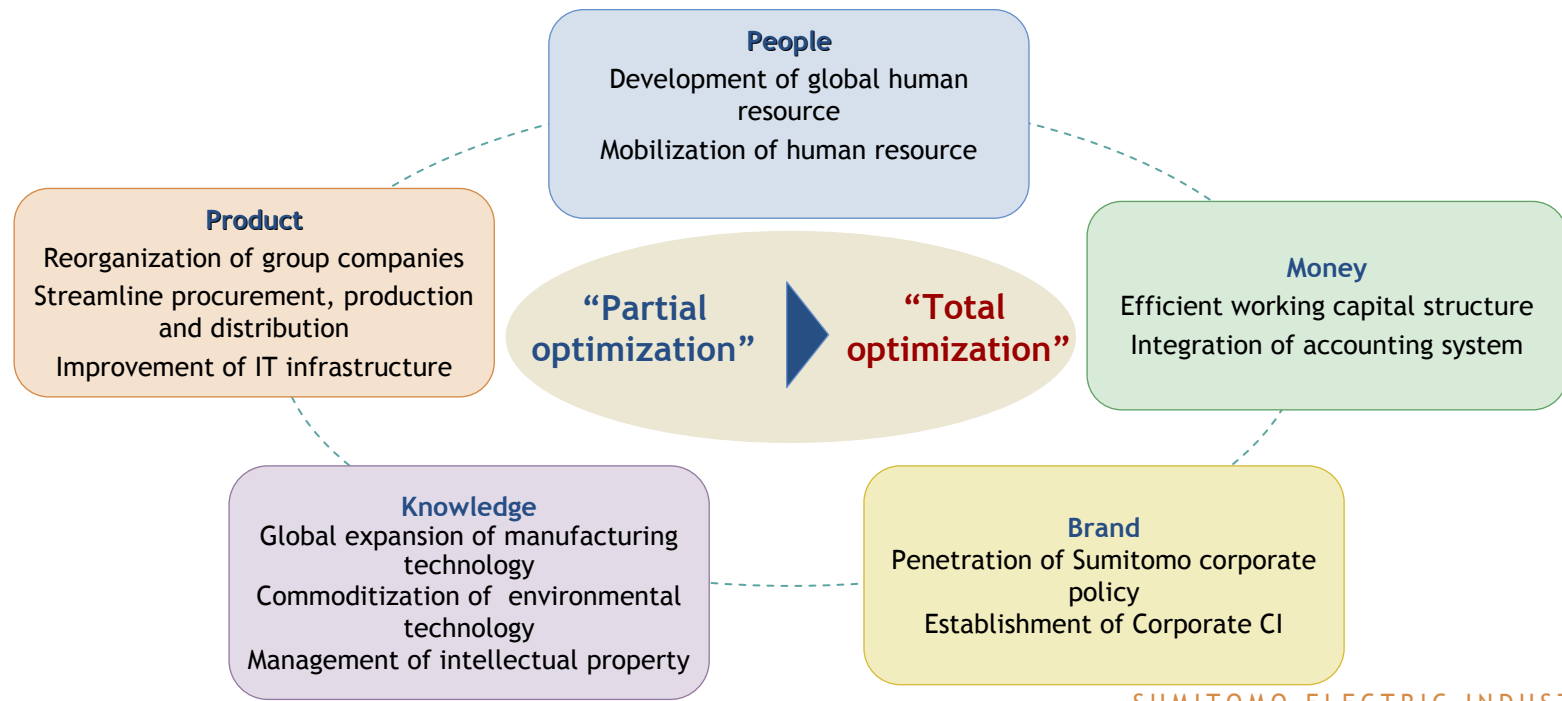
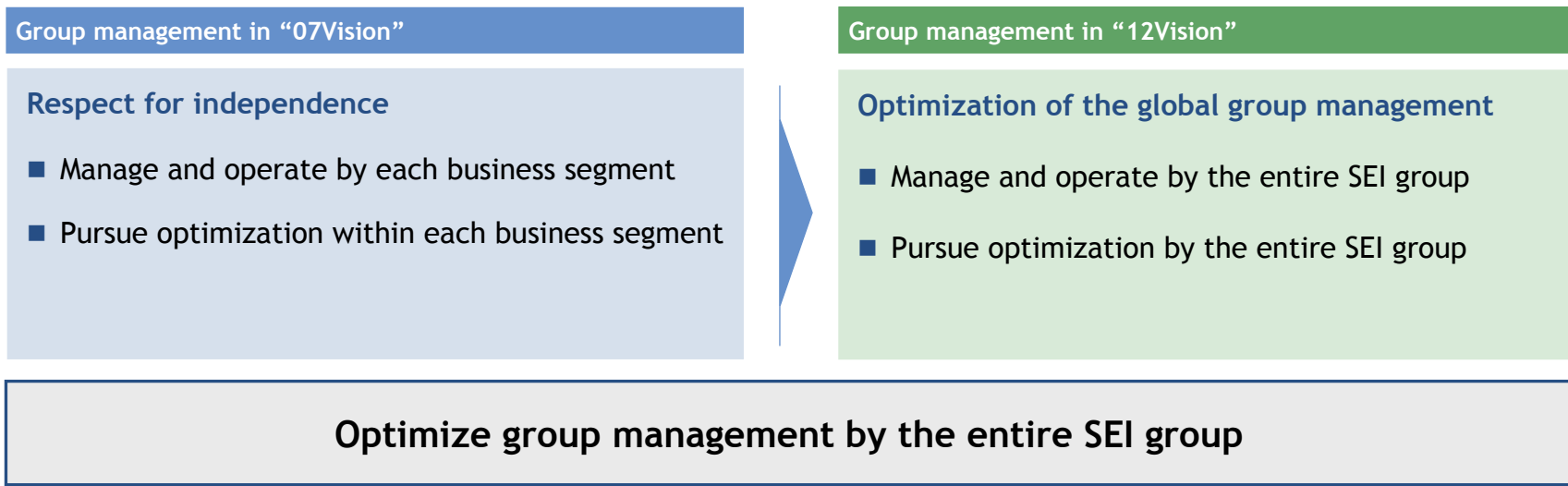
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**Raise return to shareholders - Improvement of payout ratio**  
**Improvement of ROE**  
**ROE target: 10%, Target payout ratio: 30%**

