



“VISION 2012” ~TO BECOME A GLORIOUS EXCELLENT COMPANY~  
—the progress of the mid-term plan—

Masayoshi Matsumoto  
President and CEO



# 1H/FY2007 Consolidated Results

FY2007 1st Half Result

Achieved historical highs in sales, operating income, ordinary income and net income for 3 consecutive terms.

( ¥bn)	1H/FY2006	1H/FY2007	1H/FY2007	06-07	(Reference)		
	Actual	Estimate	Actual	%growth	※The impact of tax revision	Excluding the impact	% growth
Net Sales	1,109.6	1,150.0	<b>1,216.1</b>	+10%			
Operating Income	48.6	53.0	<b>63.6</b>	+31%	(2.1)	65.7	+35%
Non-operating Income & Expenses	5.6	4.0	<b>11.6</b>	—			
Ordinary Income	54.2	57.0	<b>75.2</b>	+39%	(2.1)	77.3	+43%
Extraordinary Profit&Loss	0.7	3.0	<b>5.1</b>	—			
Income Before Income Taxes & Minority Interests	54.9	60.0	<b>80.3</b>	+46%	(2.1)	82.4	+50%
Net Income	29.1	30.0	<b>42.7</b>	+47%	(1.3)	44.0	+51%

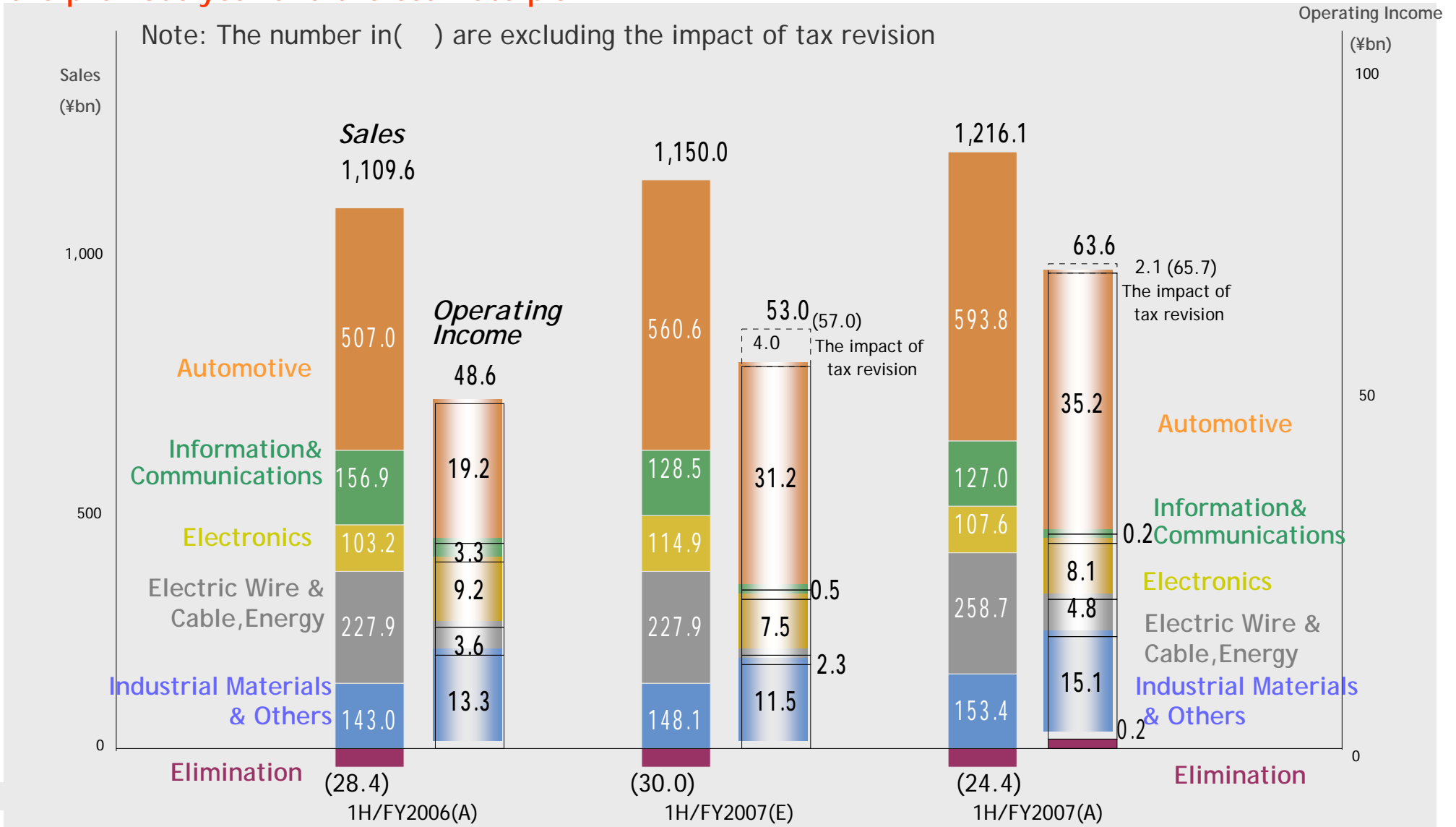
※The increase of depreciation expense caused by tax revision.



# 1H/FY2007 Results Overview

FY2007 1st Half Result

In the Automotive Segment, we achieved drastic increases both in sales and profit compared to the previous year and the estimate plan.





# FY2007 Financial Forecast

FY2007 1st Half Result

Historical highs in sales, operating income, ordinary income and net income will be achieved for 3 consecutive terms.

( ¥bn)	FY2006	FY2007	FY2007	06-07	(Reference)		
	Actual	Previous(E)	Revised(E)	%growth	The impact of tax revision	Excluding the impact	% growth
Net Sales	2,384.4	2,400.0	2,450.0	+3%			
Operating Income	128.7	125.0	135.0	+5%	(7.3)	142.3	+11%
Ordinary Income	145.4	140.0	150.0	+3%	(7.3)	157.3	+8%
Net Income	76.0	80.0	85.0	+12%	(4.4)	89.4	+18%
Capital Expenditure	119.9	130.0	125.0	+4%			
Depreciation&Amortization	99.8	105.0	105.0	+5%			
R&D Expenses	68.4	72.0	70.0	+2%			
ROA ※	8.8%	8.2%	8.9%	+0.1%			
ROE	8.9%	8.4%	9.1%	+0.2%			

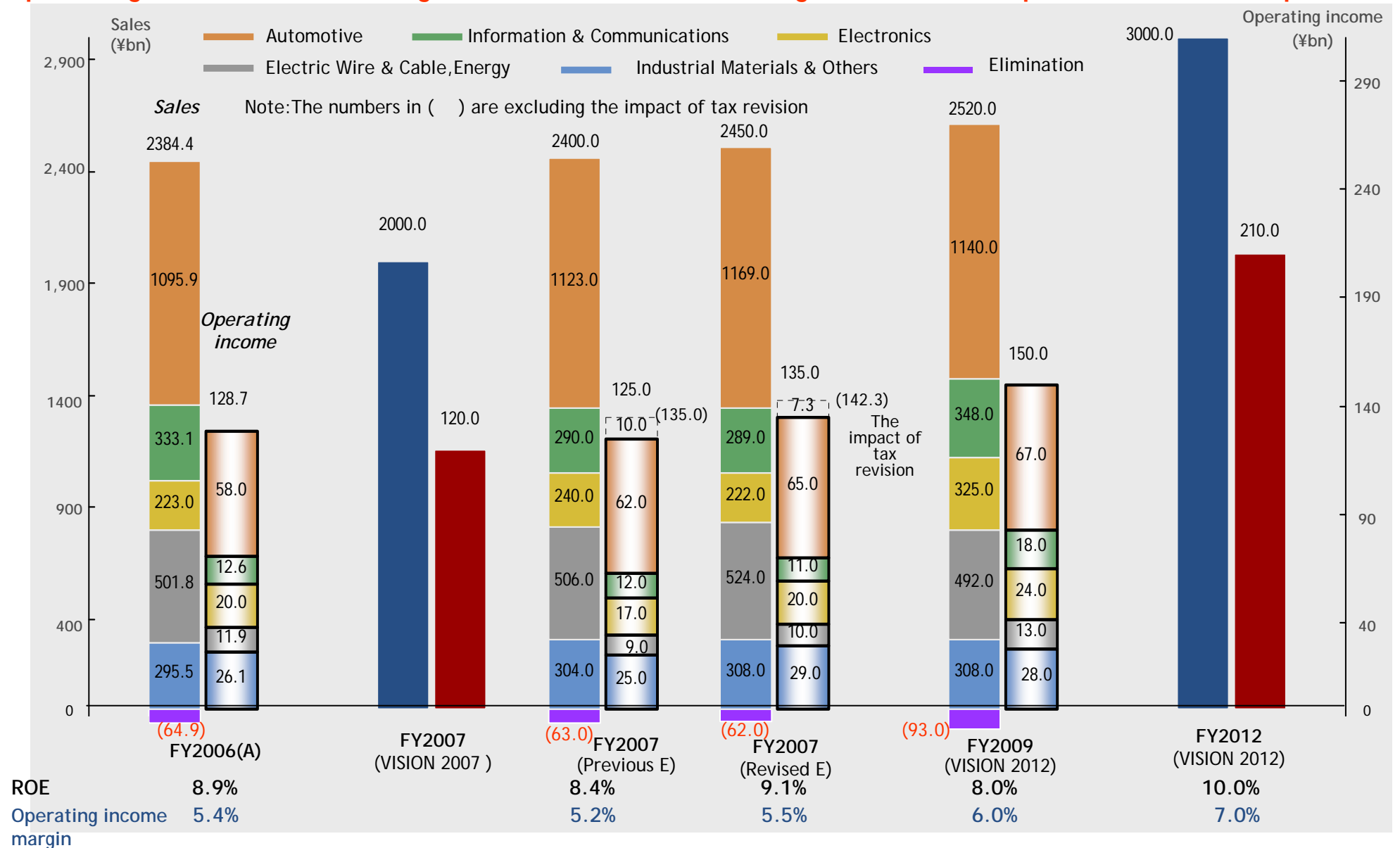
※ROA=Operating income/Average capital employed



# FY2007 Financial Forecast Overview

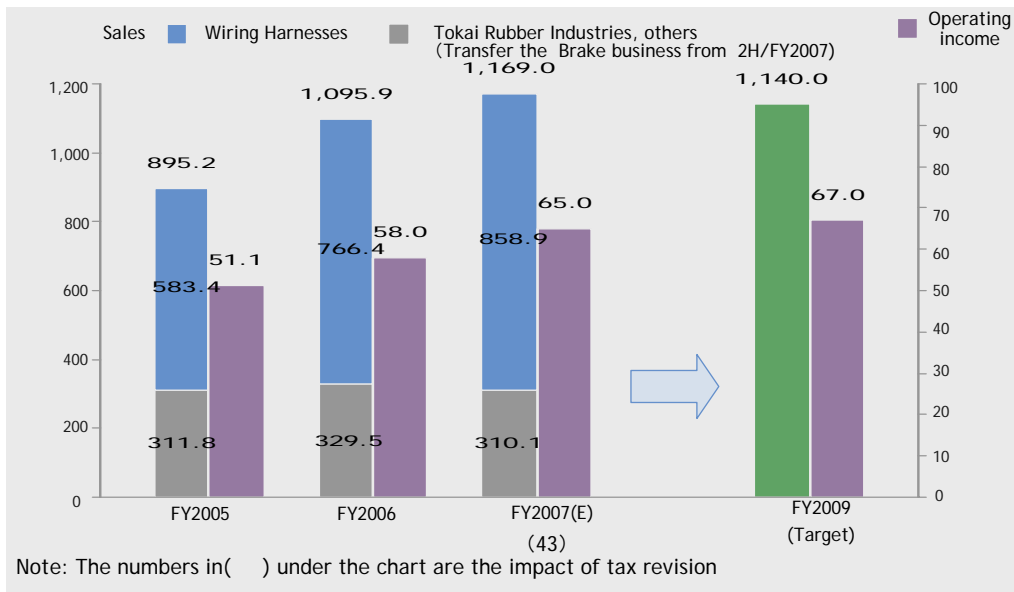
FY2007 1st Half Result

Although the Information & Communications segment has resulted in short of its target in operating income, other 4 segments have achieved the goal of FY2007 previous estimate plan.





