FY2010 Results and FY2011 Activities

~Towards Achievement of 12Vision~

Masayoshi Matsumoto
President and CEO
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1. FY2010 Results
1-1. FY2010 Executive Summary

- Taking advantage of growth of global market led by emerging countries, sales of Automotive and Industrial Materials segments increased.

- To capture larger share in growing global market, global production bases were enhanced. To become more competitive, domestic production bases were streamlined.

- Through continued efforts of business promotion and entire cost down, both OP ratio and ROA were improved significantly. Despite damages from March 11 earthquake, on top of unfavorable exchange rate and domestic market conditions, financial structure was improved and net profit, as planned one year ago, was secured. → Increased dividend

- Although March 11 earthquake brought about considerable damages (Extraordinary Loss of ¥8.8bn), taking this opportunity, we managed to realign production lines to attain stable operation under restricted condition of electric power supply.

- Most successful R&D is development of Molten Salt Battery (Product specification under examination). Biggest hit product in business is Aluminum Wire Harness.
1—2. Sales by Segment

Taking advantage of growth of global market led by emerging countries, sales of Automotive and Industrial Materials segments increased. Total sales increased by 11%, despite damages from March 11 earthquake and unfavorable exchange rate.

<table>
<thead>
<tr>
<th>Unit: ¥Billion</th>
<th>FY 2009</th>
<th>FY 2010</th>
<th>Diff.</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>816.6</td>
<td>960.0</td>
<td>+143.4</td>
<td>Increase in Wire Harness in Europe, North America and China Wire Harness Market Share 22%→25%</td>
</tr>
<tr>
<td>Information &amp; Communication</td>
<td>271.2</td>
<td>218.2</td>
<td>(53.0)</td>
<td>Commuture Corp., shareholding ratio 54%→22% (42.9) ¥bn Decrease in NW equipment. Increase in Optical &amp; Electric devices</td>
</tr>
<tr>
<td>Electronics</td>
<td>165.1</td>
<td>178.2</td>
<td>+13.1</td>
<td>Increase in Electronic wire, Fine Polymer &amp; FPCs</td>
</tr>
<tr>
<td>Electric Wire &amp; Cable, Energy</td>
<td>412.5</td>
<td>464.9</td>
<td>+52.4</td>
<td>Increase in copper price +33 ¥bn Growth of Magnet Wire market</td>
</tr>
<tr>
<td>Industrial Materials &amp; Others</td>
<td>228.2</td>
<td>277.5</td>
<td>+49.3</td>
<td>Increase in Hard Metal, A.L.M.T (Diamond products), Special Steel Wires (Spring wire, Saw wire)</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(57.2)</td>
<td>(65.0)</td>
<td>(7.8)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,836.4</td>
<td>2,033.8</td>
<td>+197.4</td>
<td></td>
</tr>
</tbody>
</table>
To capture larger share in growing global market, overseas production bases were enhanced.
To become more competitive, domestic production bases were streamlined.
1—4. Improved Overseas Sales and OP ratios

Through continued efforts to promote sales and to enhance production capacity in the growing global market, overseas sales and overseas OP increased significantly. Overseas sales ratio was 43.8% and overseas OP ratio was 51.0% in 2010. We will pursue more sales and profit in the growing market.
1—5. Improved OP Ratio and ROA by Segment

Through continued efforts to promote business and to reduce cost, both OP ratio and ROA were improved significantly.

- Shortened lead time, improved yield ratio and tightened inventory control brought about reduced inventory, as a result, OP ratio and ROA were both improved.

※ROA=Operating Profit/Average capital employed during FY.
1—6. Improved OP

Through company-wide efforts to reduce direct cost, indirect expense and fixed expense (S.E.Q.C.D.D.), reduced cost of ¥50bn and achieved OP ratio of 5.1%. We will pursue further reduction of cost and expenses to survive in a competitive global market.