# New mid-term plan “12Vision” -Optimization of group management

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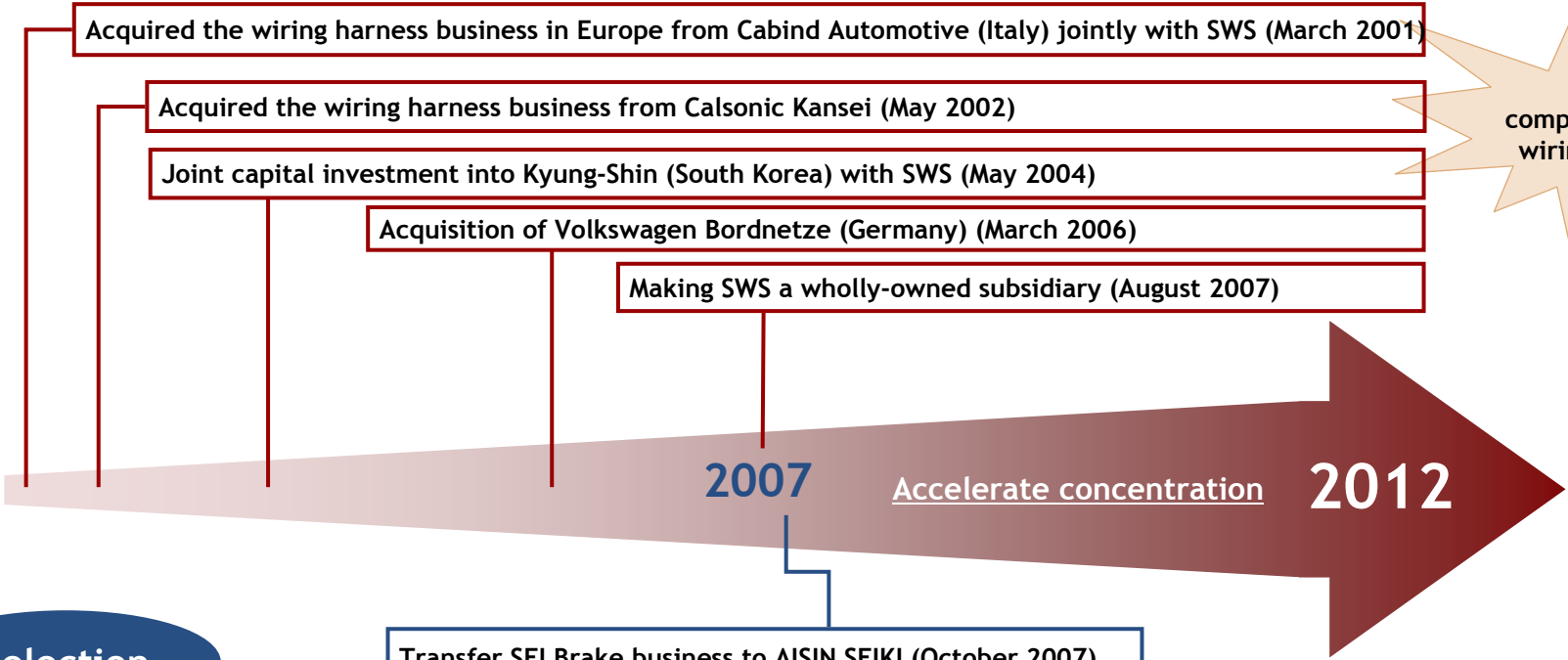


# New mid-term plan "12Vision" -Concentration in Automotive business

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Correspond to the demands from car manufacturers ~ Power & LAN & Module Car electronics technology

## Concentration



More competitiveness in wiring harnesses

## Selection

Transfer of brake business

Transfer SEI Brake business to AISIN SEIKI (October 2007)