## Sales/Operating income(¥bn)



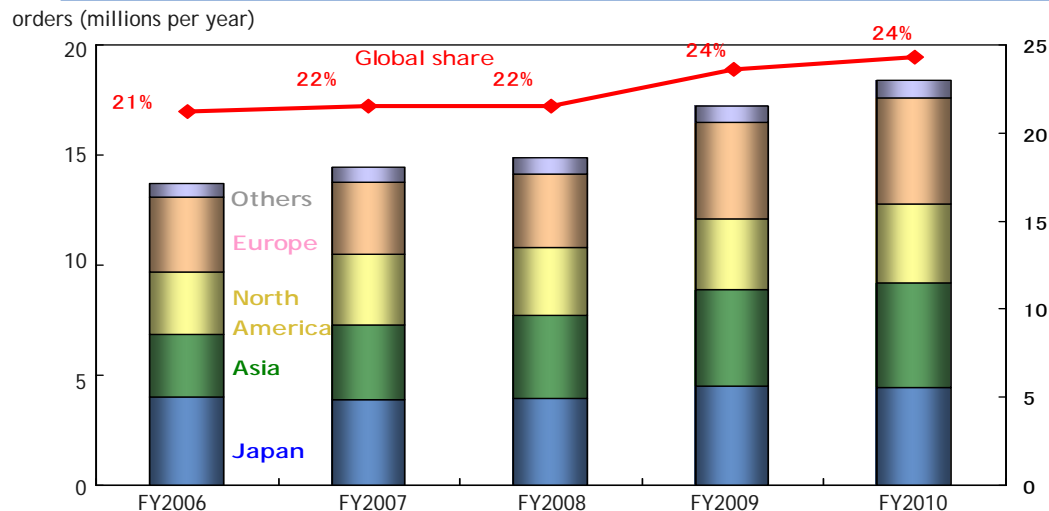
## Key issues and progress of the mid-term plan "VISION 2012"

- Key issues to achieve the mid-term plan "VISION 2012"
  - ① Obtain 25% global share in wiring harnesses
    - Japanese : secure stable orders from major car lines and obtain from the emerging markets (e.g.; BRICs)
    - non-Japanese : strengthen our company structure and overseas bases / consider M&A opportunities / 15% share in 2012
  - ② Improve efficiency in business operation and pursue overall cost reduction
  - ③ Develop new products and technologies (downsizing, saving weight, eco-friendly and networking)
- Progress of the mid-term plan "VISION 2012"
  - Encourage to acquire orders from non-Japanese manufacturers—Get more orders from Renault, PSA(Peugeot·Citroen) in 2009
  - Establish a new base in Europe to support purchasing, distribution, IT and personnel
  - Maximize synergy by the acquisition of Sumitomo Wiring Systems (hereinafter called SWS)
  - Develop Intelligent Wiring harnesses systems (AutoNetworks Technologies, Ltd.)

Accelerate the global expansion

- Overseas: 91 companies in 30 countries
- About 126 thousand employees [As of August 2007]

## Orders & Global share of wiring harnesses





# The Acquisition of SWS

FY2007 1st Half Result

Overlapped functions are integrated into SEI. SWS focuses on manufacturing.

Before

Functions	SEI	SWS
Business operation * Planning	○	○
Sales	○	—
Design and manufacturing	—	○
Purchasing	○ (except WH)	○ (WH)
Distribution	○ (except WH)	○ (WH)
Information System subsidiaries	○ (sales and estimate )	○ (Design and production)
Finance	○	○

After

SEI	SWS	Contents
○	—	<ul style="list-style-type: none"> <li>•Speedy decision-making processes</li> <li>•Integration of overlapped operations</li> </ul>
○	—	—
—	○	—
○ ← ○	○	<ul style="list-style-type: none"> <li>•Promotion of integrated operation</li> <li>•Enhance bargaining power</li> <li>•Profitable procurement by central purchasing</li> </ul>
○ ← ○	○	<ul style="list-style-type: none"> <li>•Integrated management and price negotiation</li> <li>•Pursue scale merits</li> <li>•Improve efficiency of distribution</li> </ul>
○	—	<ul style="list-style-type: none"> <li>•Streamline overlapped operations</li> <li>•Integrated support for product and sales system</li> <li>•Cost reduction for system development</li> </ul>
○	—	<ul style="list-style-type: none"> <li>•Reduce cost of loans</li> <li>•Effective operation</li> </ul>



R&D	AutoNetworks Technologies, Ltd. Capitalized by (SEI:60%, SWS:40%)
-----	--

AutoNetworks Technologies, Ltd. Capitalized by (SEI:60%, SWS:40%)	•Strengthen relationship with R&D Dept. of SEI and realize synergy
--	---

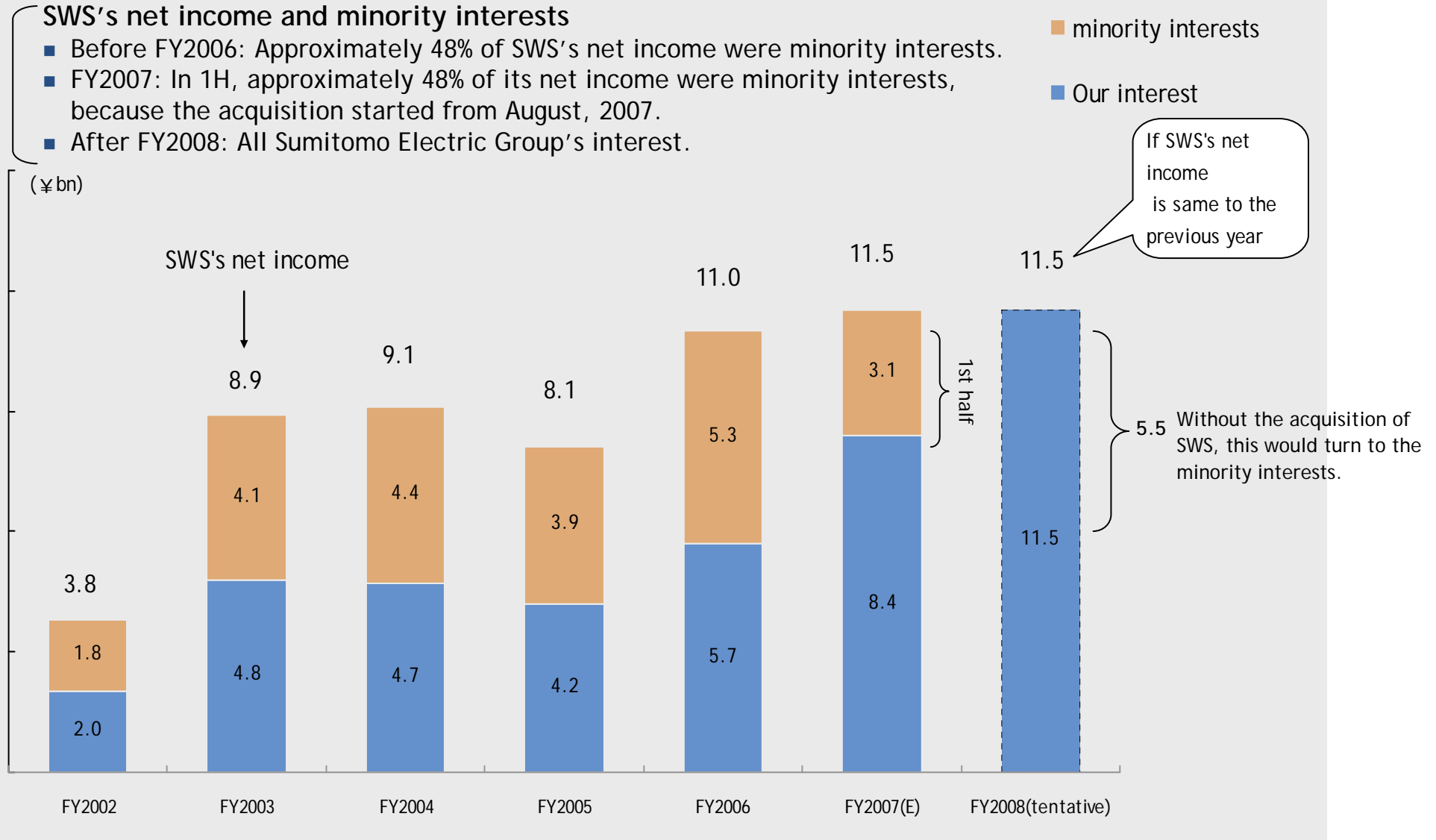


# The Acquisition of SWS

Due to having SWS as an wholly-owned subsidiary, we gain more interest preventing from it flow to the minority interests.

