FY2010 1st Half Results and Activities for Vision 2012

Masayoshi Matsumoto
President and CEO
## 1H / FY2010 Result of Operations

<table>
<thead>
<tr>
<th></th>
<th>1H/FY2009</th>
<th>1H/FY2010</th>
<th>Increase Decrease from 1H/FY2009</th>
<th>Increase Decrease from Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unit: ¥Billion</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>812.3</td>
<td>990.6</td>
<td>+178.3</td>
<td>+15.6</td>
</tr>
<tr>
<td><strong>Operating Profit(Loss)</strong></td>
<td>(7.0)</td>
<td>46.0</td>
<td>+53.0</td>
<td>+6.0</td>
</tr>
<tr>
<td><strong>Equity in net income</strong></td>
<td>1.9</td>
<td>14.2</td>
<td>+12.3</td>
<td>+4.2</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>1.2</td>
<td>2.0</td>
<td>+0.8</td>
<td>+2.0</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>(3.9)</td>
<td>62.2</td>
<td>+66.1</td>
<td>+12.2</td>
</tr>
<tr>
<td><strong>Extraordinary gain or loss</strong></td>
<td>(5.8)</td>
<td>(9.0)</td>
<td>(3.2)</td>
<td>(5.0)</td>
</tr>
<tr>
<td><strong>Income Taxes and Minority Interests</strong></td>
<td>0.0</td>
<td>(19.9)</td>
<td>(19.9)</td>
<td>+1.1</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>(9.7)</td>
<td>41.4</td>
<td>+51.1</td>
<td>+16.4</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th></th>
<th>1H/2009</th>
<th>1H/2010</th>
<th>Increase Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unit: ¥Billion</td>
<td>1/2009</td>
<td>1/2010</td>
</tr>
<tr>
<td></td>
<td>Sales</td>
<td>OP</td>
<td>Sales</td>
</tr>
<tr>
<td>Automotive</td>
<td>349.4</td>
<td>(3.1)</td>
<td>455.0</td>
</tr>
<tr>
<td>Information &amp; Communication</td>
<td>129.0</td>
<td>0.8</td>
<td>115.0</td>
</tr>
<tr>
<td>Electronics</td>
<td>72.7</td>
<td>(0.2)</td>
<td>95.0</td>
</tr>
<tr>
<td>Electric Wire &amp; Cable, Energy</td>
<td>183.6</td>
<td>(1.1)</td>
<td>210.0</td>
</tr>
<tr>
<td>Industrial Materials &amp; Others</td>
<td>103.9</td>
<td>(3.4)</td>
<td>135.0</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(26.3)</td>
<td>0.0</td>
<td>(35.0)</td>
</tr>
<tr>
<td>Total</td>
<td>812.3</td>
<td>(7.0)</td>
<td>975.0</td>
</tr>
</tbody>
</table>

※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

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/€ )

<table>
<thead>
<tr>
<th>Unit: ¥Billion</th>
<th>FY 2009</th>
<th>FY 2010</th>
<th>Plan</th>
<th>%Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H Plan</td>
<td>2H Plan</td>
<td>1+2</td>
<td>Year-on-Year</td>
</tr>
<tr>
<td>Net Sales</td>
<td>1836.4</td>
<td>975.0</td>
<td>[990.6]</td>
<td>1025.0</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>51.7</td>
<td>40.0</td>
<td>[46.0]</td>
<td>60.0</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>68.2</td>
<td>50.0</td>
<td>[62.2]</td>
<td>70.0</td>
</tr>
<tr>
<td>Net Income</td>
<td>28.7</td>
<td>25.0</td>
<td>[41.4]</td>
<td>35.0</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>73.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation Expenses</td>
<td>103.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>72.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R O A※</td>
<td>3.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R O E</td>
<td>3.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Although market forecasts vary depending on regions or segments, we take the best measures for each market condition and obtain ¥100bn of OP.