※Average rate
FY 2009 ¥ 92.89/$ → FY 2010 85.74
FY 2009 ¥131.18/€ → FY 2010 113.13

- ¥51.7billion (2.8%)
- FY 2009 Actual
- Price decline (33.2)
- FOREX(※) (10.0)
- ¥103.8billion
- Cost reduction +49.9
- Sales quantity +45.4
- FY 2010 Actual

%=Operating profit ratio (5.1%)
All segments achieved increases in both sales and OP from FY2009 to FY2010, except Information & Communications which spun off engineering subsidiaries into affiliates. Despite damages from March 11 earthquake and unfavorable exchange rate, actual OP (¥103.8bn) exceeded the plan of one year ago.
Extraordinary Loss from March 11 Earthquake

- Extraordinary loss of ¥8.8bn was recorded including recovery expenses (such as an allowance of ¥4.1bn), inventory disposal loss, etc. at mainly Yokohama Works and an optical fiber manufacturing base in Tochigi Prefecture.
  - Written down by ¥11.3bn of optical fiber cable and other assets as Impairment loss related to March 11 earthquake.

Recovery of Production Lines and Stable Operations

- Recovery of production lines (11 bases were damaged)
  - 9 bases including Optical and Electronic Devices [Yokohama], Special Steel Wire (Steel Cord) [Utsunomiya] restarted operations on March 17, 2011.
  - Magnet Wire [Iwate Pref., Tochigi Pref.] restarted operations on April 5, 2011.
  - Optical Fiber Cable [Utsunomiya] restarted operations on April 15, 2011.
- Establishment of new systems for stable operation under restricted condition of electric power supply
  - Realignment of shifts and installation of electric power generators (from July 2011)
    → Avoidance from vital risks for production of high value added products in Japan

Restructure of supply chain

- Promotion of multi source procurement
In 2010 increases in OP and Equity in Earnings of Affiliates enabled us to secure 2.5 times increase in Net Profit as compared with the last year. Despite Extraordinary Loss from March 11 earthquake, all items as planned one year ago were achieved.

<table>
<thead>
<tr>
<th></th>
<th>FY 2009 (①)</th>
<th>FY 2010 Plan (②)</th>
<th>FY 2010 Actual (③)</th>
<th>%Growth ③-①</th>
<th>%Growth ③-②</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>1,836.4</td>
<td>2,000.0</td>
<td>2,033.8</td>
<td>+11%</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>51.7</td>
<td>100.0</td>
<td>103.8</td>
<td>+101%</td>
<td>+4%</td>
</tr>
<tr>
<td><strong>Equity in net income</strong></td>
<td>12.2</td>
<td>18.0</td>
<td>23.9</td>
<td>+96%</td>
<td>+33%</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>68.2</td>
<td>120.0</td>
<td>129.1</td>
<td>+89%</td>
<td>+8%</td>
</tr>
<tr>
<td><strong>Net Extraordinary Income</strong></td>
<td>(12.8)</td>
<td>(10.0)</td>
<td>(15.3)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Income before Income Taxes and Minority Interests</strong></td>
<td>55.4</td>
<td>110.0</td>
<td>113.8</td>
<td>+105%</td>
<td>+3%</td>
</tr>
<tr>
<td><strong>Income Taxes,Minority Interests</strong></td>
<td>(26.7)</td>
<td>(50.0)</td>
<td>(43.2)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>28.7</td>
<td>60.0</td>
<td>70.6</td>
<td>+146%</td>
<td>+18%</td>
</tr>
</tbody>
</table>

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

※ROA=Operating Profit/Average capital employed during FY.
## 1-10. FY2010 BS

<table>
<thead>
<tr>
<th></th>
<th>FY 2008</th>
<th>FY 2009</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unit: ¥Billion</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>868.8</td>
<td>960.0</td>
<td>988.8</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>999.4</td>
<td>980.0</td>
<td>967.5</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>555.2</td>
<td>557.9</td>
<td>531.0</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>298.9</td>
<td>317.5</td>
<td>332.7</td>
</tr>
<tr>
<td>(Interest-bearing debt)</td>
<td>405.5</td>
<td>355.6</td>
<td>341.9</td>
</tr>
<tr>
<td>(Net Interest-bearing debt)</td>
<td>261.6</td>
<td>180.0</td>
<td>149.8</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>892.3</td>
<td>907.6</td>
<td>966.9</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>(30.2)</td>
<td>(3.5)</td>
<td>(17.8)</td>
</tr>
<tr>
<td>Minority interests / Share warrants</td>
<td>152.0</td>
<td>160.4</td>
<td>143.5</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,868.2</td>
<td>1,939.9</td>
<td>1,956.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY 2008</th>
<th>FY 2009</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder's equity ratio</td>
<td>46.1%</td>
<td>46.6%</td>
<td>48.5%</td>
</tr>
<tr>
<td>Debt / equity ratio</td>
<td>0.47</td>
<td>0.39</td>
<td>0.36</td>
</tr>
</tbody>
</table>
2. FY2011 Activities
Although market conditions are mostly unforeseeable, such as destructed supply chain for automotive industries caused by March 11 earthquake, global market will continue growing, because there is no global damage to the market, unlike Lehman Shock.