## SWS's net income and minority interests

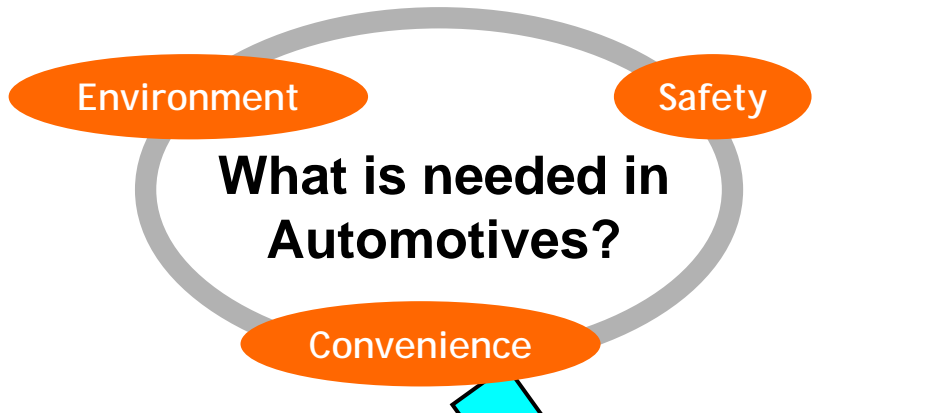
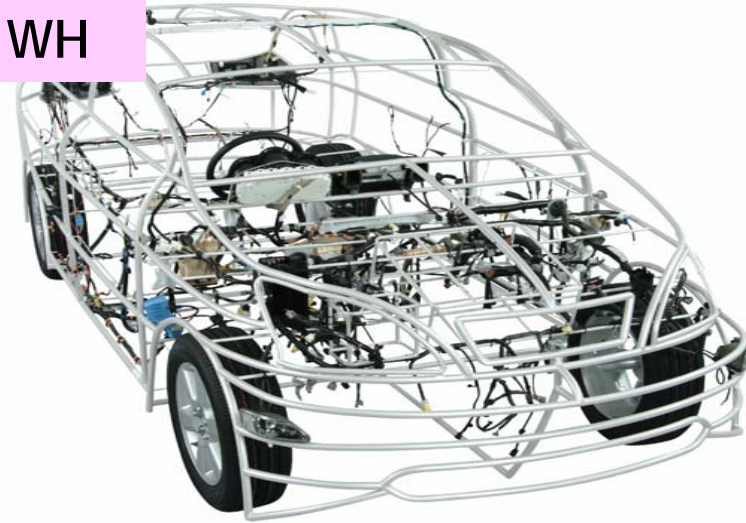
- Before FY2006: Approximately 48% of SWS's net income were minority interests.
- FY2007: In 1H, approximately 48% of its net income were minority interests, because the acquisition started from August, 2007.
- After FY2008: All Sumitomo Electric Group's interest.



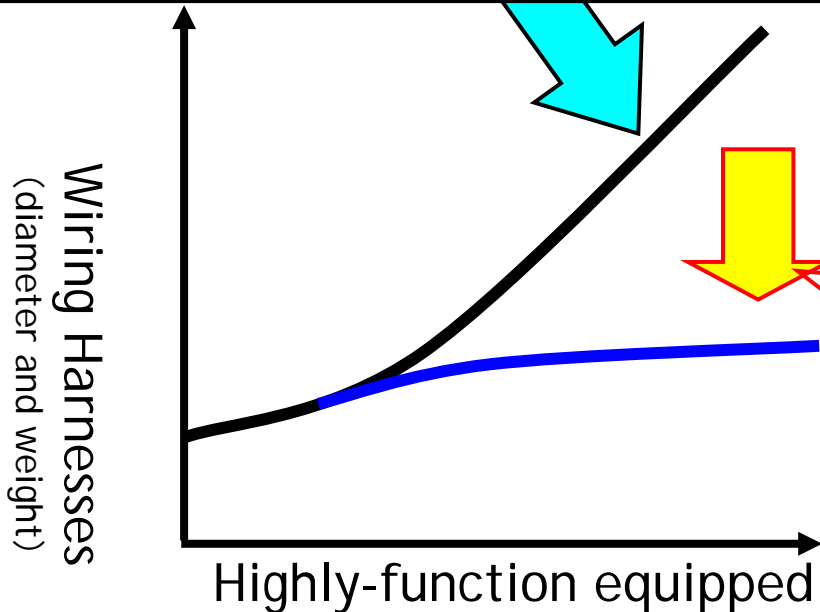




## Key issues & direction of the development in WH



Diameter and weight are increasing by equipping highly-functions.



### Intelligent wiring harness systems

<Downsizing & saving weight>

- smaller diameter and saving weight of electric wires
- reducing connector size

<Power & LAN>

- Highly functioned electric connected equipment (downsizing and saving weight, computerize, developing softwares)
- Advancement of onboard LAN system (speed up of LAN, system integration, wireless)

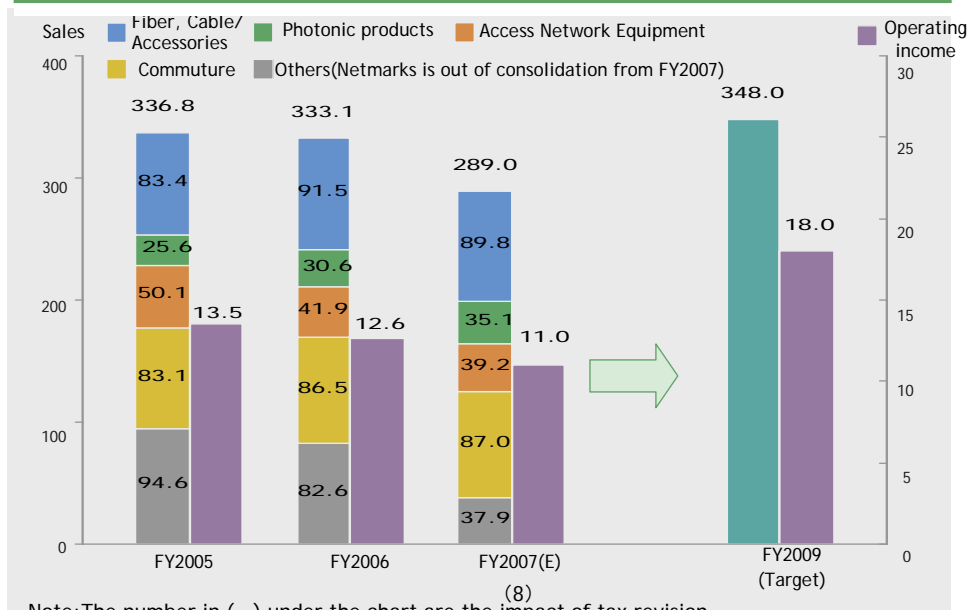
Security, Safety, Collision avoidance, Monitors, SOS, ...



# Growth strategies - Information & Communications

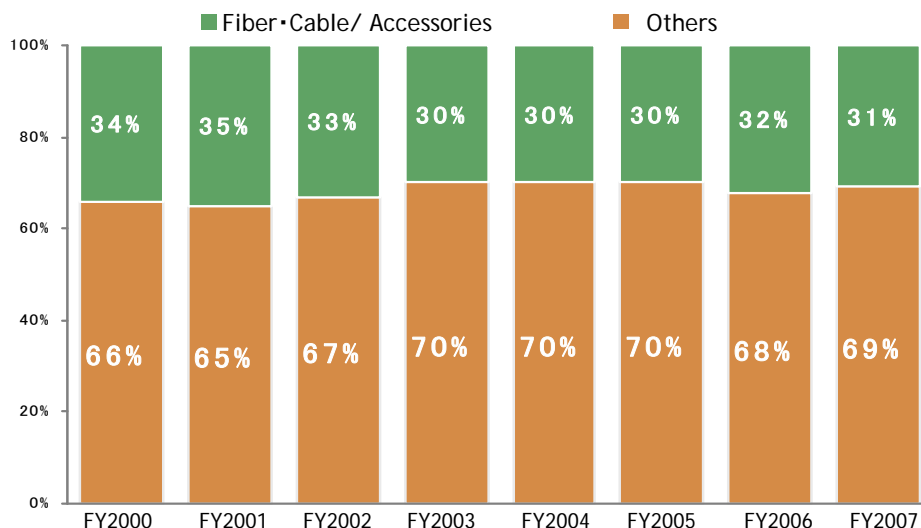
FY2007 1st Half Result

## Sales/Operating income(¥bn)



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

## Declining the trend of Fiber/Cable business



Note: this chart excludes Netmarks.

## Key issues and progress of the mid-term plan "VISION 2012"

### Key issues to achieve the mid-term plan "VISION 2012"

- ① Enhance price competitiveness and cost reduction
- ② Acquire demands related to oversea FTTH markets and expand into Europe and Asia
- ③ Photonic products: Increase its market share, expand 10G products
- ④ Develop network devices for NGN  
From broadband access equipment (e.g.; GE-PON) to application service equipment/Home network appliance