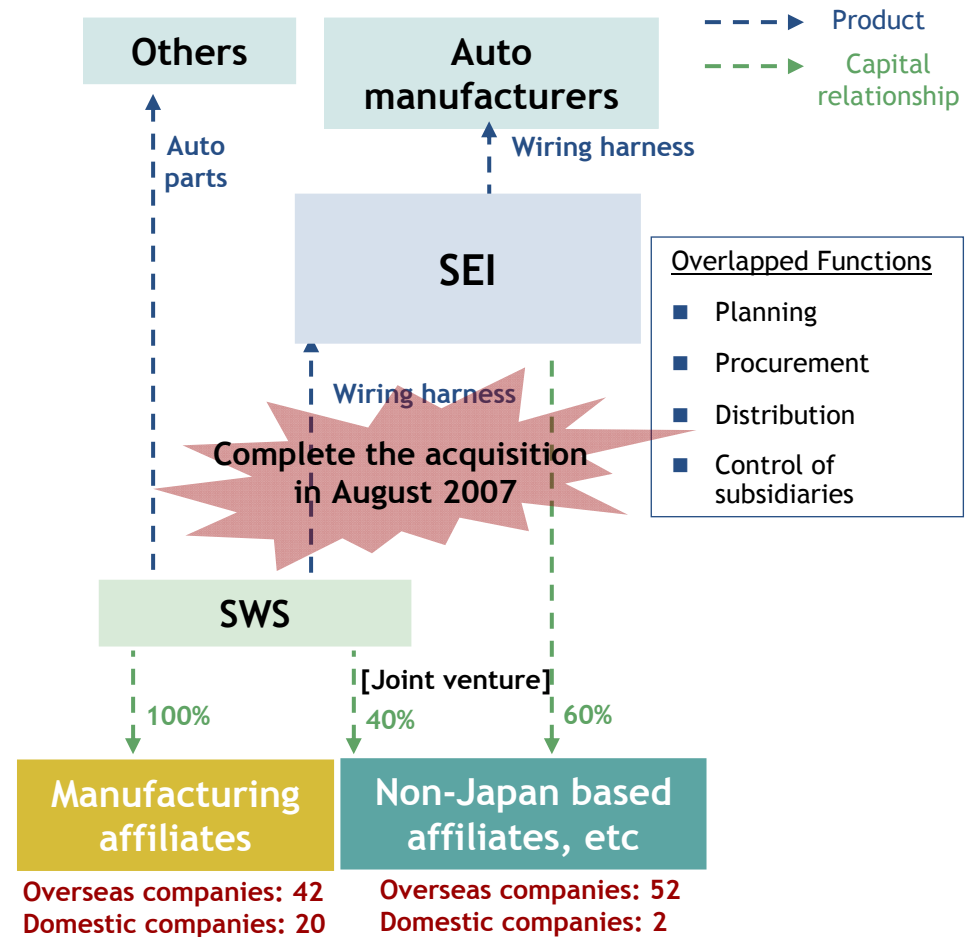
# New mid-term plan “12Vision” -Acquisition of SWS



Sumitomo Wiring Systems, Ltd.

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## Wiring harness business before the transaction

