

# Annual Report 2012

Year Ended March 31, 2012



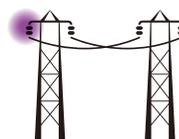
Automotive



Information &  
Communications



Electronics



Electric Wire &  
Cable, Energy



Industrial Materials &  
Others



**SUMITOMO ELECTRIC**  
Ingenious Dynamics

## The Spirit Fostered in Sumitomo's 400-Year Tradition

**After centuries of years,  
our high-minded spirit glows ever more brightly.**

The Sumitomo Electric Group is committed to maintaining public trust by conducting business activities with integrity, in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. As the Company expands its business operation across the world, linking closely with society, it always gives top priority to the cultivation of high corporate ethics to be a world-class company.

The Sumitomo Spirit grew out of the guiding principles set down by Sumitomo's founding father Masatomo Sumitomo in his Monjuin Shiigaki (the Aphorisms of Monjuin), and it has been passed down for over 400 years. The essence of the spirit was condensed in the Business Principles. In Monjuin Shiigaki, he preached the importance of doing one's sincere best in not only business but also every aspect of their life. This is the spirit that we, the members of the entire Sumitomo Electric Group, have inherited and strive to embody.

### The Sumitomo Spirit Business Principles

- 1: Sumitomo shall achieve prosperity based on solid foundation by placing prime importance on integrity and sound management in the conduct of its business.
- 2: Sumitomo's business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

In addition to the Business Principles, the Sumitomo Spirit also includes: Attaching Importance to Technology; Respect for Human Resources; Long-Range Planning; and Mutual Prosperity, Respect for the Public Good.

## The Ever-Evolving Principles

**The Sumitomo Electric Group makes commitments to all of its stakeholders.**

Based on the Sumitomo Spirit, the Sumitomo Electric Group Corporate Principles were established as the fundamental spirits of the Group's business operation. In the Corporate Principles, we declare our commitment to the customers, shareholders, society, natural environment and employees. The Principles also emphasize the importance of compliance and public trust.

### Sumitomo Electric Group Corporate Principles (Established in June 1997) Each company of the Sumitomo Electric Group shall

- Offer the very best goods and services to satisfy customer needs.
- Build technical expertise, realize changes and strive for consistent growth.
- Contribute to creating a better society and environment, with a firm awareness of our social responsibility.
- Maintain high corporate ethics and strive to become a company worthy of society's trust.
- Nurture a lively corporate culture that enables employee self-improvement.

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# Glorious Excellent Company

The Sumitomo Electric Group is working to develop into a corporate group with a solid corporate philosophy and sustainable growth potential, with the aim of becoming a “Glorious Excellent Company.”

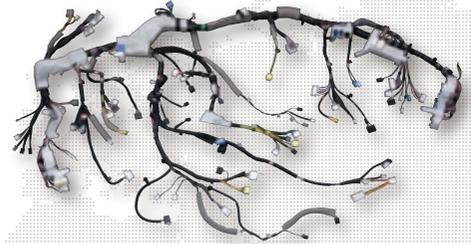
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## Ingenious Dynamics™

For the Sumitomo Electric Group, ID stands for Ingenious Dynamics and at the same time stands for fulfilling and embodying the Sumitomo Electric Group identity (ID) and the determination to continually contribute to the infrastructure development (ID) of the greater society.

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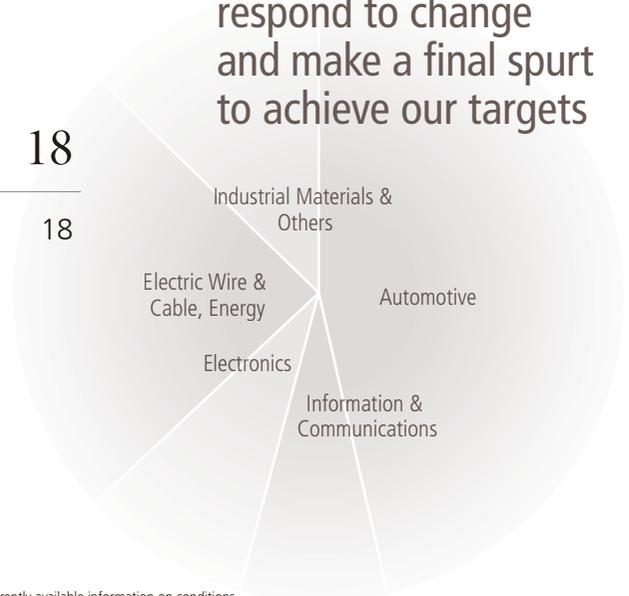
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Raise our ability to respond to change and make a final spurt to achieve our targets



## Forward-Looking Statement

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 the aforementioned outlook and perspective information. Factors that could cause actual results to differ materially include, but not limited to:

1. Market and economic conditions in the U.S., 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.
6. Changes in the market value of securities owned by Sumitomo Electric and its affiliated companies.

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.

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# Five Businesses that Support

The products of the Sumitomo Electric Group are widely used in and behind the scenes of through its business activities in the five business segments: Automotive; Information &

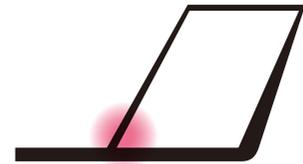
## Automotive

Not only is the automobile called on to function as a safe and comfortable means of transportation, but also to provide environment-friendly performance. By supplying wiring harnesses and other automotive parts and systems, the Sumitomo Electric Group contributes to the world with the aim of achieving an ideal automotive society for every community.



## Information & Communications

The development of wired and wireless communications networks has dramatically transformed society. Based on the proprietary technological capabilities and extensive experience and know-how that the Group has accumulated in the building of communications infrastructure since the initial days of the telephone, the Sumitomo Electric Group was one of the earliest developers of optical fibers and cables. The Group now provides various products for a highly networked information society, which include optical and electronic devices, access network equipment, and traffic control systems.



## Electronics

Smart phones, flat-screen TVs, and PCs are some of the electronics products that make life comfortable and convenient. The Sumitomo Electric Group contributes to the creation of smaller, lighter, and more highly sophisticated electronic products with a unique line of products based on its original material technologies developed over many years including electronic wires, flexible printed circuits (FPCs), compound semiconductors, and fluoroplastic products.

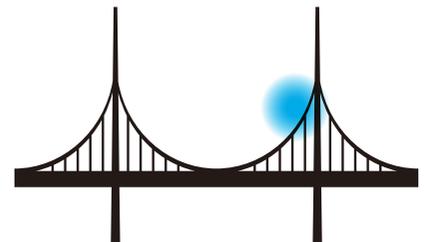
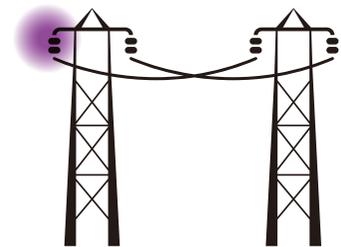


# Society

our daily lives. The Sumitomo Electric Group supports the creation of a better society Communications; Electronics; Electric Wire & Cable, Energy; and Industrial Materials.

## Electric Wire & Cable, Energy

Ever since its founding, the Group has contributed to the stable supply of energy in various fields with products such as electric power cables for electricity transmission and distribution, trolley wires for railways, and magnet wires used in home appliances, automobiles and other products. With the need for ever greater use of renewable energy and energy conservation, the Group is aggressively developing high-temperature superconducting cables and smart grid technology.



## Industrial Materials & Others

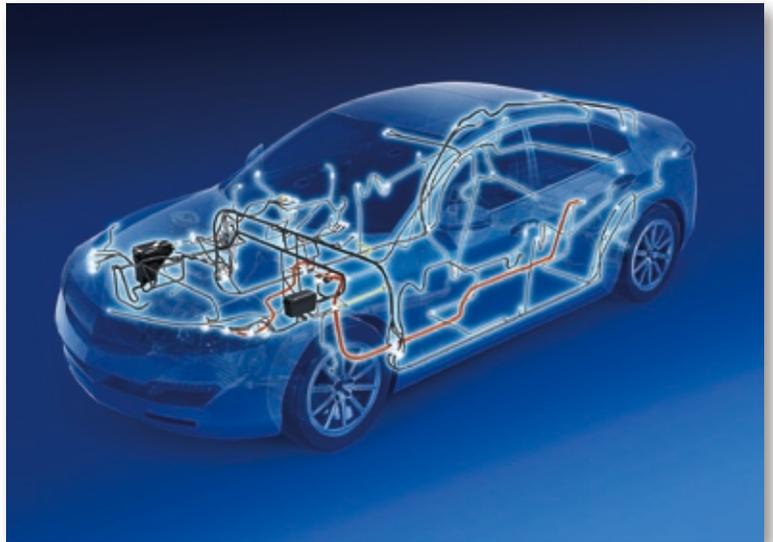
The products of this segment consist of special steel wires that evolved from copper wire drawing technology and includes prestressed concrete steel, steel wires for springs, and steel tire cords. Other products include cemented carbide tools essential for machine processing, crystal boron nitride (CBN) and diamond cutting tools, sintered machine parts used in automotive and other industries. These products are based on the Group's powder metallurgy and super high-pressure press technologies derived from the development of cemented carbide for copper wire drawing dies. The Sumitomo Electric Group's advanced materials play an active role in a wide range of industries.

# World-Renowned Monozuk

Although the Sumitomo Electric Group's business covers a broad range of fields, it occupies supplying products that are well received by a wide range of customers.

## Global Market Share of **26%** for Automotive Wiring Harnesses

Automotive wiring harnesses are essential for the transmittal of data and energy in automobiles. Through its global production and sales system as well as unceasing development of new products and technologies, the Sumitomo Electric Group supplies the world's automakers with the products they need.



## One of the World's **Top Three** Manufacturers of Optical Fibers and Cables and Optical Communications Devices

Optical fibers and cables are vital for the construction of optical communications networks. As a pioneer in this field, Sumitomo Electric has built an integrated manufacturing system in Japan and China that produces optical fibers, cables, and preforms. The Company also supplies optical devices and data links that meet the needs of optical communications networks for increasingly higher speeds and larger capacity data transmission.

# uri Capabilities

a leading position in each of those fields,

## Among the World's **Leading** Manufacturers of Compound Semiconductor Materials

Sumitomo Electric was the first company in the world to begin mass-production of gallium nitride (GaN) used in blue-violet lasers and white LEDs. We are also the world's leading manufacturer of compound semiconductor materials such as gallium arsenide (GaAs) and indium phosphide (InP), which are used in a wide range of applications including LEDs, semiconductor lasers, and wireless communications devices.