FY2011 forecast was formulated based on presumptions that ①stagnation of production by the earthquake would finish largely at the end of 2Q and that ②demand to compensate for loss of production by the earthquake was not taken into account. We will be flexible enough to adjust the forecast to actual conditions of market during 1Q and 2Q by watching the market very closely. Additionally, we will also be flexible to meet demands to compensate for losses of production by the earthquake through enhanced supply chain and production lines.

Through steady execution of medium term plans of enhanced overseas bases and streamlined domestic bases, each segment will reinforce business structure and achieve ¥80bn as total OP for the second half towards 12V.

Two major issues of R&D are;
①Strengthening research activities of themes targeted for 12V to be accomplished within this substantially final year. ②Enlargement and amalgamation of R&D areas to get a foothold to grow beyond 12V.
### 2-2. Market Conditions and Sales Forecast

Although there are concerned factors for recession in USA, Europe and emerging countries and market conditions are mostly unforeseeable, such as destructed supply chain for automotive industries caused by March 11 earthquake, global market will continue growing. **As it is more difficult to formulate FY2011 forecast than ever before, presumptions were made to the forecast (to be reviewed in 1Q, 2Q) and the plans would be executed steadily.**

<table>
<thead>
<tr>
<th>Unit: ¥ Billion</th>
<th>FY2010</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H Actual</td>
<td>2H Actual</td>
</tr>
<tr>
<td>Automotive</td>
<td>468.9</td>
<td>491.1</td>
</tr>
<tr>
<td>Information &amp; Communication</td>
<td>119.4</td>
<td>98.8</td>
</tr>
<tr>
<td>Electronics</td>
<td>86.0</td>
<td>92.2</td>
</tr>
<tr>
<td>Electric Wire &amp; Cable, Energy</td>
<td>214.6</td>
<td>250.3</td>
</tr>
<tr>
<td>Industrial Materials &amp; Others</td>
<td>133.1</td>
<td>144.4</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(31.4)</td>
<td>(33.6)</td>
</tr>
<tr>
<td>Total</td>
<td>990.6</td>
<td>1,043.2</td>
</tr>
</tbody>
</table>
¥130bn investments into fixed assets were planned primarily for increase in production capacity in growing markets. As for R & D those themes targeted for 12V shall be accomplished and, at the same time, new themes for next generation be developed.
2—4. Sales and OP by Segment

While in 1st half year automotive and domestic markets are foreseen stagnant, in 2nd half the markets are expected to recover and OP of ¥80bn is planned to be secured. In total the same level of OP as FY2010 is planned. Although demand to compensate for loss of production by the earthquake was not taken into account, preparation work will be made to meet increasing demands from customers through enhanced supply chain and production lines.

<table>
<thead>
<tr>
<th>Unit: ¥Billion</th>
<th>FY 2010 1</th>
<th>FY 2011 2</th>
<th>Change 2—1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H Plan</td>
<td>2H Plan</td>
<td>Annual Plan</td>
</tr>
<tr>
<td>Automotive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>960.0</td>
<td>530.0</td>
<td>960.0</td>
</tr>
<tr>
<td>OP</td>
<td>64.1</td>
<td>38.0</td>
<td>48.0</td>
</tr>
<tr>
<td>Information &amp; Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>218.2</td>
<td>95.0</td>
<td>170.0</td>
</tr>
<tr>
<td>OP</td>
<td>3.0</td>
<td>7.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Electronics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>178.2</td>
<td>100.0</td>
<td>185.0</td>
</tr>
<tr>
<td>OP</td>
<td>6.6</td>
<td>7.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Electric Wire &amp; Cable,Energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>464.9</td>
<td>270.0</td>
<td>495.0</td>
</tr>
<tr>
<td>OP</td>
<td>13.4</td>
<td>13.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Industrial Materials &amp; Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>277.5</td>
<td>155.0</td>
<td>290.0</td>
</tr>
<tr>
<td>OP</td>
<td>16.9</td>
<td>15.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(65.0)</td>
<td>(50.0)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Sales</td>
<td>(0.2)</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>OP</td>
<td>(50.0)</td>
<td>0.0</td>
<td>(35.0)</td>
</tr>
<tr>
<td>Total</td>
<td>2,033.8</td>
<td>1,100.0</td>
<td>2,000.0</td>
</tr>
</tbody>
</table>
2—5. Forecast towards Achievement of 12Vision