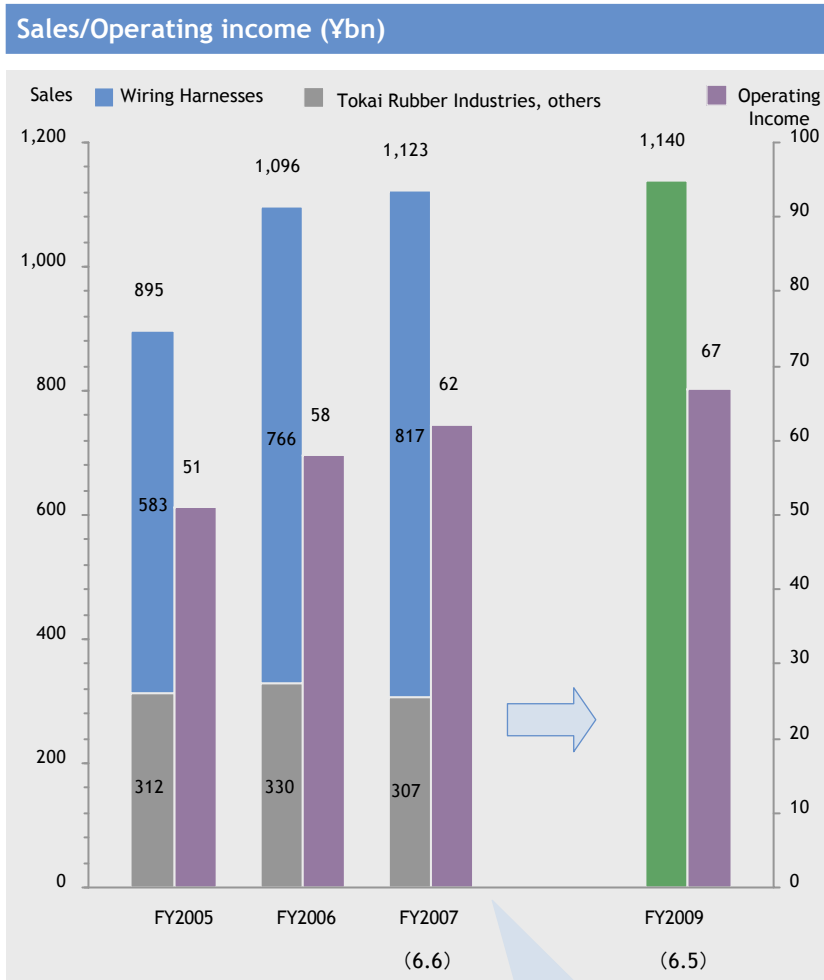


## Rationale of the transaction

- **Strengthen wiring harness business**
  - Pursue uniqueness by strengthening relationship within SEI group
- **Integration of management policies**
  - Speedy decision-making processes
  - Penetration of SEI governance to SWS
  - Enhance transparency of management
- **Efficient control of affiliate companies**
  - Unwind complex capital ties
- **Streamline overlapped business functions**
  - Planning, purchasing, distribution, control of subsidiaries and information system, etc
    - Transfer SWS’s non-manufacturing functions to SEI
- **Enhancement of firm value**
  - Maximize synergies

# New mid-term plan “12Vision” -Growth strategies: Automotives

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Brake business is not consolidated after FY2007(2H)

Note: The numbers in ( ) under the chart are the impact of tax revision

## Basic strategy of Automotive Business

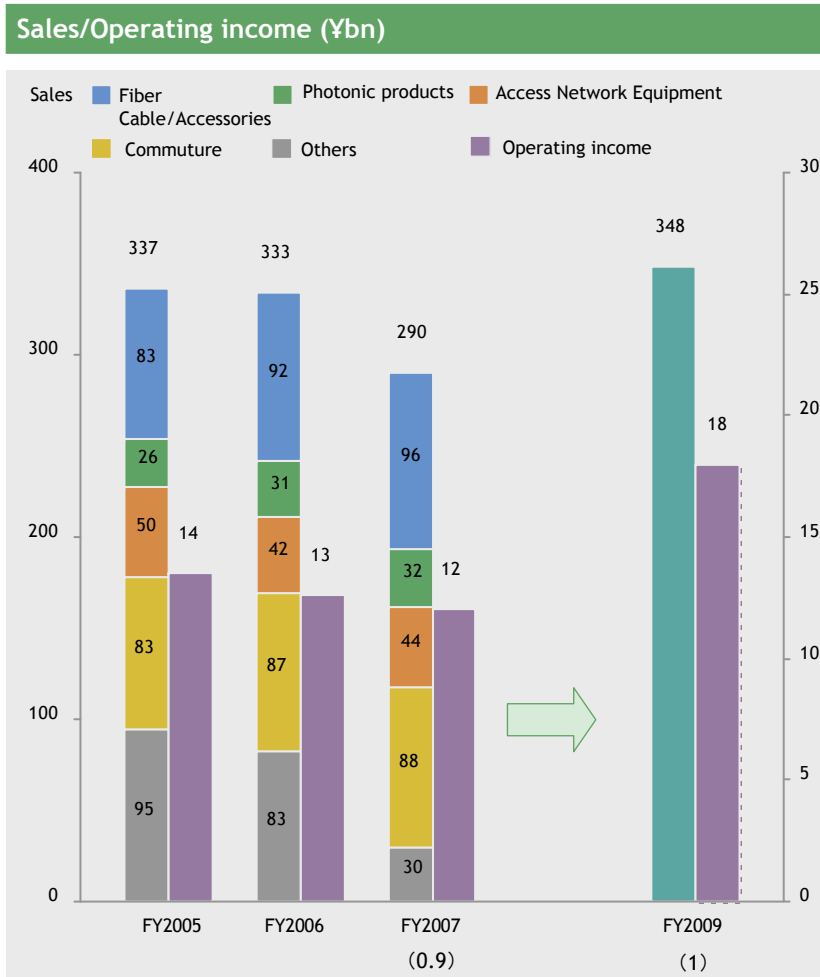
- **Obtain 25% global market share in wiring harnesses**
  - Realize stable orders from Japanese manufacturers
  - Achieve 15% market share in non-Japanese markets
  - M&A opportunities
- **Conforming to the environmental changes**
  - Correspond to the global platforms
  - Develop environmental, safety, lightening technologies
  - Develop global network, and software
- **Enhance profitability by utilizing group strategy**
  - Strengthen procurement
  - Reduce distribution costs