## A **Major** Global Manufacturer of Magnet Wires

As a key material in various parts and products including automotive electric components, industrial motors, and home electric appliances, magnet wires play a vital role in a wide range of fields that encompass our lives. As a major global supplier of magnet wires, the Sumitomo Electric Group is committed to developing new products such as scratch-resistant magnet wires for use in hybrid vehicles.

## A **Major** Global Supplier of Sintered Machine Parts

Sintered parts, which are mainly made of iron powder using powder metallurgical techniques, are complex, high-precision structural parts used in a variety of applications including automobiles, office instruments, and home electric appliances. The Sumitomo Electric Group is expanding its sintered products business in Japan, North America, Europe, Asia, and other countries and regions. We supply a wide variety of sintered products to automakers, auto parts manufacturers, and many other customers throughout the world.



\* The market shares shown on page 6-7 are the estimates of Sumitomo Electric.

# Innovative Technologies and

## Focus on Technology

The origin of Sumitomo's copper business, which dates back 400 Nanban-buki. Just as it did in the past, Sumitomo Electric places This technological focus of its business approach is the Group's

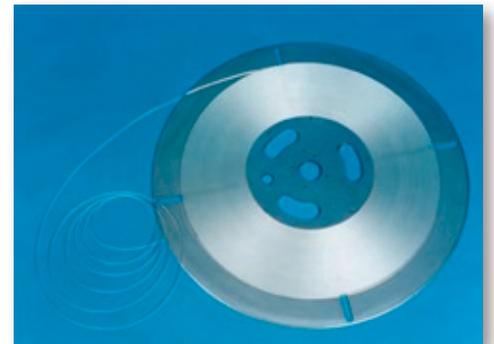


## Large Synthetic Single Crystal Diamond SUMICRYSTAL™

SUMICRYSTAL™ is a large synthetic single crystal diamond. Taking advantage of ultrahigh-pressure and high-temperature pressing machines and high-precision control technology, Sumitomo Electric was the first company in the world to successfully mass-produce it. Manufactured under strict quality controls, SUMICRYSTAL™, with its stable quality, is used as an industrial material for cutting tools and other applications.

## Bismuth Superconducting Wire DI-BSCCO™

Sumitomo Electric was the first company in the world to develop the long, high-temperature, superconducting wire DI-BSCCO™. With DI-BSCCO™, an electric current of about 200 times that of copper wire can be passed over the same cross-section. DI-BSCCO™ has been supplied to several countries for use in superconducting cable experimental projects. Sumitomo Electric is moving ahead with the development of new applications in industrial equipment such as superconducting coil for ship propulsion motors and superconducting magnets used to manufacture and evaluate permanent magnets.



For further information, please see: Superconductor website:  
<http://global-sei.com/super/>

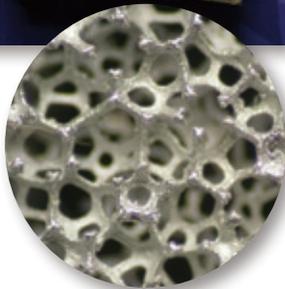
## Development of Molten Salt Electrolyte Battery

Molten salt electrolyte batteries are secondary batteries that use only molten salt that is nonvolatile, nonflammable, and high in ion concentration. The new battery achieves an energy density of up to 290 Wh/L and enables the miniaturization of the battery pack. Currently, Sumitomo Electric is further evaluating and improving the battery with a view to its commercialization in electric power storage and on-vehicle applications, while also moving ahead with the development of manufacturing technology.



# Materials with a Global Impact

years, can be traced to an advanced copper refining technology of that time called great importance on technology and actively develops new technologies. motivating force for driving business development.



## Development of Porous Aluminum Aluminum-Celmet™

Celmet™ is a porous metal made from nickel or nickel chrome alloy. It features high porosity (up to 98%), considerably higher than other porous metals such as nonwoven metal fabric and foam metal. It also has a three-dimensional mesh-like structure that forms interconnected, open and spherical pores. Because of these features, Celmet™ has been adopted as a positive electrode current collector in hybrid vehicle nickel-hydrogen batteries.

Last year, Sumitomo Electric successfully developed porous aluminum Aluminum-Celmet™, which not only possesses the same features as Celmet™, but is lightweight and has less than half the electrical resistivity of nickel as well as high conductivity. In addition, Aluminum-Celmet™ offers excellent corrosion resistance. These features make it suitable for use in lithium-ion and other secondary batteries that operate at high charge and discharge voltages and in current collectors of capacitors. At present, we are researching and developing these applications.

## POREFLON™ Microfiltration Module

POREFLON™ is the trade name for a porous material produced by Sumitomo Electric from 100% polytetrafluoroethylene (PTFE). Due to its high strength and superior chemical resistance compared with polyvinylidene difluoride (PVDF), dirty membranes are easy to clean and stable performance can be expected over its long service life. The POREFLON™ Microfiltration Membrane Module, a membrane filter using bundled POREFLON™, has been sold since 2003 and supplied to numerous industrial drainage, water purification, and sewage treatment plants in Japan and South Korea. POREFLON™ contributes to the recycling of plant drainage, production of drinking water, and purification of wastewater.

For further information, please see: POREFLON™ Microfiltration Membrane Module website: <http://global-sei.com/poreflon/>

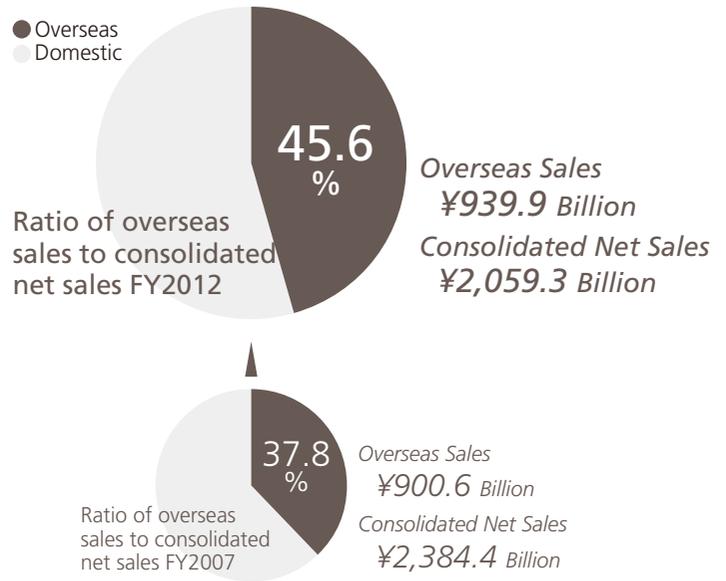


# Expanding Business on the

In order to capture growing global demand, primarily in emerging markets, the Group continues to expand its sales network and strengthen its production system with bases located in the optimum locations.

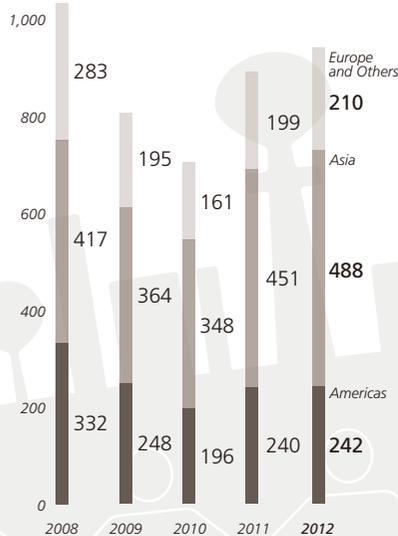
As a result of these initiatives, sales of the Company and its consolidated subsidiaries in markets other than Japan (overseas sales) increased ¥49.6 billion year on year in fiscal 2012 to ¥939.9 billion. Overseas sales now account for 45.6% of consolidated sales, a year-on-year increase of 1.8 percentage points.

Furthermore, in fiscal 2012, the sales of consolidated subsidiaries in markets other than Japan accounted for 42.3% of total sales, an increase of 1.5 percentage points year on year, although their share of operating income fell 2.1 percentage points year on year to 49.6%.



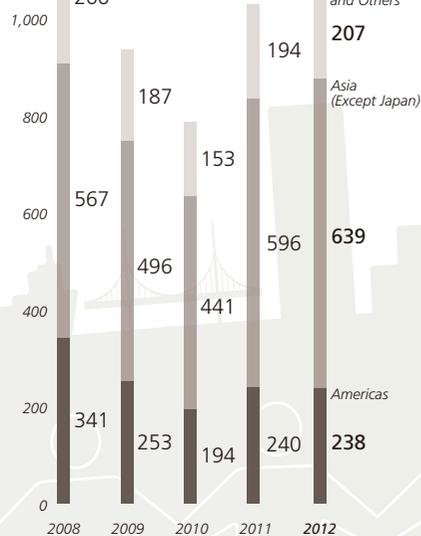
## Overseas Sales

(Billions of yen)  
1,200

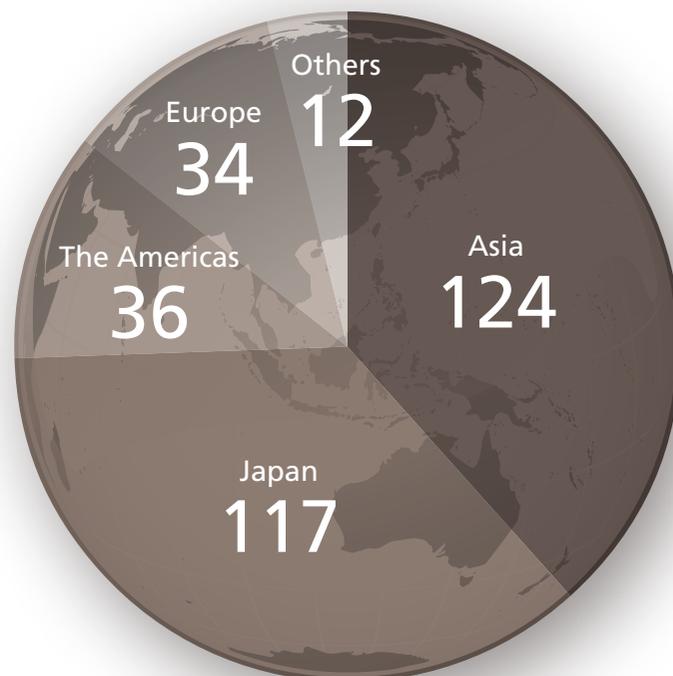


## Geographical Segment Sales

(Billions of yen)  
1,200



# World Stage



Total of consolidated subsidiaries and equity-method affiliates, as of March 31 2012: 323

## The Americas

In fiscal 2012, sales in the Americas region increased ¥1.7 billion year on year to ¥241.6 billion (11.7% of consolidated sales) due to growth in automotive products business with non-Japanese manufacturers, including automotive wiring harnesses.