<table>
<thead>
<tr>
<th>Segment</th>
<th>1H Plan ①</th>
<th>FY 2010</th>
<th>2H Plan ②</th>
<th>Annual Plan①+②</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales</td>
<td>OP</td>
<td>[1H Actual]</td>
<td>Sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>[Sales]</td>
<td>[OP]</td>
</tr>
<tr>
<td>Automotive</td>
<td>455.0</td>
<td>29.0</td>
<td>[468.9]</td>
<td>460.0</td>
</tr>
<tr>
<td>Information &amp; Communication</td>
<td>115.0</td>
<td>(3)</td>
<td>[119.4]</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Electronics</td>
<td>95.0</td>
<td>5.0</td>
<td>[86.0]</td>
<td>[3.9]</td>
</tr>
<tr>
<td>Electric Wire &amp;Cable,Energy</td>
<td>210.0</td>
<td>3.0</td>
<td>[214.6]</td>
<td>[3.9]</td>
</tr>
<tr>
<td>Industrial Materials &amp;Others</td>
<td>135.0</td>
<td>6.0</td>
<td>[133.1]</td>
<td>[7.0]</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(35)</td>
<td>0.0</td>
<td>[(31.4)]</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Total</td>
<td>975.0</td>
<td>40.0</td>
<td>[990.6]</td>
<td>[46.0]</td>
</tr>
</tbody>
</table>

※OP=Operating Profit (Loss)
- 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.
To achieve our medium-term business plan “Vision 2012”, we accelerate unremitting efforts to reinforce our business foundation and to start up new business.
2. Expansion into new (global) markets
   - Sales promotion in emerging countries
   - Capturing demand generated by infrastructural development

1. Pursuit of thorough improvement in production
   - Strengthening “Monozukuri” (manufacturing) capabilities
   - Cost structure reform

Promoting Global Presence

3. Deployment into new fields
   - Shifting managerial resources to new technological fields (environment, etc.) to create new business

New Markets

Glorious Excellent Company

Vision 2012

- FY 2012 targets
  - Sales: 3 trillion yen
  - Operating income: 210 billion yen
  - ROA: 10.0%
**Activities: Automotive**

### 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.

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

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

**World Passenger car Output Forecast (CSM World Wide as of Oct.2010)**

1,002
3,584
3,370
3,358
386
587
1,139
714
645
439
413
832
822
565
604
598
1,072
1,072
631
691
708
643
701
716
772
815
847
758
750
633
566
468
445
434
420
426
431
2,576
2,865
3,479
3,447
3,484
3,580
3,717
3,851
4,037

(10000 Units)

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

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

✓ “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.

Automotive Technology R&D Laboratories

R & D organization ※

< MPT >
Planning Division
< ICT >
NEXT Center
Information & Communication Technology
Power system Lab.

• Analysis Lab.
• Electronics Lab.
• Semiconductor Lab.
• Power Device Lab.
• Water PJ

• Information Lab.
• Optical Communication Lab.
• Transmission Lab.
• Optical Life PJ

New products

Reactors

- Powder magnetic core
- Coil
- CAE
- Reactor
- ASSY

Communication Equipment for Charging System

- rapid charger
- PLC Unit

Integrating SEI Group’s technologies of R&D

- Converter
- Safety System

※Some names of divisions or Laboratories are abbreviated.
**Sales/Operating Profit (Loss)**

<table>
<thead>
<tr>
<th>Sales (¥bn)</th>
<th>Unit: ¥Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H/2009</td>
<td>129.0</td>
</tr>
<tr>
<td>2H/2009</td>
<td>142.2</td>
</tr>
<tr>
<td>Forecast</td>
<td>115.0</td>
</tr>
<tr>
<td>Result</td>
<td>119.4</td>
</tr>
<tr>
<td>Forecast</td>
<td>105.0</td>
</tr>
</tbody>
</table>

**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 & Electronic devices**
  - 40/100Gbps optical devices
  - GaN-semiconductor devices for next-generation base station (for LTE).

**Commuture Corp.**, shareholding ratio 54%→22% on Oct. 1st, 2010.
Streamlining Japanese Bases & Strengthening Overseas Activities

**Market conditions**
- Increasing overseas 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)

**Commuture**

**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**
  - 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

- **SEI Optical Cable (Shenzhen)**
  - Reinforced capabilities
  - Cable manufacturing
  - Fiber drawing

**Tianjin SEI-Futong optical cable Co.,Ltd.**
- Beginning cabling within Y2010

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)

**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

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

“MC3000” modems to create high-speed network by using existing community coaxial TV cable in building (Nov. 2010).
Activities : Electronics

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

**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

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

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

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)

Growing Market

Overhead Power Line
Export for China and India

DCCV Cable
Trolley Wire

Air Cushion

Invar Wire
Efficient Electric Power Transmission

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

Electric power transmission

Environment-friendly products

- Power Conditioner for solar power generation system
  - (Nissin Electric Co., Ltd.)