# New mid-term plan “12Vision”

## -Growth strategies: Information & Communications

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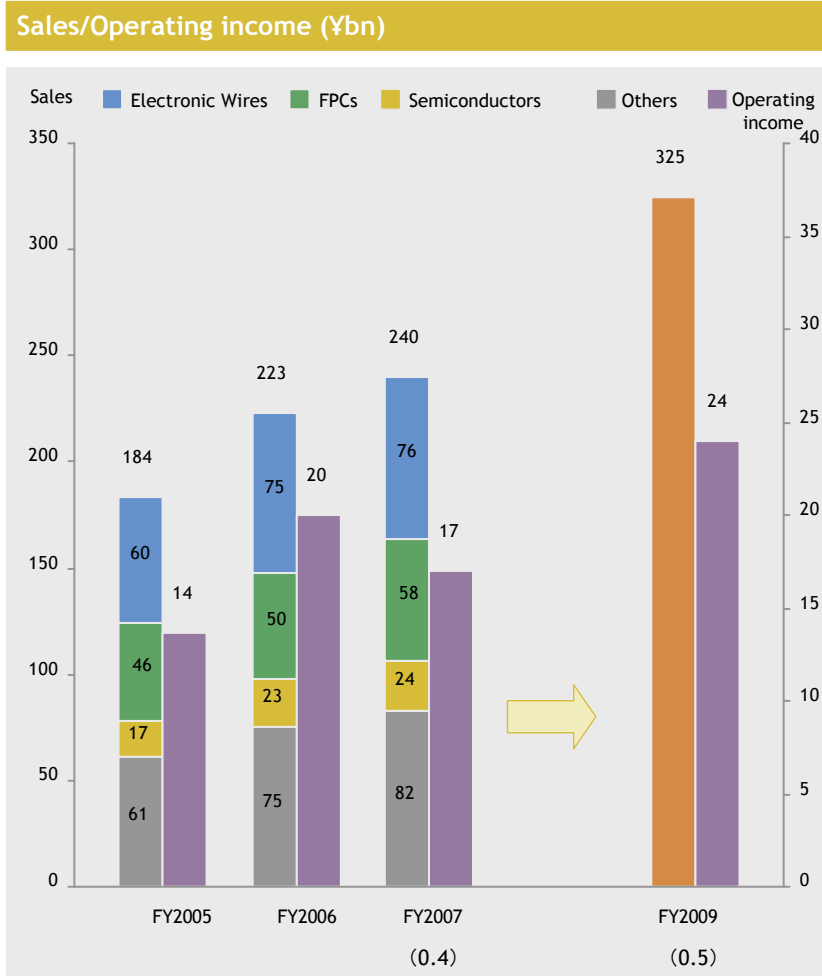
### Basic strategy of Information & Communications

- **Become a world’s leading optical products manufacturer in response to expansion of FTTH business and development of NGN**
  - Invest resources into the device business
  - Start and expand FTTH business overseas
- **Optical fibers**
  - Maintain the top share position in Japanese FTTH markets
  - Expand to European and Chinese markets in low cost fiber cables
  - Possibility of alliances
- **Photonic products**
  - Achieve a global No.1
  - Expanding 10G products and increasing its market share
  - Expanding business area from SONET/SDH to Ethernet
- **Network devices**
  - Expand application service equipment (ex. STB, HGW) in addition to broadband access equipment
  - Enter the Chinese market

Note: The numbers in ( ) under the chart are the impact of tax revision

# New mid-term plan “12Vision” -Growth strategies: Electronics

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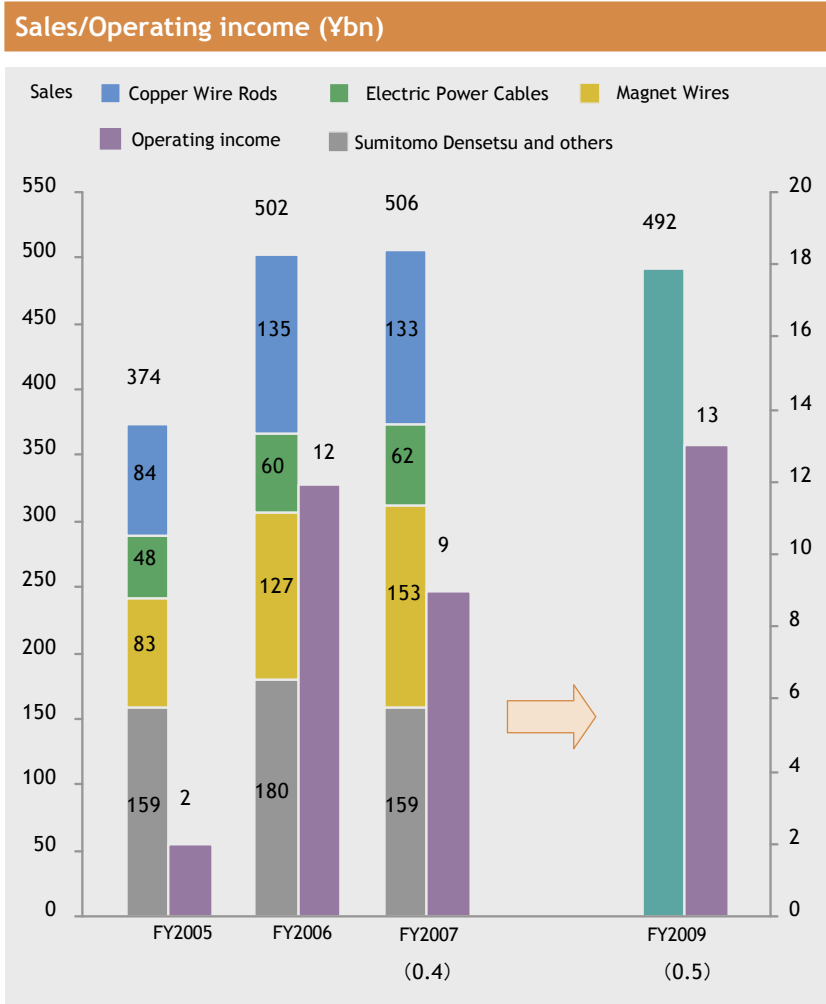
- Basic strategy of Electronics Business**
- Focus on products for growth areas (mobile, FPD and storage)
  - Strengthen global bases (e.g.; Vietnam and China)
    - Electric Wires
      - Expand global manufacturing platform for miniature coaxial cables for cell phones, and FFCs for flat-screen TVs and game machines
    - FPCs
      - Expand assembly and module business in the field of mobile, FPD and HDD
    - Semiconductors
      - Maintain the priority in GaN substrates and adopt it into epitaxial wafers and devices
    - New Business
      - Full-scale entry to water treatment business utilizing PTFE porous membrane
      - Commercialization of our glucose sensor (minimum blood requirement in the world) based on our original technology
      - Consider M&A or alliance for entering into new business areas