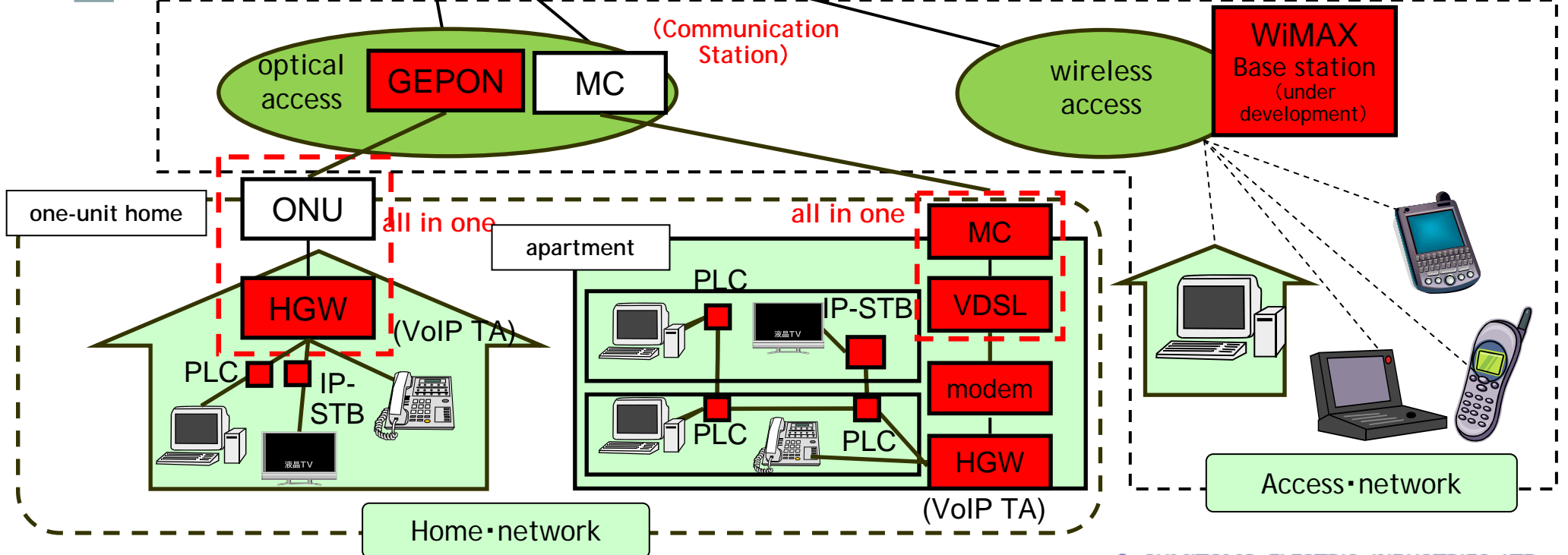
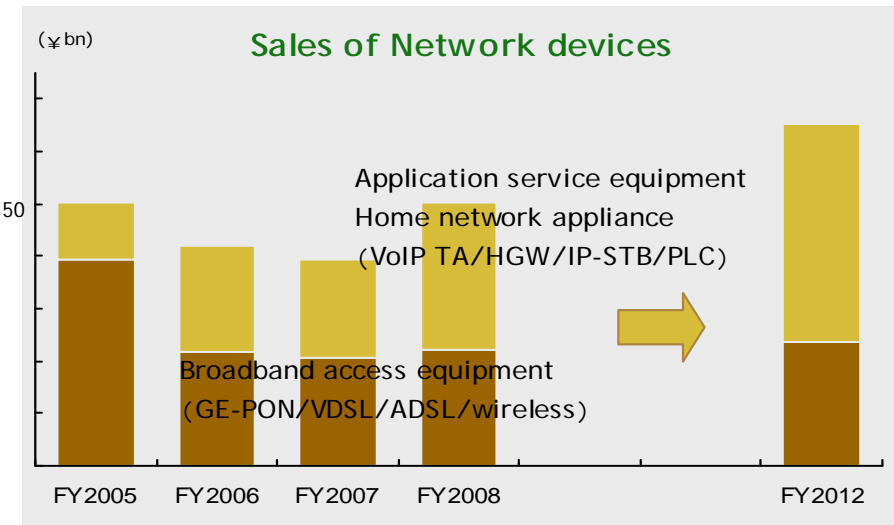
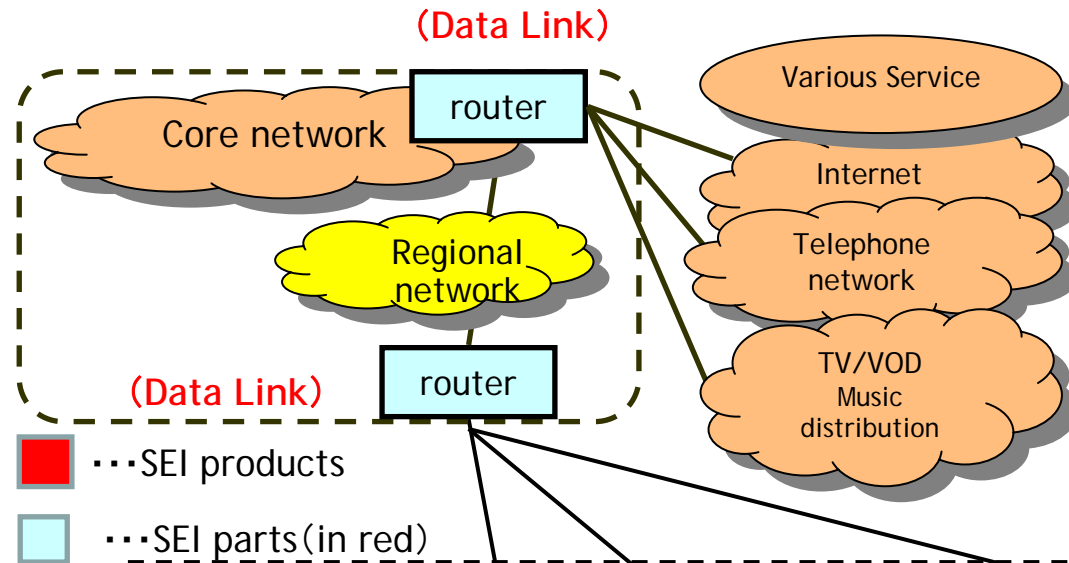
### Progress of the mid-term plan "VISION 2012"

- Optical fibers
  - Expand export and capture demands in China and Europe while slowdown in domestic market
  - Further cost reduction of general-purpose fibers (e.g.; growing the size of preform, speedy fiber-drawing, smaller loss)
  - Maximize synergy by the acquisition of Toyokuni Electric Cable
- Photonic products
  - Increase its share for 2 major customer; Cisco, Alcatel-Lucent
  - Strengthen more competitiveness in 10G market and develop new products
  - Cost reduction through improving yield
- Network devices
  - Development of new products for NGN (Next Generation Network)
  - Enter into overseas market  
Make an investment in Wuhan Yangtze Optical Technology, a FTTH equipment manufacturer in China  
Acquire orders of GE-PON as FTTH equipment from Chunghwa Telecom, the biggest telecom carrier in Taiwan
  - Increase domestic users further to NTT



# Our business opportunities in NGN (Next Generation Network)

FY2007 1st Half Result

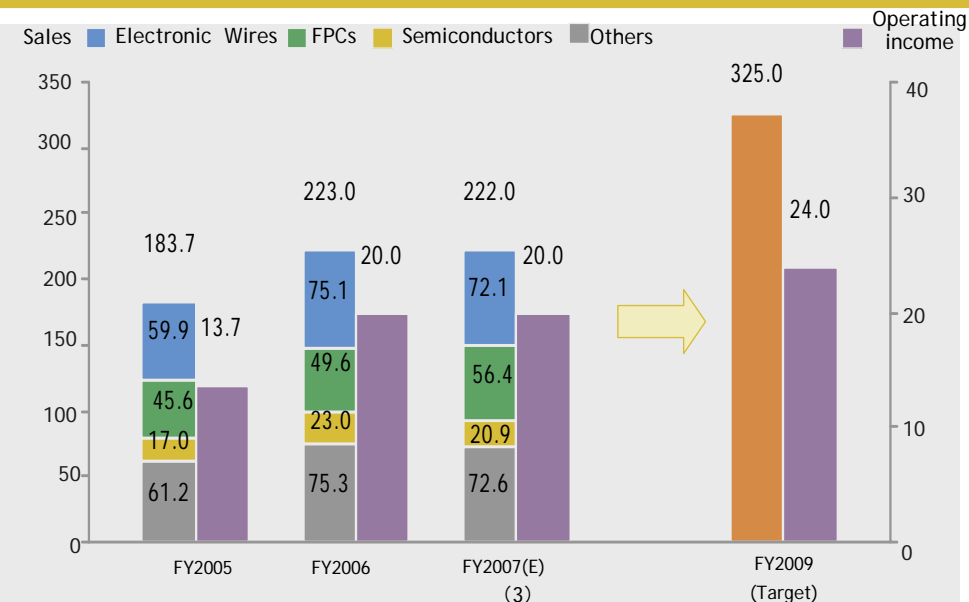




# Growth strategies - Electronics

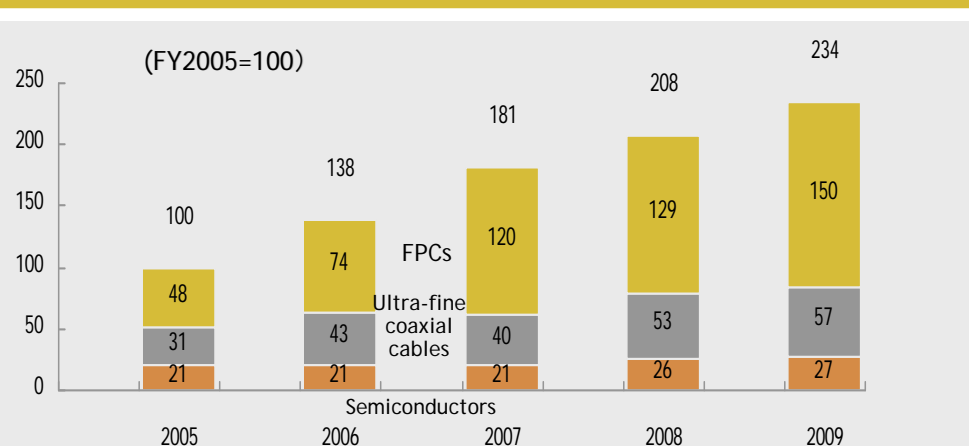
FY2007 1st Half Result

## Sales/Operating income (¥bn)



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

## Sales of Ultra-fine coaxial cables for cell phones/FPCs/Semiconductors



## Key issues and progress of the mid-term plan "VISION 2012"

### Key issues to achieve the mid-term plan "VISION 2012"

- ① Focus on the products for growth business areas (cell phones, LCs, next-generation optical disks) and expand its sales
- ② Strengthen global sales and production structure
- ③ Increase sales of high value-added products and reduce major products' cost
- ④ Introduce new products and develop new technologies

### Progress of the mid-term plan "VISION 2012"

#### Electronic Wires

- Even with lower demands for ultra-fine coaxial cables installed on overseas' cell phones, continuous for domestic highly-functioned ones
- Ensure the competitiveness by introduction of high-performance VA products
- Increase the local production capacity to meet demands in China
- Acquire the competitiveness by overall cost reduction

#### FPCs

- Strengthen overseas operation structures and strategic effort for foreign buyers
- Increase the production capacity in Japan and overseas (e.g.: China and Vietnam)
- Expand parts-mounting and module assembly business
- Reduce cost by improving productivity and yield

#### Semiconductors

- While demands for blue-violet laser (e.g.; next-generation optical disks) are pushed back, GaN substrates are expanding into epitaxial wafers and devices business
- Enlarge sales of GaAs for cell phones and its market share