Meanwhile, sales of consolidated subsidiaries in the Americas in fiscal 2012 (to external customers) decreased ¥0.7 billion to ¥234.5 billion. Consolidated subsidiaries' operating income also fell ¥2.6 billion year on year to ¥7.0 billion. Operating income from the Americas region accounted for 8.1% of total consolidated operating income.

## Asia

In fiscal 2012, sales in China increased ¥18.1 billion year on year to ¥256.0 billion (12.4% of consolidated sales). Meanwhile, sales in other Asian regions increased ¥19.1 billion year on year to ¥232.3 billion (11.3% of consolidated sales).

Consolidated subsidiaries' total sales in Asia, including China (to external customers), increased ¥28.7 billion year on year in fiscal 2012 to ¥430.3 billion. The main contributing factors were solid sales growth in the automotive field, where demand is firm, along with industrial materials (including hard metal tools) and electronics (including FPCs), as well as a significant increase in electrical construction works and other business at Sumitomo Densetsu Co., Ltd. At the same time, consolidated subsidiaries' operating income fell ¥7.7 billion year on year to ¥28.6 billion. Operating income from the Asia region accounted for 33.0% of total consolidated operating income.

## Europe and Others

In fiscal 2012, sales in the Europe and other regions increased ¥10.7 billion year on year to ¥210 billion (10.2% of consolidated sales) due to factors such as solid growth in sales of products including automotive wiring harnesses.

Meanwhile, sales of consolidated subsidiaries in the Europe and other regions in fiscal 2012 (to external customers) increased ¥13.5 billion to ¥205.1 billion. At the same time, consolidated subsidiaries' operating income fell ¥1.1 billion year on year to ¥7.4 billion. Operating income in the Europe and other regions accounted for 8.5% of total consolidated operating income.

### Topics: Establishment of Global Human Resource Management Policy

Sumitomo Electric Group's business activities are continuously becoming more diverse - in technologies, markets, geographical locations and more - involving about 200,000 employees in more than 30 countries around the world. We believe that for Sumitomo Electric Group to develop further globally and continue making significant contributions to society, it is essential that we fully mobilize the Group's technologies, products, business models and all other resources, and acknowledge that it is our employees who make all our endeavors possible.

To this end, we have established a basic policy that states human resource management within the Group worldwide, thereby offering greater career opportunities, promoting diversity, and fostering global leaders, to accelerate our global human resource recruitment, promotion and development. In order to put these ideas into action, we have also drawn up specific operational guidelines for the Policy and international job transfer guidelines, etc. "HR Meetings" are held regularly at headquarters and in each business area, and necessary systems will be introduced for debating issues related to human resources and the organization.

"Global HRM Policy" website: <http://global-sei.com/ghrm/>

# Financial Highlights

## SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31

	Millions of yen					Thousands of U.S. dollars*1
	2012	2011	2010	2009	2008	2012
<b>For the Year:</b>						
Net sales	¥2,059,344	¥2,033,827	¥1,836,352	¥2,121,978	¥2,540,858	\$25,055,895
Operating income	86,946	103,810	51,728	23,527	148,996	1,057,886
Income before income taxes and minority interests	99,941	113,781	55,425	41,126	166,612	1,215,975
Net income	58,861	70,614	28,708	17,237	87,804	716,158
Capital expenditures	148,799	107,620	81,943	143,182	134,421	1,810,427
Depreciation and amortization	77,954	96,760	103,848	108,168	106,892	948,461
R&D expenses	86,582	79,026	72,259	72,988	72,271	1,053,437
<b>At Year-End:</b>						
Total assets	2,072,064	1,956,284	1,939,935	1,868,174	2,194,882	25,210,658
Total interest-bearing liabilities	363,995	341,923	355,586	405,477	415,473	4,428,702
Total net assets*2	1,138,931	1,092,610	1,064,575	1,014,082	1,128,235	13,857,294
<b>Cash Flows:</b>						
Net cash provided by operating activities	86,051	139,298	171,576	168,509	204,612	1,046,977
Net cash used in investing activities	(129,223)	(86,551)	(72,899)	(161,050)	(126,414)	(1,572,247)
Net cash used in financing activities	(2,391)	(27,845)	(67,613)	(11,957)	(55,946)	(29,091)
	Yen					U.S. dollars*1
	2012	2011	2010	2009	2008	2012
<b>Per Share Data:</b>						
Net income: Basic	¥ 74.21	¥ 89.02	¥ 36.19	¥ 21.78	¥ 112.74	\$ 0.903
Diluted	74.20	89.02	36.19	21.32	107.71	0.903
Cash dividends	19.00	19.00	16.00	18.00	20.00	0.231
Owner's equity*3	1,245.57	1,196.46	1,139.84	1,086.79	1,226.56	15.154
<b>Financial Indexes:</b>						
R&D expenses / net sales (%)	4.2	3.9	3.9	3.4	2.8	
Net income / net sales (%)	2.9	3.5	1.6	0.8	3.5	
Return on owner's equity (%)	6.1	7.6	3.3	1.9	9.5	
Return on assets (%)*4	5.9	7.3	3.6	1.6	9.8	
Current ratio (Times)	1.6	1.9	1.7	1.6	1.5	
Owner's equity ratio (%)	47.7	48.5	46.6	46.1	44.1	

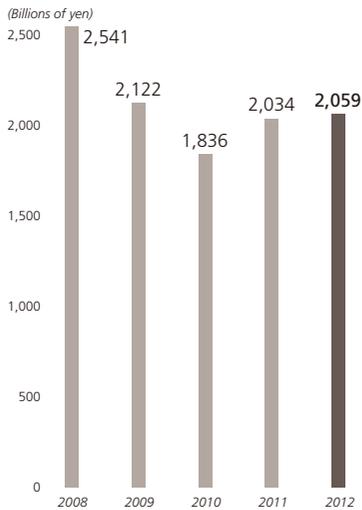
\*1 All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥82.19 to U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2012.

\*2 See page 57.

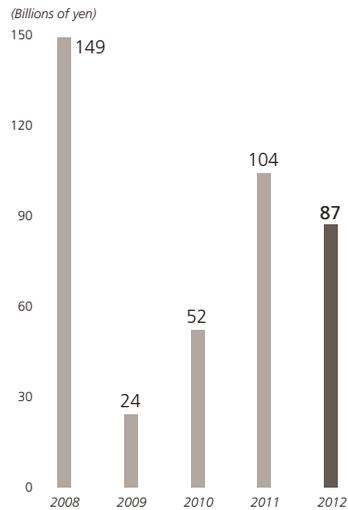
\*3 Owner's equity is sum of total shareholder's equity and total accumulated other comprehensive income.

\*4 ROA = Operating income divided by average capital employed

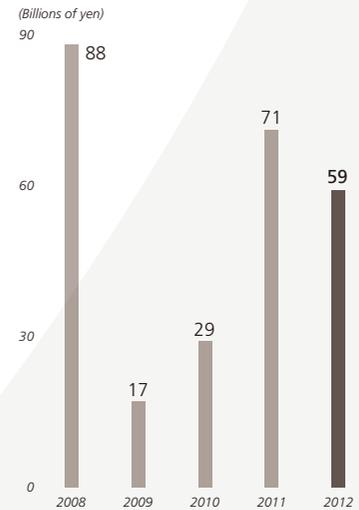
### Net Sales



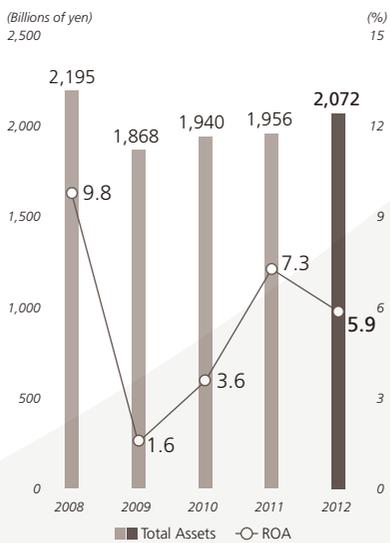
### Operating Income



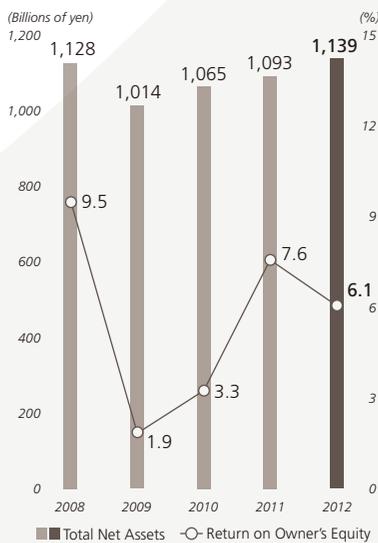
### Net Income



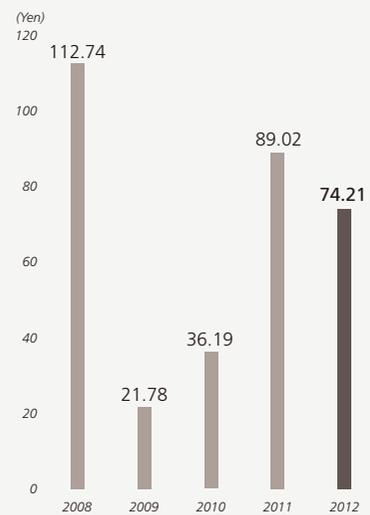
### Total Assets and ROA



### Total Net Assets and Return on Owner's Equity



### Net Income per Share



# Message from the President

## Business Conditions and Results in Fiscal 2012

### Business Conditions in Fiscal 2012

In fiscal 2012, business conditions were increasingly challenging overall. The Japanese economy remained sluggish due to factors including the impact of the Great East Japan Earthquake, the strong yen, and continued deflation. Despite growth in global demand, particularly from emerging countries, there was also increased uncertainty surrounding the global economy as its growth appeared to slow further.