Note: The numbers in ( ) under the chart are the impact of tax revision

# New mid-term plan “12Vision”

## -Growth strategies: Electric Wire & Cable, Energy

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**Basic strategy of Electric Wire & Cable, Energy Business**

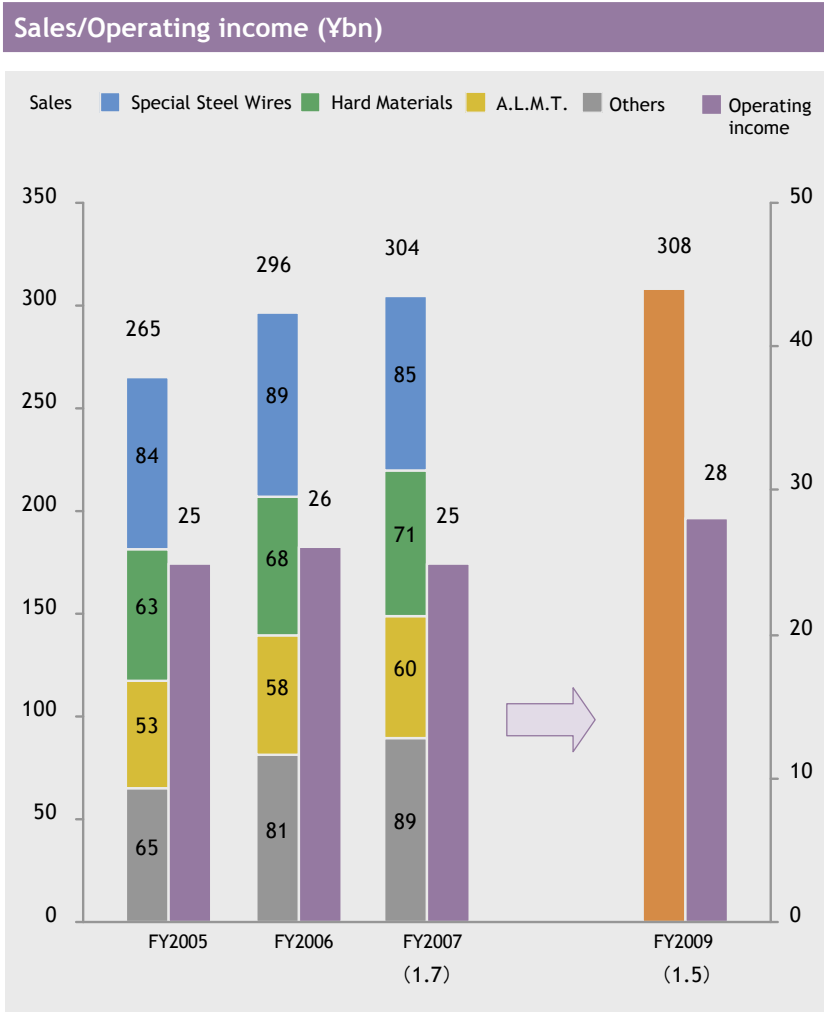
- **Achieve the stable profitability from existing business**
  - Transformation from maturity to growth
    - Higher and more stable profitability by further business restructuring and cost reduction
    - Business expansion to overseas, especially to Asia
  
- **Explore new profitable business**
  - Explore new business mainly in energy, resource and environment areas
    - Expand high-voltage power cable overseas
      - e.g. potential development of JV in Asia and others
    - Superconducting power cable, superconducting apparatus such as motors and magnets
    - Thermal Control Device
    - Highly crush resistance magnet wire, etc..