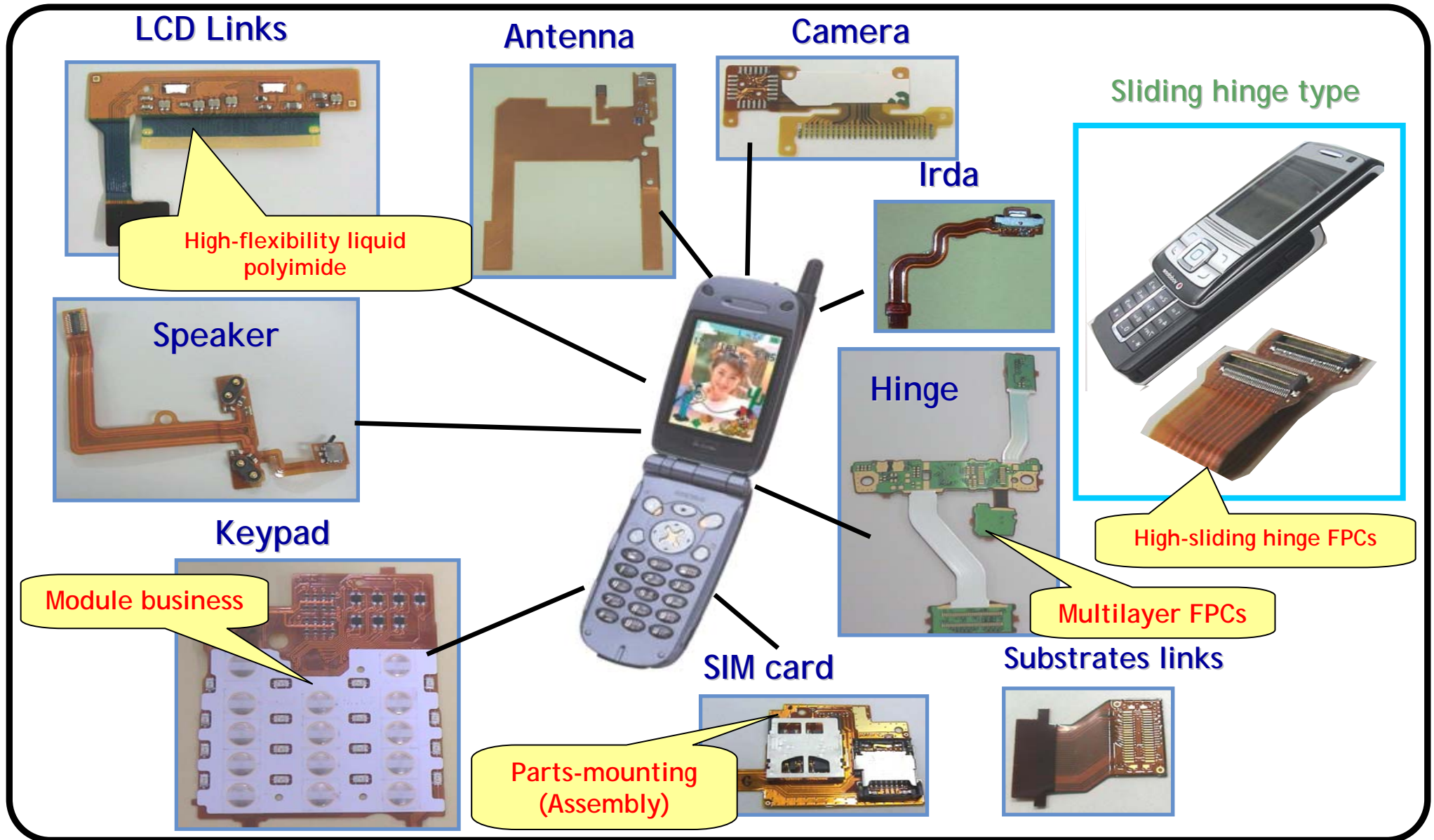
#### Others

- Expand business in water-treating microfiltration membrane modules

# Example of use: FPCs in cell phones

FY2007 1st Half Result

Increase value-added products by development of new products, parts-mounting and module business



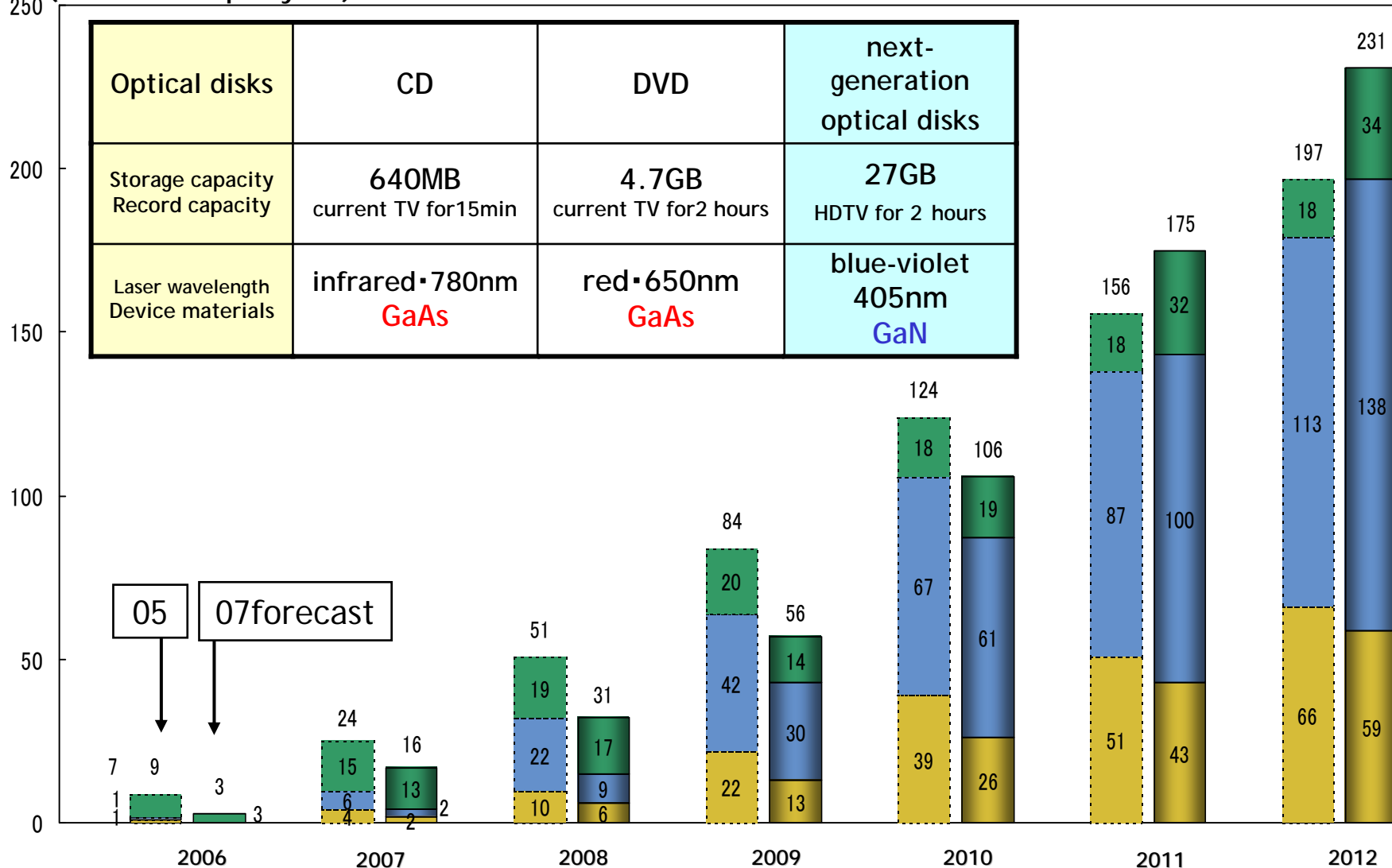


# Market forecast of next-generation optical disks

FY2007 1st Half Result

Market is expected to expand one year behind of the schedule as of 2005(100 million in 2010).

(million unit per year)



Game player



PC



AV (recorder, player)

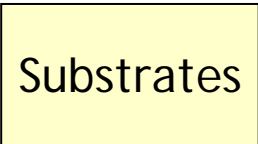
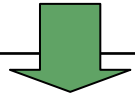
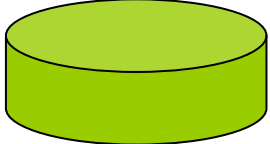
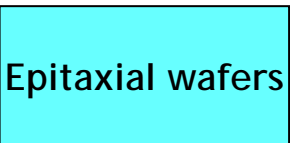
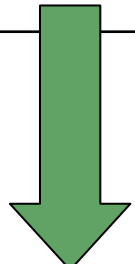
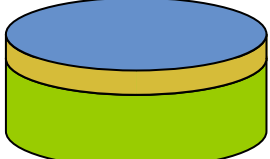

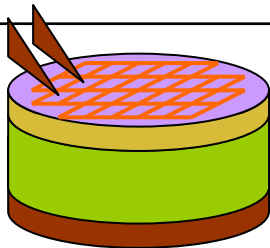

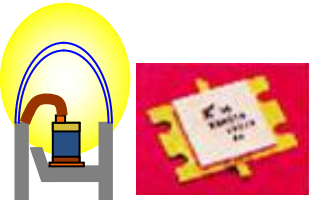


( Source : TSR:05vs07 )

# GaN substrates ~ expand to high-value added products ~

FY2007 1st Half Result

Adopt GaN business into epitaxial wafers and devices, then aim to strengthen its revenue base.

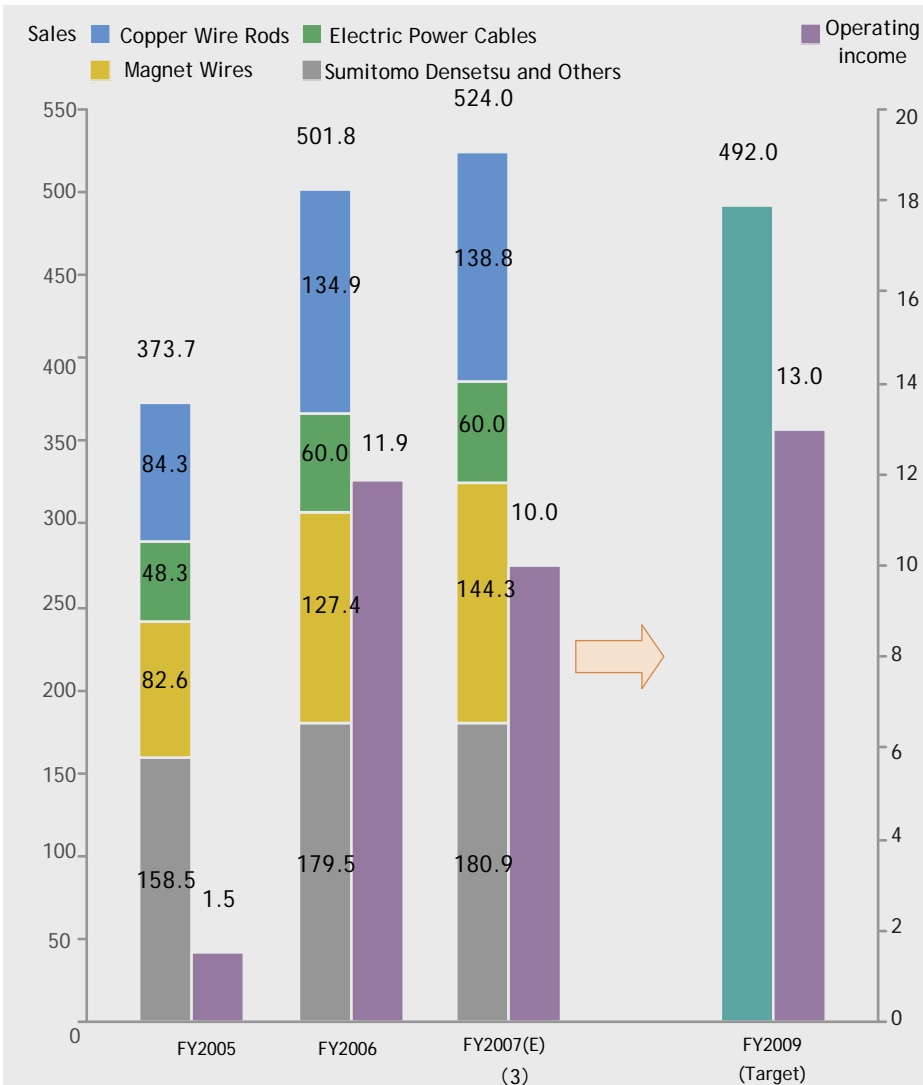
sectors	Market scale	Products	Strategies
 	× 1	 substrates	<ul style="list-style-type: none"> <li>■ Now: for laser</li> <li>■ Future: ① for LED ② for electronic devices</li> </ul>
 	× 2	 epitaxial wafers	<ul style="list-style-type: none"> <li>■ Leverage the technique of GaAs epitaxial wafers manufacturing in the Group</li> <li>■ In-house facility development</li> </ul>
	× 10	 Wafers with electrode  chips  devices	<ul style="list-style-type: none"> <li>■ Develop unique devices using advantages of our substrates</li> <li>■ Maximize synergy in corporate with Info.&amp;Comm. Seg.</li> </ul>