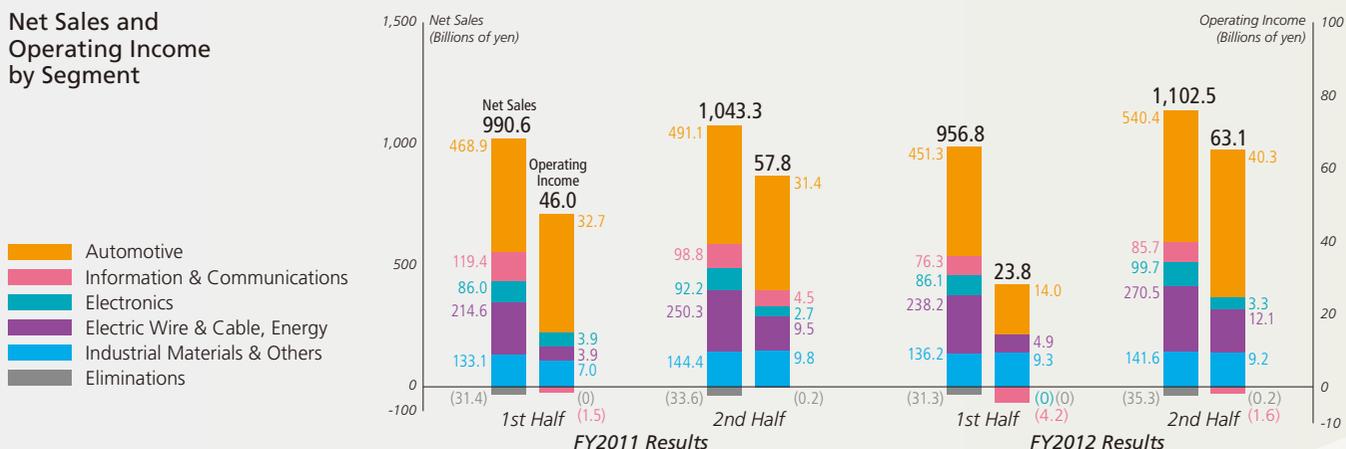
### Review of Operations in Fiscal 2012

Against this backdrop, the Group worked to further expand its marketing capability to capture global demand. As well as focusing on rigorous cost reduction, new technology and product development, along with sales expansion, the Group had worked on the early recovery of our bases impacted by the Great East Japan Earthquake and the Thai floods, and strengthening its marketing and production structure in order to meet increased post-recovery demand.

In the first half of the year, we were unable to avoid a year-on-year fall in revenue and profit, due to the impact of the earthquake disaster, but in the second half we re-established growth in revenue and profit, despite challenging business conditions including sharp yen appreciation. However, the benefits of this recovery were mainly experienced in the fourth quarter, due to the occurrence of the Thai floods in the third quarter. As a result, while sales increased 1.3% year on year to ¥2,059.3 billion, operating income fell 16.2% year on year to ¥86.9 billion, which was short of the forecast we announced at the beginning of the year.

Nonetheless, during the second half of the year we achieved a 5.7% year-on-year increase in sales and a 9.2% year-on-year increase in operating income due to the record high global production volume of automotive wiring harnesses, cutting tools and flexible printed circuits (FPCs). In particular, we posted a record high level of operating income in the fourth quarter, taking into account the effect of exchange rates.

Net Sales and Operating Income by Segment





**Masayoshi Matsumoto**

*President and CEO*

# The Challenge of Achieving

## Interview with the President



### Moving into the final year of VISION 2012, could you talk about the results so far?

The Group has set out a growth strategy comprising “Expanding Our Global Presence”<sup>\*</sup> and “Strengthening Our Leading Technologies,”<sup>\*</sup> and particularly since the bankruptcy of Lehman Brothers, we have been working towards achieving VISION 2012 on the basis of three themes: capturing growing global demand, developing new business domains, and expanding and deepening internal solidification.

Specifically, we have been developing production sites in the optimum locations worldwide, while expanding our global sales network. As a result, the number of overseas consolidated Group companies increased to 206 at the end of March 2012, compared with 182 at the end of March 2008. In addition, the share of overseas sales increased to 45.6% in fiscal 2012 from 40.6% in fiscal 2008, despite a reduction in the yen equivalent of overseas sales due to yen appreciation.

At the same time, we are aiming to expand our business into the following new fields: environment, energy and resources, life sciences, and safety/security and ubiquitous networking, by further developing or merging the core technologies we have developed over many years such as information & communications and materials technologies. We have succeeded in developing products including a molten salt electrolyte battery (a new type of secondary battery), ballast water management systems, concentrator photovoltaic (CPV) power generation systems, and the compositional imaging system Compovision™. We are currently working to commercialize these products as soon as possible.

With regard also to expanding and deepening internal solidification, we are determined to build a robust organization on a global basis through our efforts including comprehensive reductions in expenses and costs and enhancement of our monozukuri capability, which is at the heart of a manufacturer's existence.

<sup>\*</sup> Expanding Our Global Presence: Strategically develop global business activities that include R&D, logistics and sales networking, rather than simply shifting production bases to overseas.

<sup>\*</sup> Strengthening Our Leading Technologies: Consistently secure our leading technologies that surpass our competitors in all respects, including safety, environment, quality, cost, delivery, and R&D.

# Q1

### What is the outlook for fiscal 2013?

At present, business conditions are characterized by a strong sense of stagnation and uncertainty, including government debt problems in Europe, political upheavals in the Middle East, as well as the six-fold handicaps<sup>\*</sup> facing Japan. Nonetheless, we are aiming to achieve our targets in the final year of VISION 2012 by ensuring that we capture demand in expanding global markets and products.

For fiscal 2013, we have forecast net sales of ¥2,200 billion, operating income of ¥110 billion, ordinary income of ¥130 billion, and net income of ¥70 billion. However, we are taking further steps to reach our VISION 2012 operating income target of ¥210 billion, using a target figure of ¥135 billion based on current exchange rates.

Based on these earnings forecasts, we plan to make a dividend per share of ¥21 in fiscal 2013, which is an increase of ¥2 per share over the year.

<sup>\*</sup> Six-fold handicaps: (1) Strong yen, (2) heavy corporate taxes, (3) delayed trade policy adjustments, (4) global warming control measures, (5) reinforced labor restrictions and (6) power shortage.

# Q2

# VISION 2012

# Q3

## What are your key business areas and the main measures being adopted to achieve your fiscal 2013 targets?

As mentioned earlier, economic conditions are currently uncertain and unstable. However, the Group is comprehensively promoting safety and environmental measures, as well as quality improvements and cost reductions, in order to build a robust corporate organization that can withstand changes in this challenging environment. We are also expanding our sales bases in emerging markets and ensuring that we capture demand in growth markets. In addition, the Group is united in its efforts to strengthen and enhance research and development, create new products and technologies in fields where the needs of society are growing, including the environment, resources and energy, and quickly commercialize these products and technologies.

Specifically, we are boosting our production capacity for wiring harnesses and parts to meet growing global automotive demand, and in the electronics field we are strengthening our production capacity in ASEAN countries for FPCs to response to increasing demand for smartphones.

We also plan to invest ¥93 billion in research and development, the highest ever level. Looking towards the Group's growth in VISION 2012 and beyond, we aim to maintain and cultivate our core technologies, cut costs and support quality improvements to enhance our global presence, as well as create and quickly commercialize new technologies and products in order to enlarge and develop our future operations.

Please refer to the Review of Operations, starting from page 22, for more details on specific initiatives in each business segment.

We hope to receive the continued support and encouragement of our shareholders and investors.

## FY2013 Capital Investment

¥160 billion capital investment including capital injection is planned in FY2013.

Overseas capital investment ratios will go up to 42% (FY2012: 40%).

Breakdown of FY2013 capital investment is shown below.

### China, Asia: ¥43.0 billion

#### Automotive ¥19.0 billion

Wiring Harnesses & Parts: Increase in production capacity in China, Cambodia, Indonesia, and Vietnam.  
Vibration-Proof Rubbers: Increase in production capacity.

#### Electronics ¥14.0 billion

FPCs: Increase in production capacity in China (Shenzhen), Thailand, and the Philippines.

#### Electric Wire & Cable, Energy ¥14.0 billion

Wire Rods: Set-up of a manufacturing base in Thailand (Rayong).  
(Start of operation is scheduled in April 2014.)

#### Industrial Materials ¥7.0 billion

Hard Metal, Sintered Parts: Set-up of manufacturing bases in Indonesia.

### The Americas: ¥11.0 billion

#### Automotive ¥8.0 billion

Wiring Harnesses & Parts: Increase in production capacity in Mexico, and Brazil.  
Vibration-Proof Rubbers: Increase in production capacity.

### Europe & Others: ¥13.0 billion

#### Automotive ¥12.0 billion

Increase in production capacity of Wiring Harnesses mainly in North Africa (Morocco) for Renault, PSA, VW group, FIAT group, and Japanese automakers.

#### Japan: ¥9.0 billion

Increase in production capacity of main products for Industrial Materials.  
Develop new products and streamline production as a mother factory for Automotive.  
Develop next generation products for R&D.

## FY2013 Forecast

Preconditions for Forecast Forex: ¥80/\$ ¥105/€  
Copper: ¥0.7 million/t LME US\$8,000/t

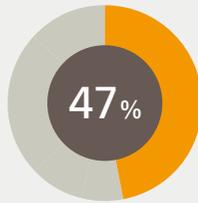
Billions of yen	FY2012 Actual	FY2013			% Growth
		1H Forecast ①	2H Forecast ②	Year Total ①+②	
Net Sales	2,059.3	1,000.0	1,200.0	2,200.0	+7%
Operating Income	86.9	40.0	70.0	110.0	+27%
Equity in Net Income	20.5	9.0	11.0	20.0	
Ordinary Income	106.7	50.0	80.0	130.0	+22%
Net Extraordinary Loss	(6.7)	(3.0)	(8.0)	(11.0)	
Income before Income Taxes and Minority Interests	100.0	47.0	72.0	119.0	+19%
Income Taxes, Minority Interests	(41.1)	(19.0)	(30.0)	(49.0)	
Net Income	58.9	28.0	42.0	70.0	+19%

# Performance of Five Major

Net Sales Breakdown

Market Environment

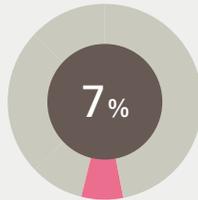
## Automotive



¥991.7  
Billion

Global production of motor vehicles reached 80.1 million in 2011, an increase of 3% over the previous year. Vehicle production in Japan, on the other hand, fell by 12.8% year on year to 8.4 million. This decline, the first in two years, was largely due to the impact of the Great East Japan Earthquake and the floods in Thailand.