↑ DCCV cable
  - (JPS)

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

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

- 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)

**Europe**
- SHF (Germany, Czech Republic)

**Japan**
- SEI (Itami)
- NSS (Hokkaido)
- TSK (Mie)
- QS (Saga)
- AML (Hyogo)

**North America**
- SCM (USA)

**The Americas**
- Merged Master Tool

### Bar graphs show regional sales (¥bn/FY)

**Europe**
- Design Engineering Center established to lead design development

**Japan**
- Other Asian Countries
- China

**The Americas**
- Merged Master Tool

Mother plants in Japan
- Manufacturing bases for local markets

Manufacturing bases
- Manufacturing base
- Sales base

India
- MTTL (India)

Southeast Asia
- SHT (Thailand)

Shanghai area
- SCT (China)

Tianjin area
- SPT (China)
Industrial Materials

**~New Products~**

### 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

- **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.

- **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.
  - Loose abrasive type

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

- **“Super Multi Drill HGS”** realizing efficient and precise drilling

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

- **Pre-Grouted PC Strand**
- **Epoxy-Coated PC Strand**
- **“Super Multi Drill HGS”**
- **Sputtering targets materials for Liquid crystal**
- **Heat sink**
In FY2010: Interim dividend is ¥9 / share. Year total dividend is planned to be ¥18 / share.
SEI Group Corporate Social Responsibility (CSR) Activities

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.

   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

“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”

“Vision 2012”
(Second 5-year plan)
FY 2012 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
- Being a global top competitor in “QCDD” (quality, cost, delivery and development).
- Exploiting intellectual properties (IP).

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

Global Top 3 Targets

Human resources development (SEI University)

- Sumitomo Business Spirit
- Sumitomo Electric Group Corporate Principles
Prioritized Investments into Growing Areas: Capital Expenditures

**FY2010 1st Half Results**

### Segments

- **Automotive**
  - Main targets:
    - Increasing capacity for new orders.
    - Rationalization investments.
    - Enhancing capacity in ASEAN & China.
  - Tokai Rubber
    - Strengthening overseas production bases.
    - Increasing capacity for new orders.

- **Information & Communications**
  - Main targets:
    - Increasing capacity in response to expanding demand for optical fiber in China.
    - Increasing capacity of optical/electron devices.
    - Rationalization investments.

- **Electronics**
  - Main targets:
    - Increasing overseas capacity of FPC and Electronic Wire.
    - Rationalization investments.

- **Electric Wire & Cable, Energy**
  - Main targets:
    - Nissin Electric Co., Ltd.
    - Developing business in China
    - Increasing capacity for new orders
    - Rationalization investments.

- **Industrial Materials**
  - Main targets:
    - Increasing capacity of
      - 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

**Segments**
- **Automotive**
  - Ecology & Environment (HEVs/EVs)
  - Saving weight
  - Safety (sensors, cameras)
  - Computerization

**Market**
- **Information & Communications**
  - Higher backbone network capacity
  - Expanded FTTH/wireless access
  - Integration of communications and broadcasting
  - Development of new products for NGN and Green IT

- **Electronics**
  - Downsized, high density
  - Demand for power devices increasing
  - Saving-weight
  - High performance SPE

- **Electric Wire & Cable, Energy**
  - Energy saving
  - Ecology & Environment

- **Industrial Materials**
  - High-precision machining
  - Scarcity of rare materials

**Main targets**
- **Automotive**
  - High-voltage harnesses
  - Thin-diameter (Cu-SUS) harnesses
  - Reactors for HEVs/EVs
  - Electric control units
  - Power distributors

- **Information & Communications**
  - 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**
  - High-performance FPCs
  - High-density mounted parts/materials
  - Lithium batteries, GaN/SiC/AlN
  - Magnesium alloys

- **Electric Wire & Cable, Energy**
  - High-temp. superconducting wires, cables, coils

### R&D expenses

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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 not limited to:

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