# Growth strategies - Electric Wire & Cable, Energy

FY2007 1st Half Result

## Sales/Operating income(¥bn)



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

## Key issues and progress of the mid-term plan "VISION 2012"

### ■ Key issues to achieve the mid-term plan "VISION 2012"

- ① Pursue structural reform in growth areas and cost reduction
- ② Enter into foreign market of brisk demands (e.g.; China and Asia)
- ③ Increase products for Automotive and Electronics areas
- ④ Explore new business mainly in energy, resource and environment areas

### ■ Progress of the mid-term plan "VISION 2012"

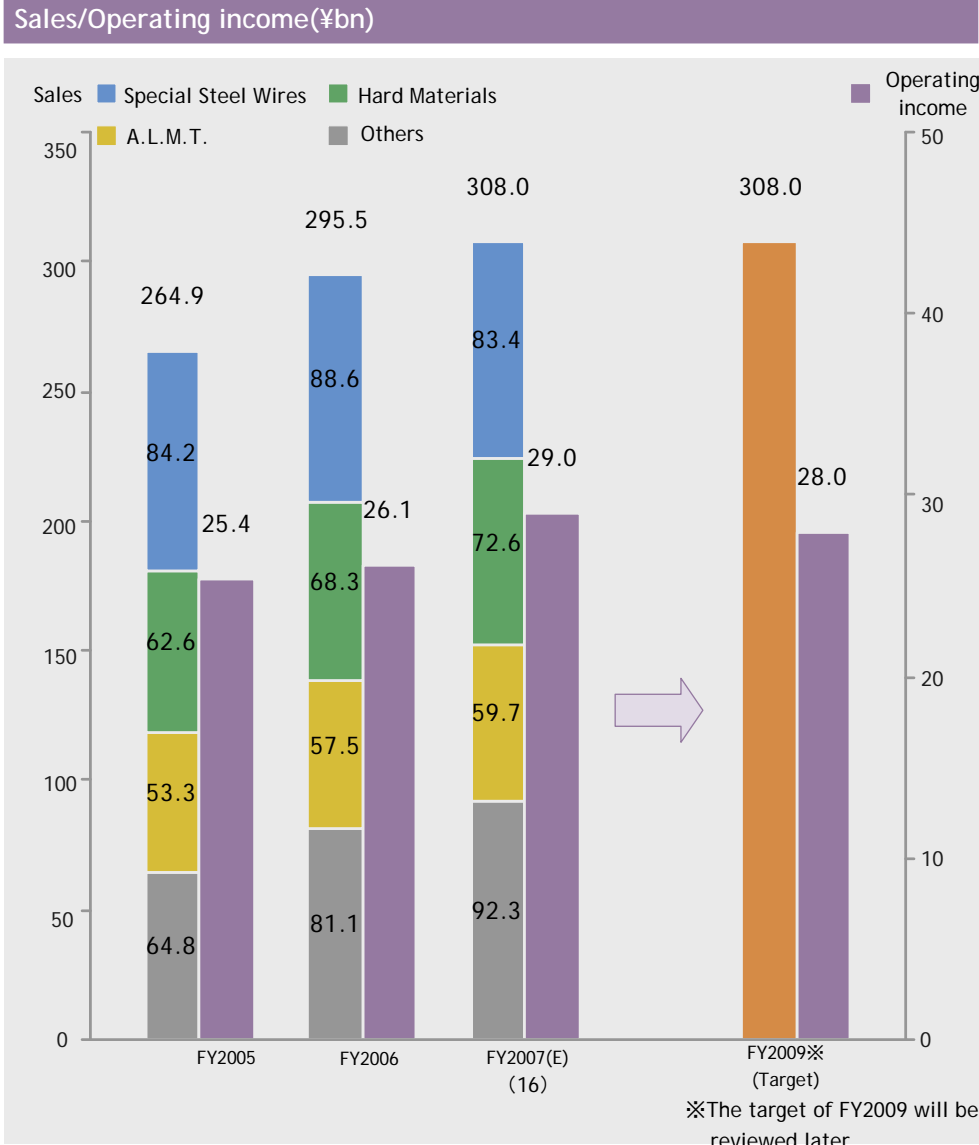
- Further cost reduction by promoting rationalized capital expenditure.
- Consider expanding high-voltage power cable overseas (e.g.; potential development of JV in Asia and others)
- Develop high-strength and high-voltage resistant magnet wires and release it to the market
- Increase production capacity of Celmet used in battery of hybrid car
- Get Thermal Control Device for Electronics area in operation
- Promote R&D and achieve practical use of superconducting power cable, superconducting apparatus such as motors and magnets
- Maximize synergy by the acquisition of Nisshin Electric





# Growth strategies - Industrial Materials

FY2007 1st Half Result



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

## Key issues and progress of the mid-term plan "VISION 2012"

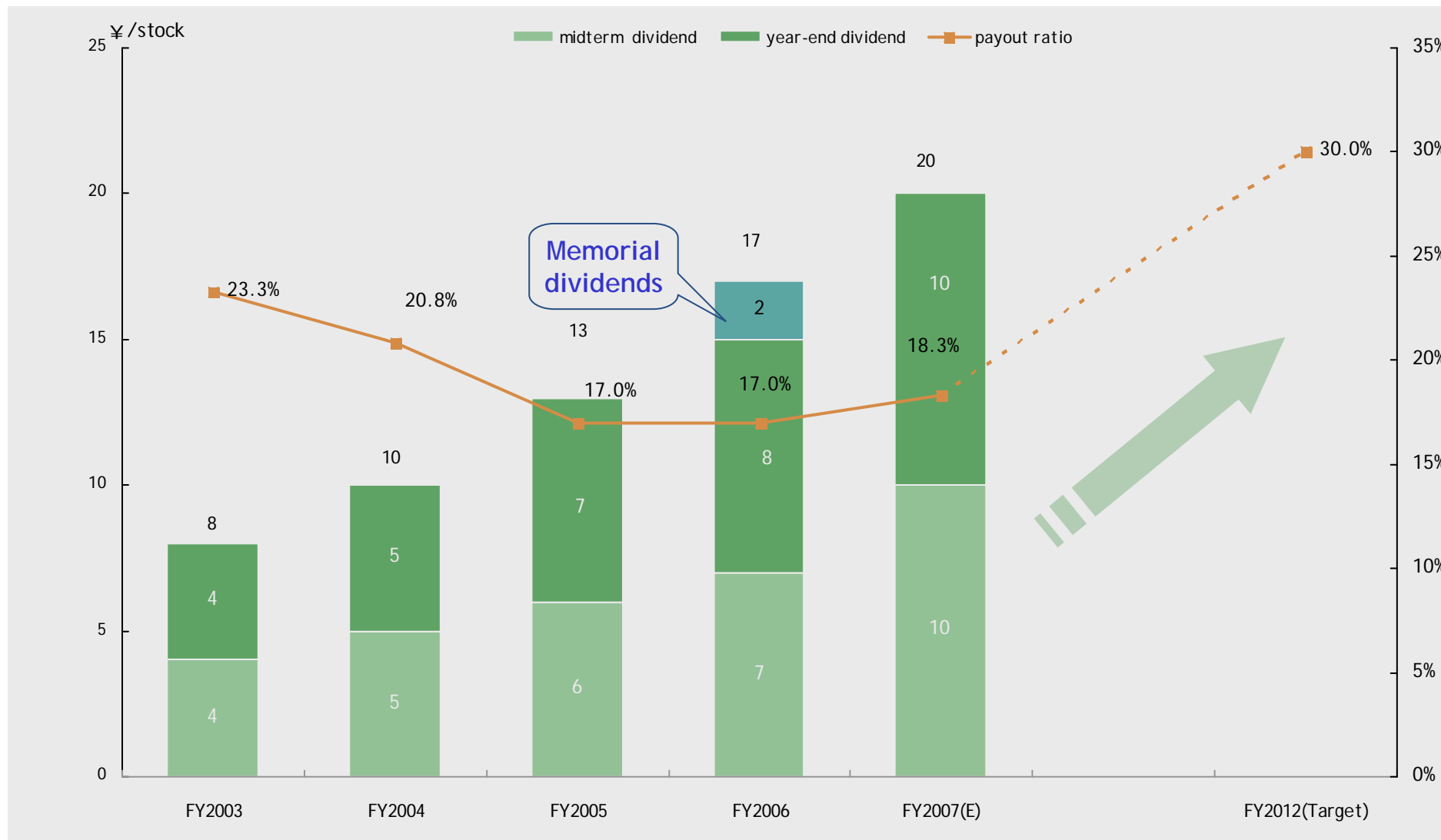
- **Key issues to achieve the mid-term plan "VISION 2012"**
  - ① Accelerate the global expansion (Global Top 3 products)
  - ② Enhance core technologies (e.g.; material and product development, processing technologies) and pursue uniqueness
  - ③ Increase products for Automotive and Electronics areas
  - ④ Stable supply of material resource (e.g.; Tungsten)
- **Progress of the mid-term plan "VISION 2012"**
  - **Special Steel Wires**
    - Strengthen Steel Code business
  - **Hard materials**
    - Strengthen overseas sales operation structures (e.g.; Czech, Mexico and China)
    - Acquire Master Tool LLC, an U.S. cutting tool maker
    - Establish a new production base in Czech
    - Begin a joint research for rare metals recycling with Nagoya University
  - **A.L.M.T.**
    - Expand sales of materials for LCP and heatspreader and cost reduction
  - **Sintered parts**
    - Establish a new base in Europe by the acquisition of Cloyes Europe GmbH. in Germany
    - Expand operations in China and ASEAN



# Return to shareholders~dividends·payout ratio~

FY2007 1st Half Result

- Pursue a continuous increase in the dividends with growing profits
- VISION 2012 target : payout ratio to 30% in 2012



# New mid-term plan "VISION 2012" ~Become a Glorious Excellent Company~

FY2007 1st Half Result

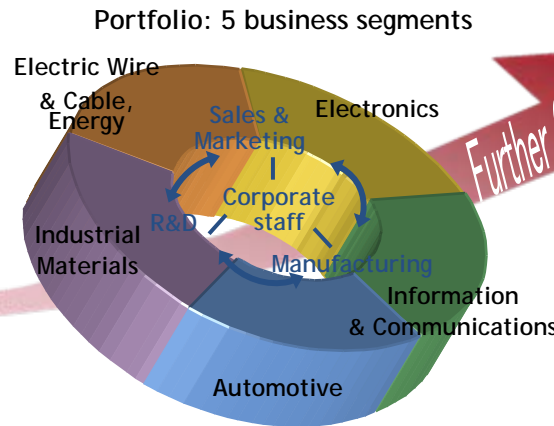
## Glorious Excellent Company

**"VISION 2007"**  
(The first 5-year plan)

FY2007 targets (initial)