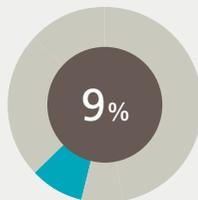
## Information & Communications



¥162.0  
Billion

Global competition in the field of opto-electronic devices has intensified with a steep decline seen in market prices. In optical fiber cable products, the Japanese domestic market is shrinking, but overall demand for optical fiber products is expected to continue growing, driven principally by the Chinese market.

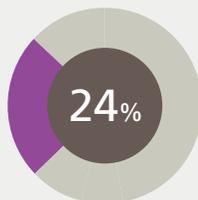
## Electronics



¥185.8  
Billion

Unit sales of mobile phones in 2011 grew by 11.1% year on year to 1.8 billion. Of these, smart phones accounted for 472 million units, a 58% increase over the previous year.

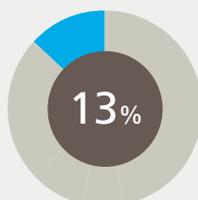
## Electric Wire & Cable, Energy



¥508.6  
Billion

Against the backdrop of rising social demand worldwide for safe and clean forms of energy, we are seeing growth in the markets for renewable energy sources, as well as for products that contribute to higher energy efficiency and energy conservation.

## Industrial Materials & Others



¥277.9  
Billion

On the back of a global rise in motor vehicle production, the reporting period saw continued firm demand for the Group's automotive-related products including automobile components and tools used in the processing such components.

Electric Wire &

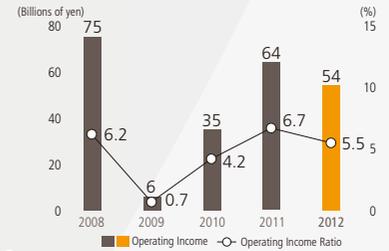
Industrial Materials & Others

# Segments

## Performance

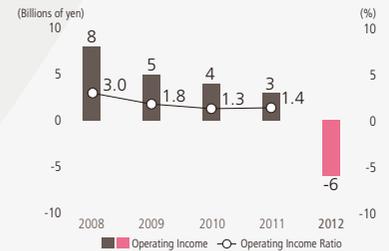
Despite a decline in automotive demand during the first half of the year, owing to the aftereffects of the earthquake and tsunami of March 11, the Group enjoyed increased orders from automakers thanks to a production recovery in the second half as well as increased demand in the global market. As a result of these factors, the market share of our wiring harnesses grew, and the net sales of our Automotive segment, on a consolidated basis, came to ¥991.7 billion for an increase of ¥31.7 billion (3.3%) over the previous year. Operating income, however, posted a year-on-year decrease of ¥9.8 billion to ¥54.3 billion, owing to lower production levels in the first-half period as a result of the March 11 disaster. The operating income ratio declined by 1.2 percentage points to 5.5%.

Operating Income and Operating Income Ratio



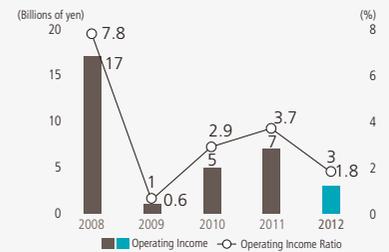
## Automotive

The March 11 earthquake and tsunami forced the Group's optical fiber cable and opto-electronic device manufacturing plants to cut production, and this segment's business was also adversely impacted by the sharp appreciation of the Japanese currency and declining demand in the domestic fiber cable market. In addition, Commutere Corp. was removed from the list of the Company's consolidated subsidiaries with effect from the second half of the previous business year. As a result of these factors, net sales of the Information & Communications segment, on a consolidated basis, posted a year-on-year decline of ¥56.2 billion (25.7%) to ¥162.0 billion. Due to a fall in production levels caused by the earthquake and tsunami as well as a decline in the profitability of exports in line with the yen's appreciation, the operating income/loss account deteriorated by ¥8.9 billion from an operating income of ¥3.0 billion for the previous year to an operating loss of ¥5.9 billion for the reporting period.



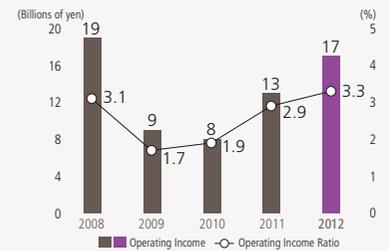
## Information & Communications

Thanks to increased demand for flexible printed circuits used in smart phones, among other products, net sales of the Electronics segment rose by ¥7.6 billion (4.3%) year on year, on a consolidated basis, to ¥185.8 billion. Operating income, however, fell by ¥3.3 billion year on year to ¥3.3 billion as a result of the stronger yen and fiercer international competition. The operating income ratio declined by 1.9 percentage points to 1.8%.



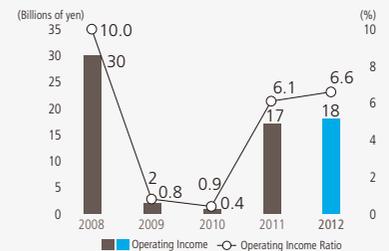
## Electronics

Net sales of the Electric Wire & Cable, Energy segment, on a consolidated basis, posted a year-on-year increase of ¥43.7 billion (9.4%) to ¥508.6 billion. This was the result of growth in demand for low-voltage cables for use in post-disaster recovery work, as well as overseas electrical installation work carried out by Sumitomo Densetsu Co., Ltd. and increased demand for charged particle beam-oriented equipment made by Nissin Electric Co., Ltd. Operating income rose ¥3.5 billion to ¥16.9 billion, while the operating income ratio improved by 0.4 of a percentage point to 3.3%. The value of orders for installation work and plants, on a consolidated basis, came to ¥233.8 billion for a year-on-year increase of ¥26.3 billion (12.7%).



## Cable, Energy

During the reporting period, the Industrial Materials & Others segment saw increased demand for cemented carbide tools against the background of increased automotive production worldwide and expanding demand for industrial tools in the emerging economies. As a result, net sales, on a consolidated basis, edged up by ¥346 million (0.1%) year on year to ¥277.9 billion, while operating income rose ¥1.6 billion to ¥18.5 billion and the operating income ratio improved by 0.5 of a percentage point to 6.6%.





# Automotive

## Wiring Harnesses

Wiring harnesses are a system that conveys power and information. Their constituent electronic components are required to be smaller, lighter and more reliable.

## High-Voltage Harnesses for HEVs

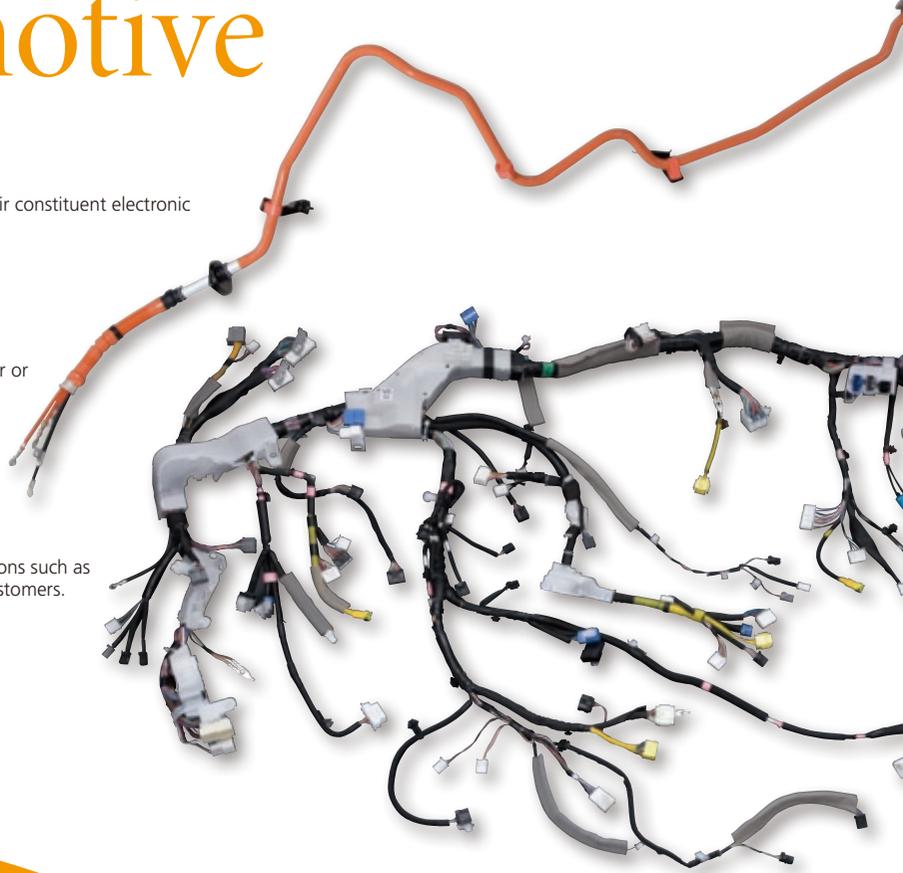
High-voltage harnesses are used in hybrid electric vehicles (HEVs) that have both an electric motor and an internal combustion engine. In these harnesses, which connect a high-voltage battery with an inverter and an inverter with a motor, shield wires are used so that noise from an inverter or other equipment can be suppressed.

## Vibration-Proof Rubbers

Vibration-proof rubbers are the important functional components that absorb and control the vibrations of car bodies and engines.

## Connectors

Our compact and high reliability connectors operate under harsh conditions such as extreme heat, cold and vibration, and satisfy the diverse needs of our customers.



## Segment Overview

With the aim of realizing an automotive society characterized by safety, comfort and environmental friendliness, we are supplying the global market with a broad range of products including wiring harnesses for in-vehicle data and energy transmission and automotive vibration-proof rubbers.

## Key Challenges and Responses in Fiscal 2012

Across the segment as a whole, revenue increased ¥31.7 billion year on year to ¥991.7 billion due to an increase in our global market share of wiring harnesses, while operating income fell ¥9.8 billion year on year to ¥54.3 billion owing to reduced production after the earthquake disaster. In the second half of the year, we achieved operating income exceeding ¥40 billion for the first time.