Taking account of current market conditions, FOREX and economic situation, the targets of 12V look high hurdles. However, we are determined to achieve OP forecast in 2nd half year of 2011 and make it a foothold to reach the 12V targets.
### 2－6. FY2011 Forecast

Preconditions for forecast: **FOREX:** ¥85/$US, ¥115/€

Copper: ¥0.85 million/t (LME 9,500 $US/t)

<table>
<thead>
<tr>
<th></th>
<th>Unit: ¥Billion</th>
<th>FY 2010 Actual</th>
<th>FY 2011 Plan</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>2,033.8</td>
<td>2,000.0</td>
<td></td>
<td>▲2%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>103.8</td>
<td>100.0</td>
<td></td>
<td>▲4%</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>129.1</td>
<td>115.0</td>
<td></td>
<td>▲11%</td>
</tr>
<tr>
<td>Net Income</td>
<td>70.6</td>
<td>65.0</td>
<td></td>
<td>▲8%</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>98.4</td>
<td>130.0</td>
<td></td>
<td>+32%</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>79.0</td>
<td>85.0</td>
<td></td>
<td>+8%</td>
</tr>
</tbody>
</table>
3. Achievements and Activities by Segment
3—1. Automotive

**FY2010**

- WH global market share 22% (2009) → 25% (2010)
- 18% sales increase due to WH sales increase in North America, Europe and China
- 6.7% OP improvement by optimum location of production and entire cost down
- Development and sales promotion of products for HEV・EV
- Mass production of aluminum harness

**FY2011**

- Agile production adjustment to unforeseeable demand change by March 11 earthquake
- Increase in production capa to stable customers (Europe etc)
- Expansion of global production lines for medium term demands
- Production efficiency improvement for higher OP and ROA
- Development of new products for HEV・EV
- Sales promotion of aluminum harness system, optical harness
In 1st half year of 2011 sales are supposed to decrease in all regions.
In 2nd half sales are forecasted to recover to the level foreseen before March 11 earthquake.
3-3. Global Optimization of Production Bases

**Investment in North America (¥5bn)**
- New model or model change by Japanese car manufacturer
- New model by D3, sales promotion of harness components
- Increase in production capacity in Mexican bases

**In Japan**
- R & D for new technologies, new products
- Development of new products for global deployment
- R & D for production efficiency improvement

**In Asia, Refer to page 5**

**Investment in Europe and its surrounding area (¥10bn)**
- New model or model change by VW, Fiat, renault, PSA
- Enhancement of technical service bases (incl. design function)
- Deployment in emerging countries following globalization of European car manufacturer
- Increased production shifts to Tunisia and Egypt
3—4. Information & Communications

**FY2010**
- Increased sales of fiber, cable and optical & electronic devices under appreciated ¥ situation (against $:+9.2%)  
- More OP secured than forecasted by cost down and production efficiency improvement  
- Extraordinary & impairment losses by the earthquake  
- Operation start at optical fiber & cable JV with Futong  
- Toyokuni, Sumiden High Precision integrated into SEI Optifrontier  
- Commuturer Corp., shareholding ratio 54→22%

**FY2011**
- Capture of optical fiber & cable markets in China (JV with Futong)  
- Capture of optical fiber distribution equipment market in China (JV with Nanjing Futong)  
- Early and perfect restoration of fiber & cable manufacturing facilities to achieve stable operation in Summer  
- Sales promotion of GaN device for LTE  
- Sales promotion of 40/100Gbps device  
- Sales promotion of network equipment, such as WiMAX, high vision
3－5. Electronics

**FY2010**
- 8% sales increase due to recovered electronics wire market and increase in fine polymers sales
- 35% OP improvement by optimum location of production and entire cost down
- Operation start at Shenzhen to manufacture and sell electronic wire and FPC
- Mass production and sales promotion of tab-lead for Li-ion battery