Note: The numbers in ( ) under the chart are the impact of tax revision

# New mid-term plan “12Vision”

## -Growth strategies: Industrial Materials

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Note: The numbers in ( ) under the chart are the impact of tax revision

### Basic strategy of Industrial Materials Business

- **Further enhancement of core technologies** (material development, processing technologies, recycling technologies, etc) and concentration of resources to the important business areas to create Global Best3 products
  - **Special Steel Wires**
    - Focus on automotive business
    - Become a global supplier of high-performance steel wires
  - **Hard materials**
    - Alliance to increase global market share and pursue complementary effect
    - Create new business by strengthening optical parts for laser beam machines and CVD diamond products
  - **A.L.M.T**
    - Stable supply of materials by acquiring ore source and developing recycle technologies
    - Strengthen manufacturing bases in Asia
  - **Sintered products**
    - Expand sales of VVT and common rail for environmental auto device market
    - Expand business in Europe and India

# New mid-term plan "12Vision"

## -Development of new business utilizing core technologies

Sales from new products: 30% of total sales in 2012

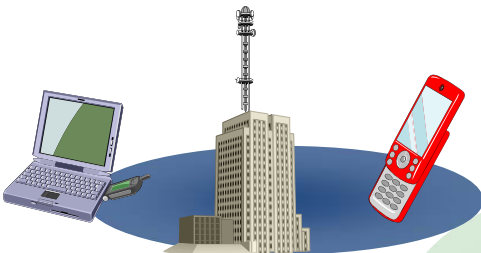
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Automotive components for eco-car

High performance thin motor  
Diamond device

Material innovation for next generation safety and environment-friendly car

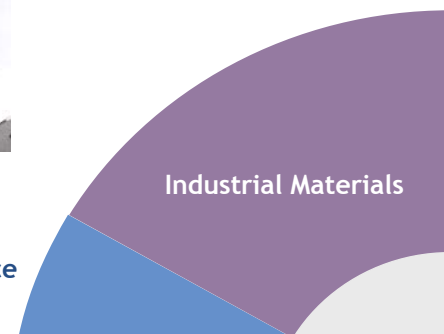


Broadband wireless equipment

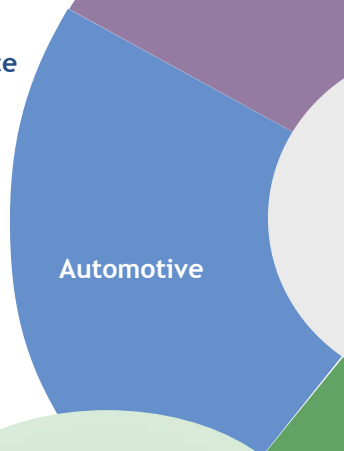
Wireless amplifier and device  
Visual communication software

Expand repeaters, ubiquitous terminals and ITS devices to respond to integration of communications and broadcast as well as integration of wire and wireless

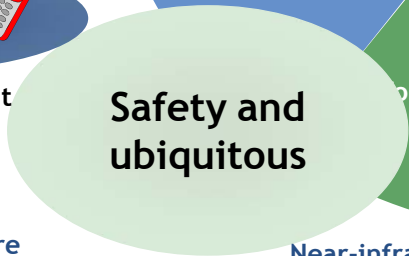
Environment-friendly material innovation



Industrial Materials



Automotive



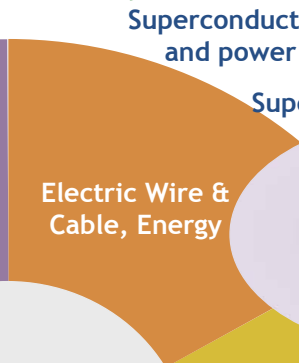
Safety and ubiquitous



Information & Communication

Near-infrared sensor  
PON  
Photonic device

Challenge to innovative environment-friendly material and system technology



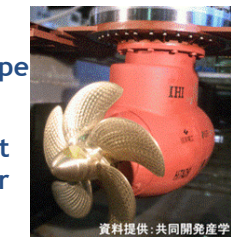
Electric Wire & Cable, Energy

Superconducting wire and power cable

Thin film type wire



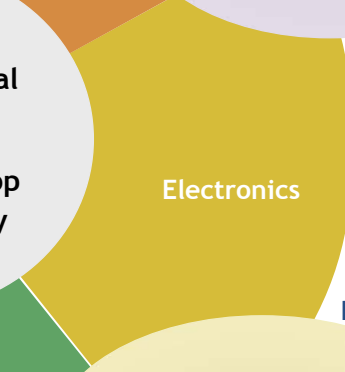
Environment and resource



Superconducting pod motor

Water-treatment system

Materials for high performance battery  
Thin film battery  
Magnesium alloy



Electronics

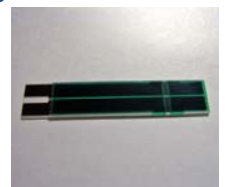
Environment-friendly material innovation