In the wiring harness business, we achieved a global share of 25% in fiscal 2011, and in fiscal 2012 this increased

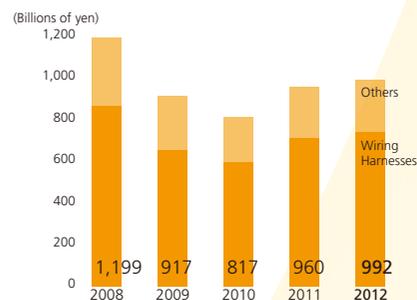
1 percentage point year on year to 26% (according to our own estimate).

Operations started at a wiring harness manufacturer in Cambodia and a subsidiary manufacturer of automotive connectors in Vietnam. We also reinforced our production capacity at existing bases in locations including Mexico, the Philippines and Morocco.

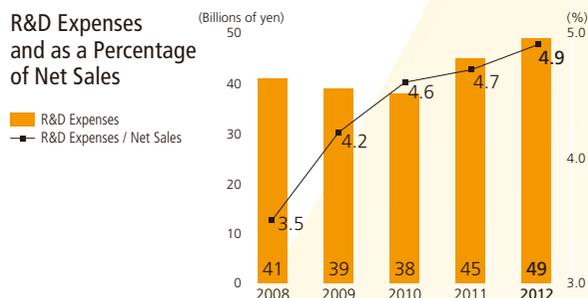
In Japan, four production and distribution companies handling wiring harnesses, etc. merged to create SWS East Japan, Ltd., which launched in April 2012. The goal of the merger is to further strengthen the manufacturing capabilities and personnel development by utilizing human resources, technologies and assets effectively, efficiently and flexibly and by more clearly defining our “global mother” function, whereby new manufacturing technologies and techniques are developed in Japan and spread to our related factories worldwide.



## Net Sales



## R&D Expenses and as a Percentage of Net Sales



## Capital Expenditure



## Issues Being Tackled in Fiscal 2013

We aim to expand sales to overseas automobile manufacturers, where our market share has so far been small, and to strengthen our marketing system.

We will enhance productivity through measures such as automation, optimization of global production systems utilizing our bases in Mexico and Southeast Asia, where capacity has been strengthened, and acceleration of local procurement of parts and materials.

We are working to increase sales of high-voltage harnesses for hybrid and electric vehicles and aluminum harnesses that help to realize more lightweight vehicles as well as to develop next-generation optical harnesses. We also focus on product development targeting diversified parts manufacturers including in fields such as reactors and automotive batteries.

Regarding vibration-proof rubbers, we are developing and increasing sales of products targeted at compact and lightweight requirements, while also working to further reduce costs.

## Strategic Topics

### Development of next-generation harness design system "HARBEST" and start of production runs

Sumitomo Wiring Systems, Ltd. has completed the first phase of development of the Harness Best Engineering System (HARBEST), a next-generation harness design system that is to be used at our design bases throughout the world, and commenced production runs.

The main features of "HARBEST" include the following: multiple operators can concurrently implement design of the manufacturing drawing for the same product; an enhanced automatic manufacturing drawing check function greatly reduces manual check work; and the navigation function has been enhanced and operability is improved. With these functions, we expect a great reduction in the lead time from the point the customer's development drawing is received to creation of the manufacturing drawing, significant improvement of design quality, reduction in design personnel training timescales, easy global development, and global standardization of design work (worldwide uniform design), etc.

We also intend to centrally allocate the manufacturing design personnel in Japan to other strategic departments in the future to reduce design costs. We will continue the second phase of the development for operations related to mass production and the final phase of the development for operations related to cost management and sales, aiming at full-scale implementation of the new system in 2014.



# Information & Communications

## XFP/X2/SFP+ Transceivers

Responding to the increasing demands for larger transmission capacity, our optical transceivers provide a maximum data rate of 10 Gbps. These ultra-small optical transceivers are hot-pluggable.

## Products for Network Access MegaBit Gear™

To build a ubiquitous network society, we offer a variety of products including gigabit Ethernet-passive optical network (GE-PON) and very-high-bit-rate digital subscriber line (VDSL) devices, as well as IP telephone adapters and home gateways.

## Optical Fiber Preforms

To generate optical fiber, silica glass preform is drawn into hair-thin core fiber, and then coated with resin for protection.

## Electronic Devices for Wireless Communications

Our field-effect transistors (FETs) and monolithic microwave integrated circuits (MMICs) are essential for mobile communication applications including satellite communications and WiMAX.

· Ethernet is a trademark of Xerox Corporation.

· WiMAX is a trademark or registered trademark of the WiMAX Forum.



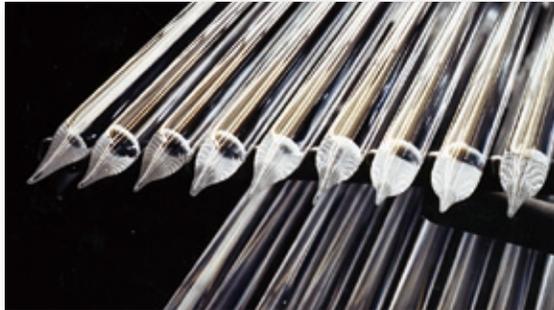
## Segment Overview

The segment provides key products and devices that support optical communications, such as optical fibers, cables, connectors, fusion splicers, GE-PON (Gigabit Ethernet Passive Optical Network) devices and other access network equipment, as well as electronic devices and antenna products for wireless communications. The segment also provides various products for supporting the Information and Communication Technology (ICT) society such as traffic control systems and other Intelligent Transportation System (ITS) devices.

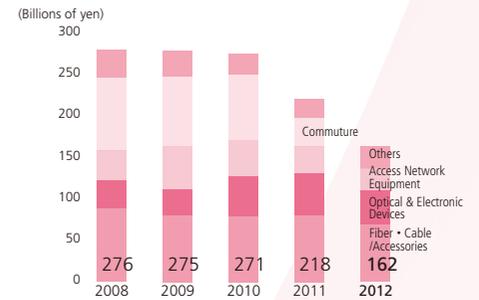
## Key Challenges and Responses in Fiscal 2012

Across the segment as a whole, in fiscal 2012 sales fell 25.7% year on year to ¥162 billion, while operating income decreased ¥8.9 billion year on year, resulting in a ¥5.9 billion operating loss, due to the reduced production of optical fibers and cables as well as optical and electronic devices following the earthquake disaster and rapid yen appreciation, which dented profitability.

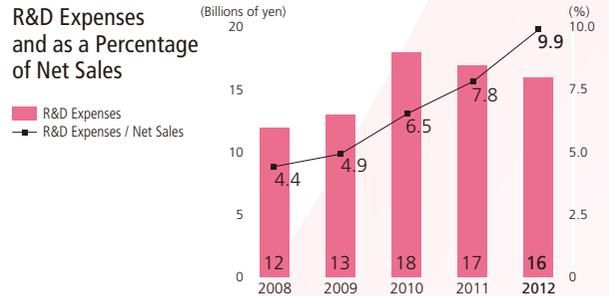
In the business related to optical fibers and cables, we strengthened capacity at our production bases in China, where demand is the highest in the world. We also started operation of a sales company in India, SEI Trading India Private Limited, in November 2011. In the second half of the year, after recovery from the earthquake, we achieved a record high fiber production volume.



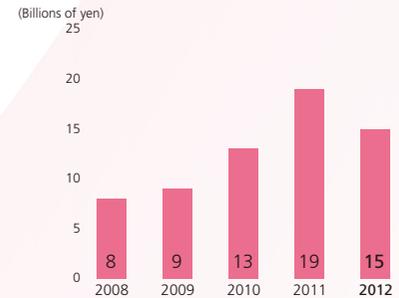
## Net Sales



## R&D Expenses and as a Percentage of Net Sales



## Capital Expenditure



## Issues Being Tackled in Fiscal 2013

In optical fibers, cables and equipment, we are working on thorough cost reduction, while also boosting our sales capability in emerging markets such as China.

In optical and electronic devices, we will be concentrating on developing and increasing sales of new products including devices for LTE (Long Term Evolution; next-generation mobile communication services) and 40/100Gbps devices for long-distance transmission. We are also working to quickly restore our earning power through measures such as strengthening our product lineup and increasing sales through the acquisition of EMCORE Corporation's compound semiconductor device operations, and promoting mass production of low-cost GaN products for use in base stations.

### Strategic Topics

#### Acquisition of EMCORE Corporation's compound semiconductor device operations targeting the enterprise market

Sumitomo Electric Device Innovations U.S.A., Inc., a subsidiary of Sumitomo Electric, has concluded an asset purchase agreement with EMCORE Corporation, a manufacturer and distributor of optical components and systems that utilize compound semiconductor devices, concerning EMCORE Corporation's compound semiconductor device operations targeting the enterprise market.

To date, the Sumitomo Electric Group has focused on optical communications products for high-speed/long-distance transmission using single mode optical fiber, and has a large market share in this field. Going forward, we aim to further enhance our presence in the optical communications market by stepping up the provision of products to the cloud data center market, and to seize business opportunities.



# Electronics

## Flexible Printed Circuits (FPCs)

FPCs consist of a copper circuitry overlaid on an ultra-thin insulation film. They greatly contribute to the downsizing, weight saving, and cost reduction of electronic devices, and are used in computer hard disc drives, camera-integrated video recorders, mobile phones, etc.