**FY2011**
- Electronic Wire: Sales promotion of wires for automotive, harness for medical and tab-lead
- FPC: tablet-type device, HDD, LCD
- Integrated production of FPC, production transfer of wire in China
- Sales promotion of GaAs at production and sales base in China
- Cost reduction of GaN substrate (6inch substrate for white LED)
- Commercialization of GaN substrate for green laser
3-6. Electric Wire, Cables and Energy

**FY2010**

- 12.7% sales increase due to growth of magnet wire market and increase in copper price (¥33bn) despite stagnant domestic market
- 70% OP improvement by global activities for entire cost reduction
- Sales promotion of electron beam and vacuum equipment by Nissin Electric

**FY2011**

- Meeting demand for recovery from disaster caused by March 11 earthquake (VVF, LVCV, construction materials)
- Capture of power infrastructure demand in Asia and Middle East, Global deployment of high voltage power cable (JPS production bases in Saudi Arabia and India start in 2012)
- Sales promotion of magnet wire for HEV, Total cost down
- Development of renewable energy related products
3—7. Industrial Materials

FY2010

- 22% sales increase due to hard metal, diamond product from ALMT, special steel (spring wire, steel cord, saw wire)
- ¥16.9bn of OP achieved from ¥0.9bn of last year
- Domestic market share of hard metal increased from 19.2%(2009)→19.7%(2010)
- Establishment of production and sales bases of saw wire in China and Taiwan

FY2011

- Operation start at JV with Hyosung for steel cord in China and Thailand
- Operation start at Tungsten recycling plant for hard metal
- Enhanced development of eco-friendly power metal (VVT, CVT) in powder metal
- Enhanced bases for hard metal and powder metal in China
- Sales promotion of precision saw wire for solar panel and heat sink for cellular base station and electricity control
3—8. New Products and R&D～Towards Continued Growth after 12V～

- Innovative low environmental impact materials and systems
  - Thin coated superconducting wire for ship
  - Superconducting coil
  - High performance motor

- Raw materials recycling technology

- Innovative technology for next generation vehicles
  - HEV/EV
  - Light weight harness Car LAN, Reactor
  - Ballast Water Treatment Equipment
  - High Density Battery Materials, Molten salt electrolyte battery

- Improved global presence

- Enhanced top technology
  - Environment, Energy, Resources
  - Improved global presence

- Environment, Energy, Resources
  - Innovate for eco-friendly material
  - Green semiconductor laser
  - Power device, Mg alloy

- Next generation optical communications
  - Peace mind, Safety and Ubiquitous
  - Creation of non-communication business of optical technology

- Life Science

- Information & Communications
  - Femtocell small base station
  - Mobile network
  - High efficiency wireless amplifier
  - GaN HEMT devices
  - MMIC
  - Cellular base station unit

- Electronics
  - PON (40G・100Gbit/s)
  - Photonic crystal fiber
  - Optical USB
  - Fiber laser, High performance glass
  - Near-infrared light composition imaging system

- Industrial Materials
  - Innovative low environmental impact materials and systems
  - Raw materials recycling technology

- Electric Wire, Cable and Energy
  - Thin coated superconducting wire for ship
  - Superconducting coil
  - High performance motor

- Automotive
  - Innovate for eco-friendly material
  - Green semiconductor laser
  - Power device, Mg alloy

- Life Science

- Wireless broadband access business

- Large capacity high speed optical transceiver
4. Dividend and Payout Ratio

In FY2010 dividend will be increased to ¥19/share including the year-end dividend of ¥10/share. In FY2011 dividend is planned to be the same as FY2010 based on the current forecast.
Forward-looking Statements

This presentation material contains various outlook and perspective information derived from our own presumptions and judgments based on currently available information on conditions and prospects of each market and economic circumstances such as currency exchange rate fluctuations. All figures and statements with respect to the future performances, projections, and business plans of Sumitomo Electric and its affiliated companies are constituted by those outlook and perspective information. 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 expenditures.
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 presumptions.
5. Current and future laws and regulations in foreign countries involving trade and other activities.

There are possibilities that actual sales and profits may be different materially from those described in This material. Sumitomo Electric and its affiliated companies are not obliged to update or make public any future performances, projections or business plans after releasing this material.