Sales:	¥2,000bn
Operating income:	¥120bn
ROA:	<b>8.0%</b>

[Shift to the growth phase]



**"VISION 2012"**  
(The second 5-year plan)

FY2012 targets

Sales:	¥3,000bn
Operating income:	¥210bn
ROE:	<b>10.0%</b>

[Driving strategies]

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

**Expanding our Global Presence**

- Expand overseas operations (production, R&D, sales, distribution)
- Create corporate affiliations/ Strategic expansion of business

### Growth Strategies

#### Global Top 3 Target

- Withdraw from underperforming non-core businesses and focus on core business
- Be in the global top 3 in sales, technology or profitability

**Strengthening our Leading Technology**

- Be a global top competitor in "QCDD (Quality, Cost, Delivery & Development)"
- Utilize intellectual property (IP)

### Human resource development (SEI University)

- Sumitomo Business Spirit
- Sumitomo Electric Group Corporate Principles



## The Sumitomo Electric Group Basic Policies on Social Contributions

Keywords based on "Sumitomo Business Spirit" and "Sumitomo Electric Group Corporate Principles"

Respect for Human Resource

Attaching Importance to Technology

Make a Better Society

The Sumitomo Electric Group shall

1. Globally promote efforts toward the development of human resources, the promotion of research and learning and environmental conservation.
2. Promote community-oriented social contribution activities in the Group's business locations all over the world.
3. Provide continuous support to employees' voluntary social contributions.

## Our Social Contribution Activities

### 1. Establish "The Sumitomo Electric Group Scholarship & Fellowship 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 fiscal 2008

### 3. Adopt a support system for volunteer activities by employees

- (1) Introduce volunteer holiday system from April, 2007
- (2) Adopt a matching-gift system<sup>1</sup> from September, 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 the Group's Basic Policies on Social Contributions on its 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.



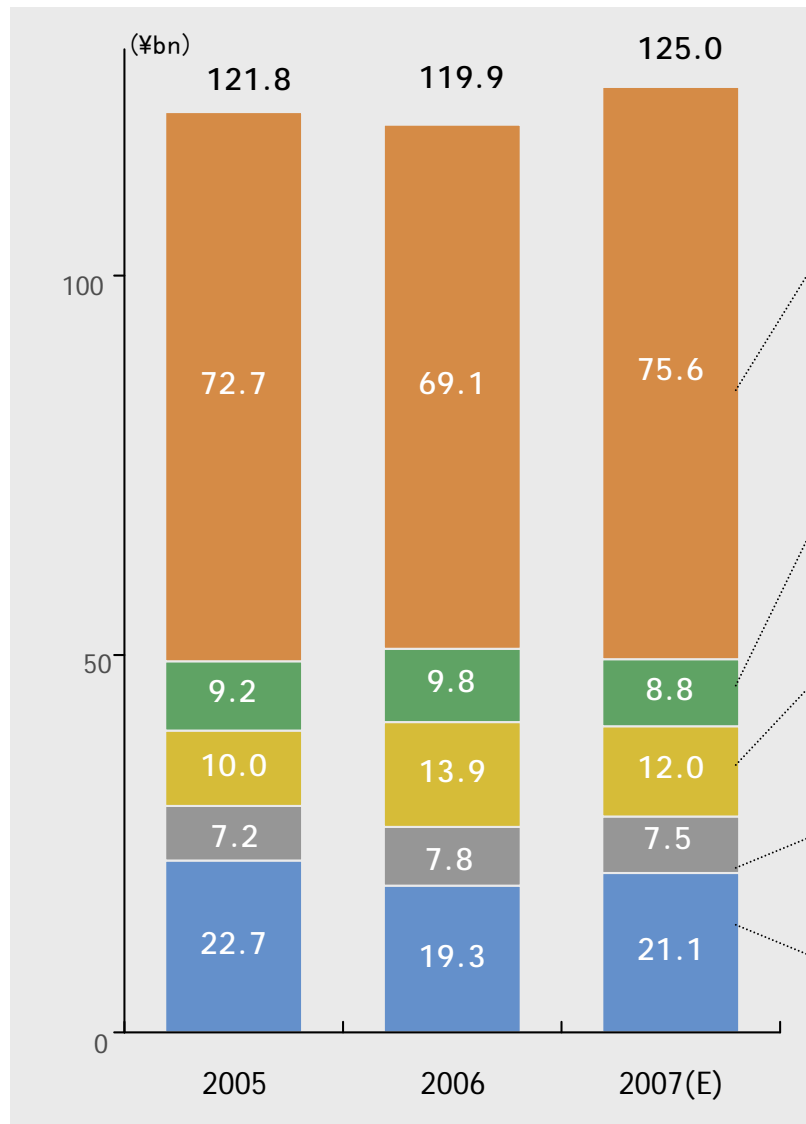
# Appendix



# Prioritized Investment in Growth Areas - Capex

FY2007 1st Half Result

## Capital expenditure plan



### Target areas

### Priority measures

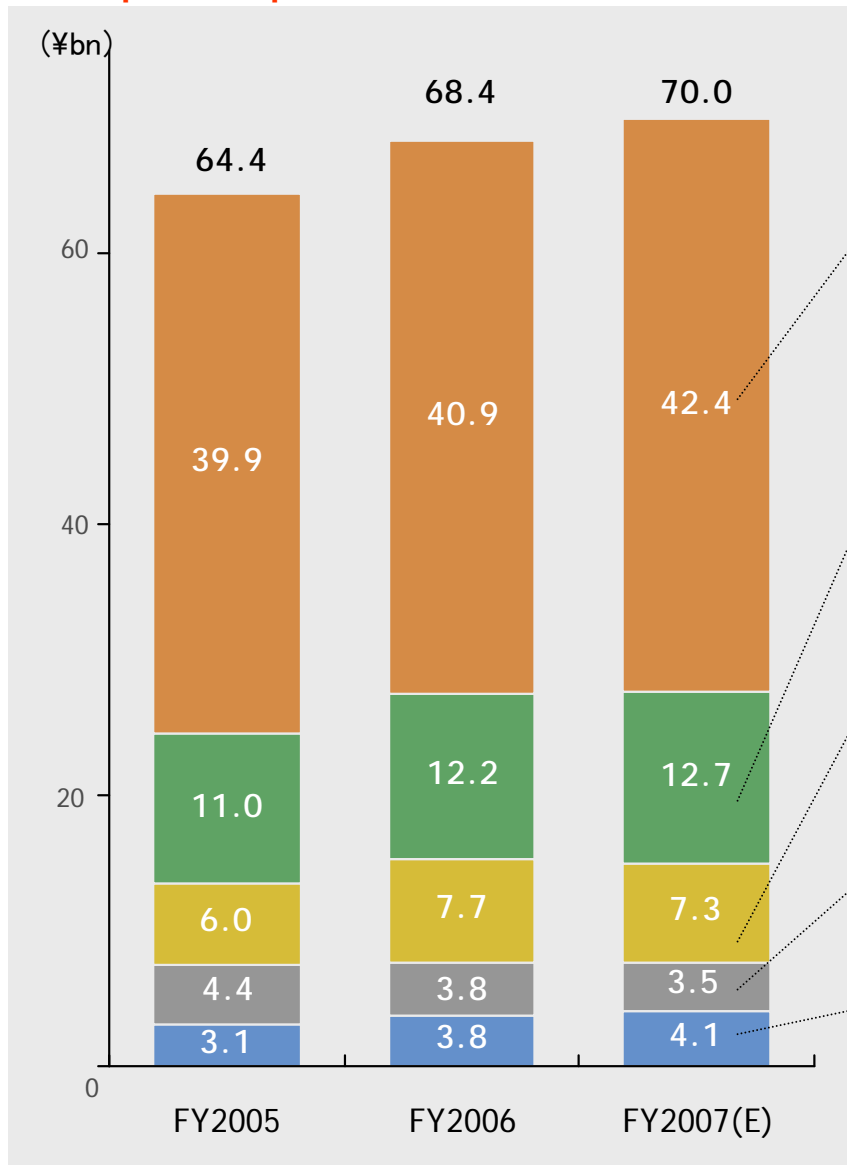
Automotive	<p>Wiring harnesses: Increase production cap. in Asia and China</p> <p>Tokai Rubber: Increase production cap.</p>
Information & Communications	<p>Optical components/devices: Increase production</p> <p>Fiber: Develop low-cost fiber</p> <p>Others: Upgrading/modernization of the existing production facilities for higher efficiency</p>
Electronics	<p>Ultra-fine Coaxial Cable: Increase cap. for cell phone use</p> <p>FPCs: Increase production line</p> <p>GaN semiconductor: Increase production</p>
Electric Wire & Cable, Energy	<p>Increase production of magnet wires and Celmet</p>
Industrial Materials	<p>Hard Materials: Increase cap. in Japan and China</p> <p>Oil-tempered wire for valve spring: Increase production</p> <p>Sintered parts: Increase domestic production cap.</p>



# Prioritized Investment in Growth Areas - R&D

FY2007 1st Half Result

## R&D expenses plan



Target areas	Market trends	Priority measures
Automotive	Environment: FC, HEV, Lightweight Safety: Sensors, Camera Computerize	High-volt harnesses, power devices Thin dia. (Cu-SUS) harnesses Seamless camera, infrared lens Electric Control Unit Power Distributor
Information & Communications	Increase in backbone network cap. FTTH expansion IP phone, video on demand Home NW (intelligent home appliance)	High-speed optical links/modules Optical switches, waveguide parts GE-PON <sup>*1</sup> devices, next-generation PON devices VoIP related devices, CDN <sup>*2</sup> Power Line Communication
Electronics	More compact, high-density in devices Sophisticated semiconductor equipment Increased demand in wide-band-gap devices	High-performance FPC <sup>*3</sup> High-density mounted parts/materials DLC <sup>*4</sup> optical elements GaN, SiC, AlN
Electric Wire & Cable, Energy	Energy-saving, environment protection	High-temp superconducting wires/ cables/ coils
Industrial Materials	High-precision machining Lightweight materials	High-performance carbide/ diamond tools Magnesium alloys (boards/ wires/ tubes)