## GaN Substrate

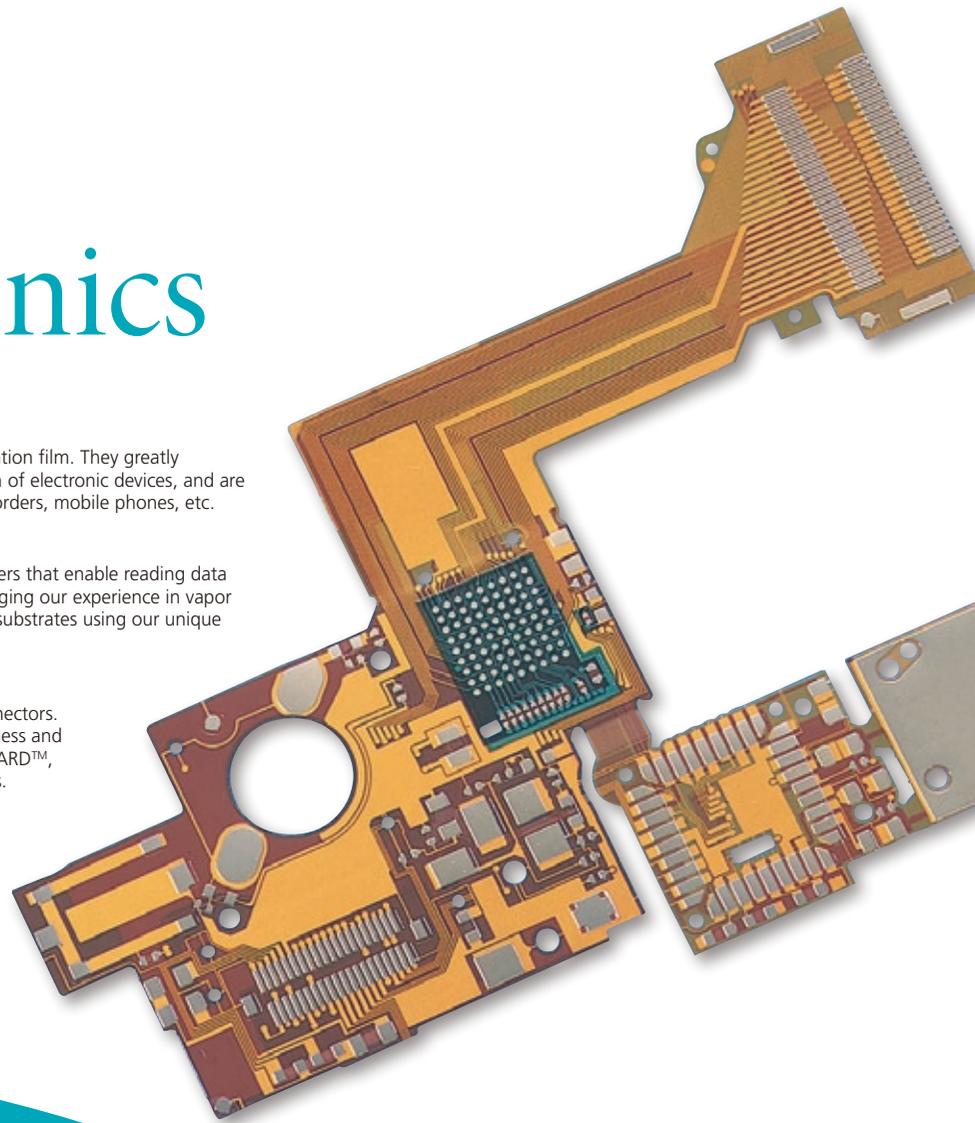
Gallium nitride (GaN) semiconductors are used in blue-violet lasers that enable reading data from and writing data to the next-generation DVD discs. Leveraging our experience in vapor phase growth, we have started commercial production of GaN substrates using our unique crystal growth process.

## Flexible Flat Cables

SUMI-CARD™ is a flat cable which enables easy jointing to connectors. Using the flat square conductor, this flat cable reduces its thickness and allows multi-wiring assembly. We have various types of SUMI-CARD™, such as whisker-free, halogen free and terminal-processed types.

## SUMITUBE™

SUMITUBE™ is a heat-shrinkable tubing that makes use of the shape-memory properties of electron beam-irradiated plastics. It shrinks in a radial direction when heated. Its wide range of applications includes bindings of electric wires and harnesses as well as heat and insulation protection for electronic components.



## Segment Overview

Our Group's electronics products are being used in many state-of-the-art electronic devices such as smartphones and flat-screen TVs. We supply base materials, wires and components that underpin compact, lightweight devices with advanced functions and performance. These products include flexible printed circuits (FPCs), electronic wires, heat-shrinkable tubings, coated products, and compound semiconductors.

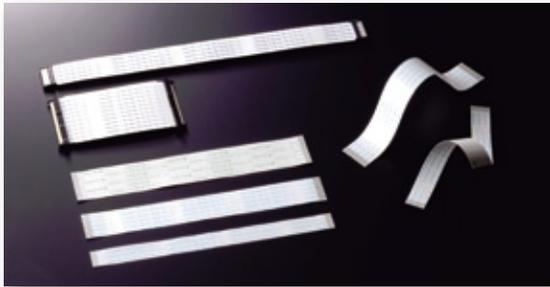
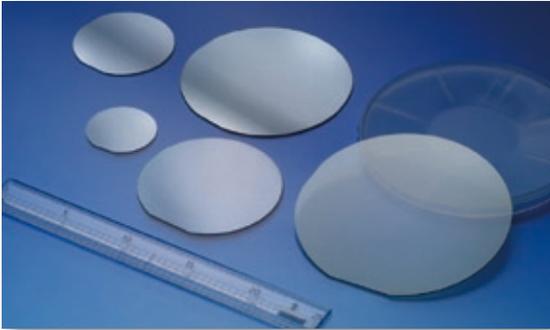
## Key Challenges and Responses in Fiscal 2012

Across the segment as a whole, revenue increased 4.3% year on year as demand for FPCs increased on the back of new orders for smartphones and other devices. Operating income fell ¥3.3 billion to ¥3.3 billion due to reduced production in the first half of the year and yen appreciation.

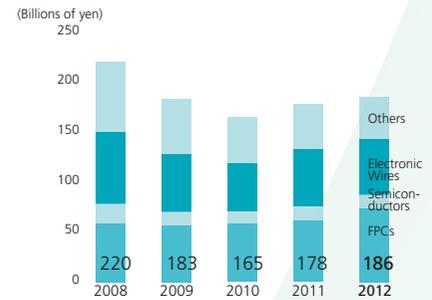
Working together with French company Soitec, we succeeded in manufacturing low-cost, large-diameter GaN substrates, and we have started preparing mass production lines for 4-inch and 6-inch wafers. We anticipate the widespread use of GaN substrates, aimed at a variety of markets including high luminosity LEDs for lighting and power devices for use in electric vehicles and power control.

In the FPCs business, our market share has increased thanks to the emergence of new applications such as smartphones.

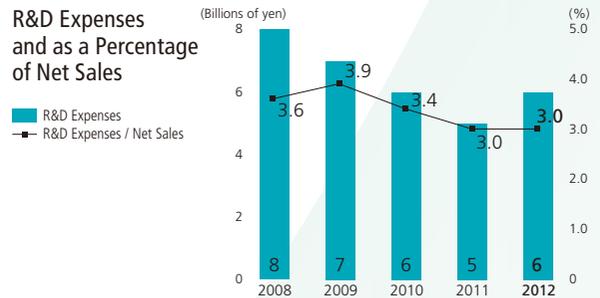
We have developed and established mass production systems for products that support the high-speed interface Thunderbolt (See Strategic Topics).



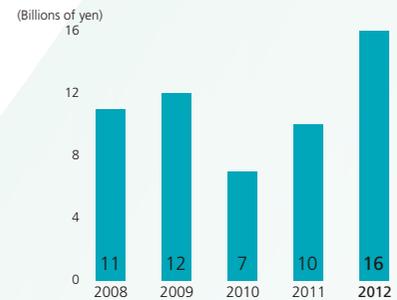
## Net Sales



## R&D Expenses and as a Percentage of Net Sales



## Capital Expenditure



## Issues Being Tackled in Fiscal 2013

With regard to FPCs, we aim to increase our market share by responding to production requirements for new applications, such as smartphones and tablet PCs, and expanding sales networks.

In electronic wire products, we are working to increase sales in the automotive sector and expand sales of new Thunderbolt cables.

We are committed to enhancing our cost-competitiveness in FPCs and electronic wire businesses by utilizing the production capability of Sumitomo Electric Interconnect Products (Shenzhen) Limited, a business base for electronics products in China.

In heat-shrinkable tubing and coated products, we are working to capture automotive-related demand and increase sales in growth areas such as microfiltration membrane modules for water treatment.

In compound semiconductors, we are seeking to increase sales of GaN substrates for use in white LEDs and GaAs substrates for use in wireless communications.

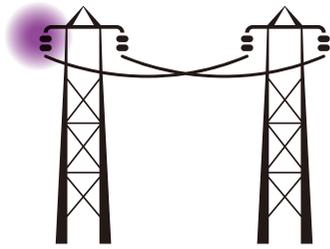
## Strategic Topics

### First Japanese company to commercialize Thunderbolt electrical cables, a new connection technology

Thunderbolt is an innovative connection technology that was developed by Intel Corporation and offers 10 Gbps data transmission between computers and peripheral devices. Based on Intel's technical specifications and our advanced cable technology, we have successfully developed a Thunderbolt electrical cable that consists of dual-core coaxial wire. This cable features low data signal distortion and low transmission loss with minimal delay in transmission between the two cores. Advanced signal processing circuits are incorporated in terminal connectors at both ends. We have also produced a Thunderbolt optical cable and started its sample product shipment.



· Thunderbolt is a trademark of Intel Corporation.



# Electric Wire & Cable, Energy

## Wire Rods

We have been manufacturing the wire rods since our foundation in 1897. Our wire rods are used for the production of a wide variety of electric wires and cables.

## Cross-Linked Polyethylene (XLPE) Insulated Cables

Our high-voltage electric wires and cables, which stably supply large-capacity electric power, serve as the main arteries of energy transmission by power companies in Japan and abroad.

## CHAdeMO-Compliant Quick Charger Connector for EV Applications

This product is the quick EV charger connector compliant with the CHAdeMO specifications. Comprising a lightweight aluminum alloy body and easy-to-bend tough rubber sheathed cable, this connector provides excellent operability.

## Celmet™

This porous material features high-porosity and continuous pores, and is used mainly in the electrodes of nickel-hydrogen batteries.



## Segment Overview

The segment provides electric wire and cable products that underpin stable energy supply. They include copper wire rods from which various types of electric wires and cables are made, high-voltage power cables indispensable for the supply of electric power in large quantities, and trolley wires for railways. The segment also supplies magnet wires used in household appliances, automotive electric components, and industrial motors, as well as hybrid products such as rubber, plastic, and ceramics that have emerged through the development of coating technology used for electric wires, to many different branches of industry.