GaN/AlN substrate and epitaxial wafer  
Near-infrared broadband light source

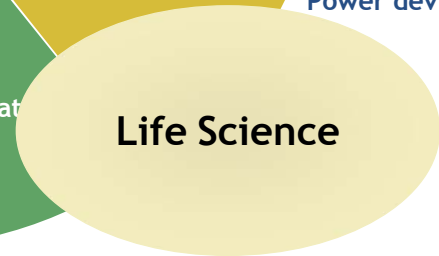
Power device



Medical laser



Blood glucose sensor strip



Life Science

Create non-communication business utilizing optical technology

Advanced glass  
Fiber laser

Optical interconnection  
Expand to the next optical communication business

# New mid-term plan “12Vision”-CAPEX and R&D

CAPEX ¥600bn + R&D ¥400bn = Total investment of ¥1,000bn for the next 5 years

## CAPEX

- Timely investment in core businesses based on demand trend
- Develop global manufacturing and operation structures to accelerate the global expansion
  - Assume a ¥300bn investment overseas
- Actively support to grow new core businesses
  - Assume a ¥130bn investment to create new businesses
- Achieve high level of QCDD by manufacturing efforts
  - Development of production technologies and elemental technologies
- Promote rationalization, IT and production innovation

**¥600bn**  
Cumulative (5years)

## R & D

<The new product sales aims for 30% of total sales in 2012>

- Improve efficiency of new product development processes by cooperation with outside laboratories and research institutions
- Invest ¥300bn for expansion of new products and development of new technologies in the existing business areas
- Invest ¥100bn in developing new business areas by utilizing core businesses

**¥400bn**  
Cumulative (5years)

# To realize "Glorious Excellent Company" ~ CSR activities

**The SEI group's basic policy of social contribution**

Keywords based on "Sumitomo business spirit" and "SEI group's management policy"

- Make a better society
- Respect human resource
- Focus on technology

1. Promote human resource development, advancement of learning and research, environment conservation globally
2. Promote community-based social contribution domestically and internationally
3. Continuous support for social contribution activities by employees

**SEI**  
 Ingenious Dynamics

**Examples of social contribution activities**

1. **Establish "The SEI group learning promotion fund (tentative)"**  
 By December 2008, we will establish a fund for developing human resources and research supports globally
2. **Establish a special subsidiary for hiring the disabled**  
 Establish a special subsidiary with our group companies to hire the disabled by 2008
3. **Adopt a support system for volunteer activities by employees**
  - (1) Introduce volunteer holiday system from FY 2007
  - (2) Adopt a matching-gift system<sup>1</sup> in FY 2007
4. **Contribute to local communities**
  - (1) Promote community support activities
    - Contribute to environment conservation in the local community (cleaning activities, promotion of greening, etc)
    - Support local disaster-prevention and safety activities
    - Opening corporate facilities (grounds, gyms, etc) to public
  - (2) Strengthen communication with local communities
    - Accept factory tours
    - Support and participate in local events
    - Publish a local booklet
  - (3) Support education and training
    - School lectures
    - Accept on-site training for students and teachers

**Established "SEI's basic policy of social contribution" on the 110th anniversary**  
**Promote social contribution activities as a "Glorious Excellent Company"**

<sup>1</sup> The system which the company donate the same amount if employees donate to external funds.

# Forward-looking Statement

Besides information about past or current facts, these materials contain various forward-looking statements concerning projections of net sales and profits. These forward-looking statements are based on expectations and assumptions of future events reflecting information available at present to Sumitomo Electric and its Group companies concerning factors that may affect business results, such as economic conditions, including the industry outlook for the businesses of Sumitomo Electric and its Group companies, as well as exchange rates, etc.

Statements of future expectations embody known and unknown risks and uncertainties. Following are examples, but the risks and uncertainties are not limited to those listed below.

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

Consequently, please be advised that there are possibilities actual net 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.



# APPENDIX

# FY2006 results by segment

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	FY2005 Actual ①		FY2006				Change ③-①		Change ③-②	
	Sales	Operating income	Sales	Operating income	Sales	Operating income	Sales	Operating income	Sales	Operating income
Automotives	895	51	1,028	45	1,096	58	201	7	68	13
Information & Communications	337	14	347	14	333	13	(4)	(1)	(14)	(1)
Electronics	184	14	218	20	223	20	39	6	5	0
Electric Wire & Cable, Energy	374	2	483	9	502	12	128	10	19	3
Industrial Materials & Others	265	25	286	27	296	26	31	1	10	(1)
Elimination	(47)	0	(62)	0	(65)	0	(18)	(0)	(3)	(0)
Total	2,007	106	2,300	115	2,384	129	377	23	84	14

# FY2007 forecast by segment

	FY2006		FY2007						Change	
	Actual ①		1H(E)		2H(E)		Full year estimate ②		②-①	
	Sales	Operating income	Sales	Operating income	Sales	Operating income	Sales	Operating income	Sales	Operating income
Automotives	1,096	58	561	31	562	31	1,123	62	27	4
Information & Communications	333	13	129	1	162	12	290	12	(43)	(1)
Electronics	223	20	115	8	125	10	240	17	17	(3)
Electric Wire & Cable, Energy	502	12	228	2	278	7	506	9	4	(3)
Industrial Materials & Others	296	26	148	12	156	14	304	25	9	(1)
Elimination	(65)	0	(30)	0	(33)	0	(63)	0	2	(0)
<b>Total</b>	<b>2,384</b>	<b>129</b>	<b>1,150</b>	<b>53</b>	<b>1,250</b>	<b>72</b>	<b>2,400</b>	<b>125</b>	<b>16</b>	<b>(4)</b>