\*1: Gigabit Ethernet Passive Optical Network

\*2: Contents Delivery Network

\*3: Flexible Printed Circuit

\*4: Diamond Like Carbon



# 1H/FY2007 Financial Results

FY2007 1st Half Result

## Sales and Operating income(OI) by business segments

( ¥bn)	1H/FY2006 Actual①		1H/FY2007				%growth ③-①		%growth ③-②	
	Sales	OI	Estimate②	OI	Actual③	OI	Sales	OI	Sales	OI
Automotive	507.0	19.2	560.6	31.2	593.8	35.2	86.8	16.0	33.2	4.0
Information & Communications	156.9	3.3	128.5	0.5	127.0	0.2	(29.9)	(3.1)	(1.5)	(0.3)
Electronics	103.2	9.2	114.9	7.5	107.6	8.1	4.4	(1.1)	(7.3)	0.6
Electric Wire & Cable, Energy	227.9	3.6	227.9	2.3	258.7	4.8	30.8	1.2	30.8	2.5
Industrial Materials & Others	143.0	13.3	148.1	11.5	153.4	15.1	10.4	1.8	5.3	3.6
Eliminations	(28.4)	0	(30.0)	0	(24.4)	0.2	4.0	0.2	5.6	0.2
<b>Total</b>	<b>1,109.6</b>	<b>48.6</b>	<b>1,150.0</b>	<b>53.0</b>	<b>1,216.1</b>	<b>63.6</b>	<b>106.5</b>	<b>15.0</b>	<b>66.1</b>	<b>10.6</b>





# FY2007 Financial Forecast

FY2007 1st Half Result

## Sales and Operating Income(OI) by business segments

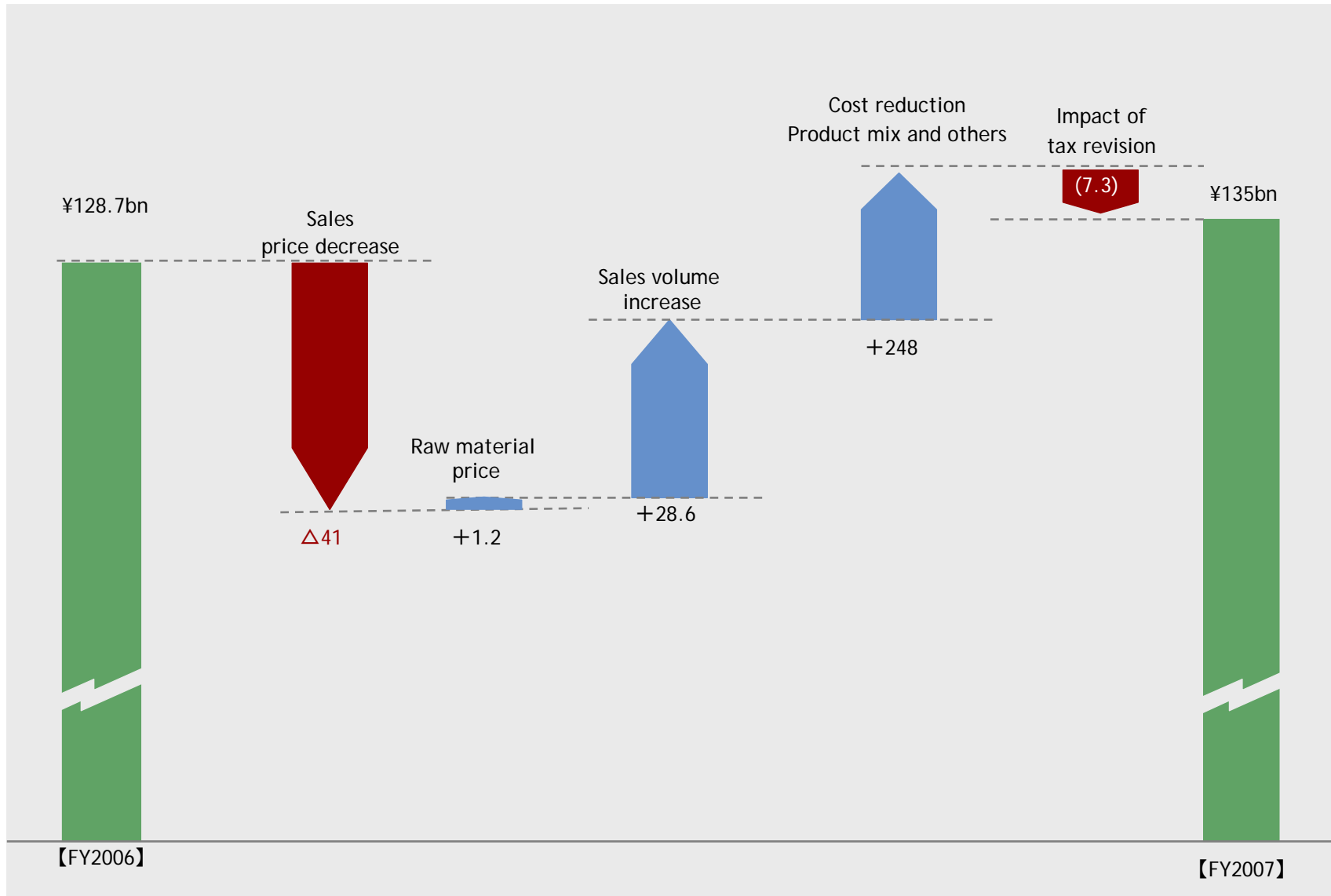
	FY2006		FY2007						% growth	
	Estimate①		1H/Actual		2H/Estimate		Revised (E)②		②-①	
(¥bn)	Sales	OI	Sales	OI	Sale	OI	Sales	OI	Sales	OI
Automotive	1095.9	58.0	593.8	35.2	575.2	29.8	1169.0	65.0	+73.1	+7.0
Information & Communications	333.1	12.6	127.0	0.2	162.0	10.8	289.0	11.0	(44.1)	(1.6)
Electronics	223.0	20.0	107.6	8.1	114.4	11.9	222.0	20.0	(1.0)	+0.0
Electric Wire & Cable, Energy	501.8	11.9	258.7	4.8	265.3	5.2	524.0	10.0	+22.2	(1.9)
Industrial Materials & Others	295.5	26.1	153.4	15.1	154.6	13.9	308.0	29.0	+12.5	+2.9
Eliminations	(64.9)	0.1	(24.4)	0	(37.6)	(0.2)	(62.0)	0.0	+2.9	(0.1)
<b>Total</b>	<b>2384.4</b>	<b>128.7</b>	<b>1216.1</b>	<b>63.6</b>	<b>1233.9</b>	<b>71.4</b>	<b>2450.0</b>	<b>135.0</b>	<b>+65.6</b>	<b>+6.3</b>



# Operating income analysis for FY2006 and FY2007

FY2007 1st Half Result

Without the impact of tax revision, operating income would have been increased by 13.6 billion yen.

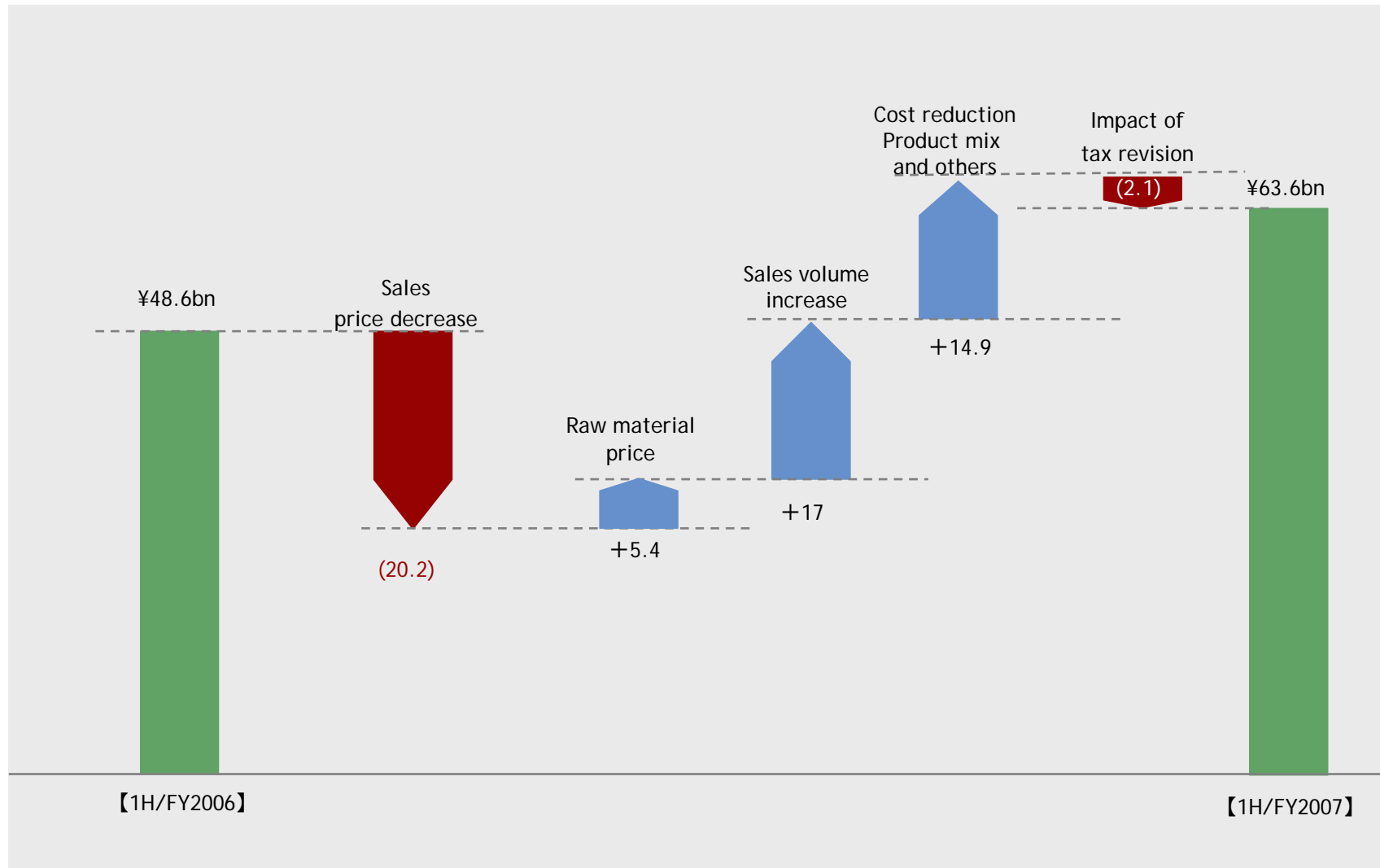




# Operating income analysis for 1H/FY2006 and 1H/FY2007

FY2007 1st Half Result

Without the impact of tax revision, operating income would have been increased by 17.1 billion yen.





# Forward-looking Statement

*FY2007 1st Half Result*

This presentation contains various forward-looking statements that are based on 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 affiliated companies constitute forward looking statements. Factors that could cause actual results to differ materially include, but are not limited to:

1. Market and economic conditions in the United States, Europe, Japan, and other Asian countries, especially increases and decreases in personal consumption and capital expenditure
2. Fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar, the euro, and Asian currencies
3. The ability of Sumitomo Electric and its affiliated companies to cope with rapid technological development
4. Changes in financial, management, environmental, and other assumptions
5. Current and future laws and regulations in foreign countries involving trading and other activities
6. Changes in the market value of securities owned by Sumitomo Electric and its affiliated companies

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