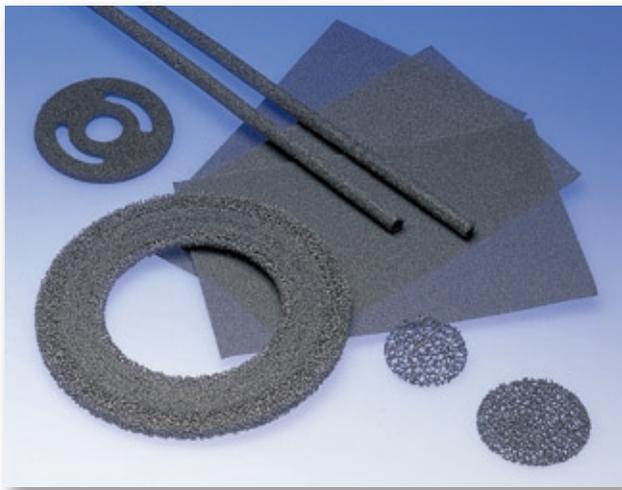
## Key Challenges and Responses in Fiscal 2012

Across the segment as a whole, sales increased 9.4% year on year to ¥508.6 billion and operating income increased ¥3.5 billion year on year to ¥16.9 billion due to increased demand for overseas electrical construction works carried out by Sumitomo Densetsu Co., Ltd. and increased demand for

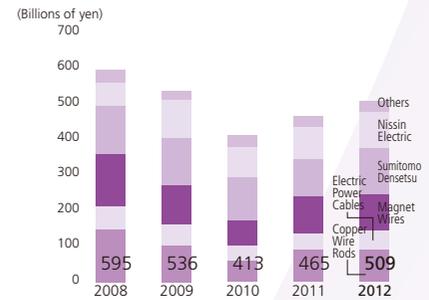
charged particle beam-oriented equipment at Nissin Electric Co., Ltd.

With regard to the development of new products and technologies, we have successfully developed the porous metal Aluminum-Celmet™. In addition to high porosity, Aluminum-Celmet™ offers lightness due to the specific gravity of aluminium, which is about one-third of that of nickel, and excellent electrical conductivity with less than half the electrical resistivity of nickel. It also has excellent corrosion resistance, enabling it to be used in lithium-ion or other secondary batteries operating at high charge/discharge voltages and in the current collectors of capacitors. Working together with Meidensha Corporation, we have commenced joint development of electric double-layer capacitors using Aluminum-Celmet™ as the electrode material.

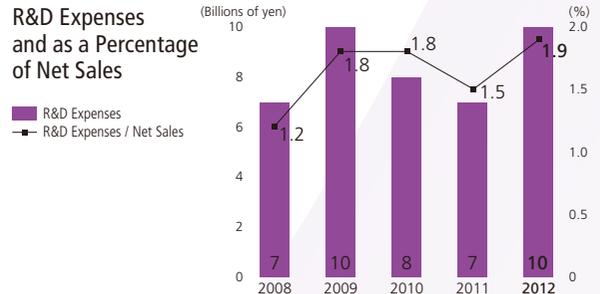
With regard to copper wire rods, we have established a production base in Thailand to meet growing demand in China and Southeast Asia (see Strategic Topics).



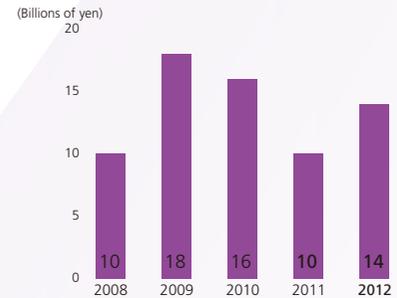
## Net Sales



## R&D Expenses and as a Percentage of Net Sales



## Capital Expenditure



## Issues Being Tackled in Fiscal 2013

Concerning wire rods and magnet wires, we are focusing on expanding sales in the growing Asian market.

We are also aiming to increase sales and boost production capacity in the automotive-related field, including scratch-resistant magnet wires for use in the motors of eco-friendly vehicles and the metal porous material Celmet™ used as the electrode material in batteries.

J-Power Systems Corporation, an affiliate accounted for by the equity method, is seeking to capture energy infrastructure demand in the Middle East, taking advantage of its base in Saudi Arabia, as well as global demand for high-voltage power cables in conjunction with its base in India.

Subsidiary Sumitomo Densetsu Co., Ltd. is looking to expand and strengthen its overseas business in regions such as Southeast Asia, and is also aggressively developing its environmental business including energy-saving assessments.

We are focusing on expanding sales of products related to energy supply, such as low-loss power transmission cables, high-temperature superconducting wire, and power conditioners (devices to convert DC current into AC current), which contribute to the proactive use of renewable energy and help enhance energy efficiency.

## Strategic Topics

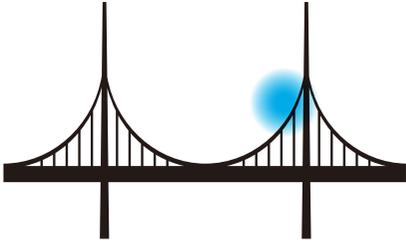
### Establishment of Manufacturing Base for Copper Wire Rods, Drawn Wires and Aluminum Bars

In April 2012, SEI Thai Electric Conductor Co., Ltd. (STEC) was established in Rayong, Thailand to be engaged in the manufacturing and sale of copper wire rods, drawn wires, and aluminum bars. STEC will become the largest manufacturing plant for copper wire rods and drawn wires in the Southeast Asian region. While meeting demand from Group companies, it will aggressively market these products to customers outside of the Group.

The company is also due to manufacture aluminum bars, base material to be cut into valve components of automatic transmissions used in automobiles in order to quickly meeting growing demand in this area.

## Company Profile

Company name	SEI Thai Electric Conductor Co., Ltd.
Location	Amata City Industrial Estate, Rayong, Thailand
Business	Manufacture and sales of copper wire rods, drawn wires, and aluminum bars
Capital	1.11 billion baht (approx. ¥2.7 billion, 1 baht = approx. ¥2.44)
Investment ratio	The Sumitomo Electric Group 100%
Establishment	April 2012
Start of operation	April 2014 (scheduled)
Prospective sales volume	FY2015: Copper: approx. 10,000 t/m; Aluminum: approx. 110 t/m
Prospective sales	FY2015: Approx. ¥47 billion



# Industrial Materials Others

## Cemented Carbide Tools, IGETALLOY™

Responding to the need for faster, more efficient and higher-precision machining, IGETALLOY™ inserts work as a mechanical interface between machine and material, and is vital in such fields as cutting and plastic working.

## Sintered Parts

Powder metallurgical parts are made mainly of iron powder using a powder metallurgical technique. They are widely used as the structural parts for automobiles, office instruments and home electric appliances.

## Steel Tire Cords

Steel cords are used for the reinforcement of radial tires. Our patented steel tire cords feature excellent adhesiveness with rubber, and satisfy not only the basic properties required for automobile tires, but also more advanced and diversified needs of customers.

## Heatspreaders (Heat Sinks)

High-performance heat spreader materials (Cu-Mo, Cu-W, Al-SiC, Si-SiC, AlN, Cudiamond, etc.) are widely used in high-power semiconductor devices like inverters for hybrid cars and high-output laser diodes.



## Segment Overview

Hard metal products, such as cutting tools, are essential for high speed, high performance and high precision mechanical processing. The segment manufactures products used in many industries, including special metal wires such as prestressed concrete steel wires used in civil engineering and building construction projects, as well as special steel wires such as steel cords used as tire-reinforcing materials in the automobile industry and oil-tempered wires for valve springs. We also make sintered parts that are used as structural components in automobiles and home electric appliances, etc.

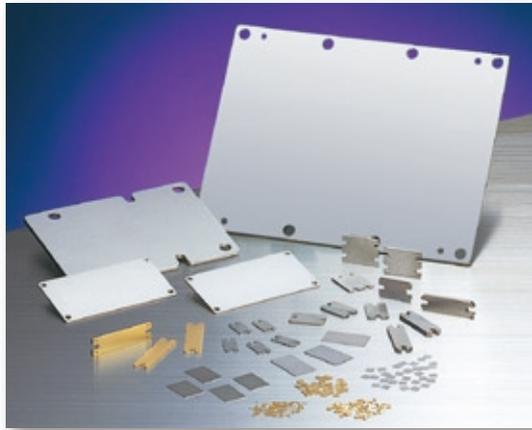
## Key Challenges and Responses in Fiscal 2012

Across the segment as a whole, we achieved sales of ¥277.9 billion, in line with the previous year's level, and a ¥1.6 billion increase in operating income to ¥18.5 billion due to the growth in demand for cemented carbide tools resulting from increase in global automotive production and in demand for machining tools in emerging markets.

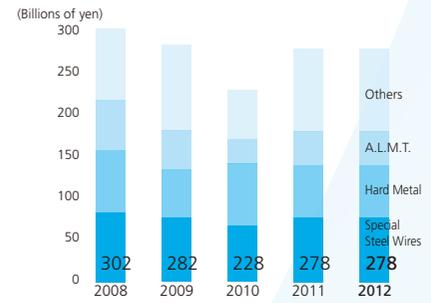
Saw wires for the production of solar cells has not yet achieved its goal.

Together with Hyosung Corporation of South Korea, a steel cord joint venture business was launched in China (Nanjing) and Thailand.

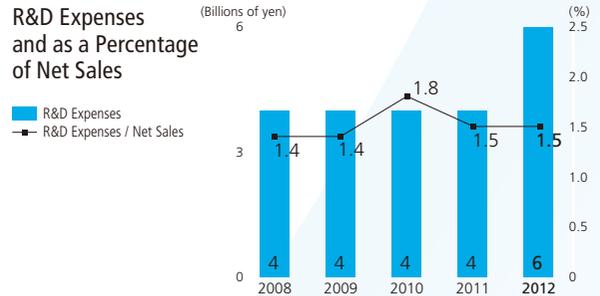
Sumitomo Electric Hardmetal Manufacturing (Changzhou) Co., Ltd., a global base for the mass production of cemented carbide drills and sintered diamond chips, commenced operation in Changzhou, China.



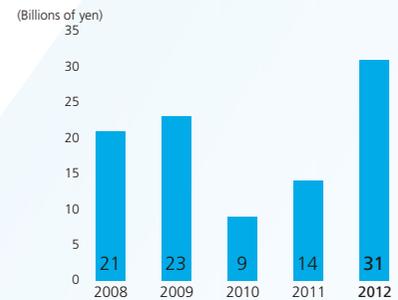
### Net Sales



### R&D Expenses and as a Percentage of Net Sales



### Capital Expenditure



## Issues Being Tackled in Fiscal 2013

In the hard metal business, we established a cutting tool production and sales company in Indonesia and sales companies in Turkey and Brazil in order to bolster our marketing capability in emerging markets and cut costs by utilizing overseas production bases. In Japan, meanwhile, we are promoting the recycling of tungsten, the primary material in hard metal tools, and are working to ensure the stable procurement of raw materials.

With regard also to sintered parts, we established a new production base in Indonesia, where automobile production is growing, which manufactures automobile and motorcycle engine parts and transmission parts, etc. to increase our market share in Indonesia.

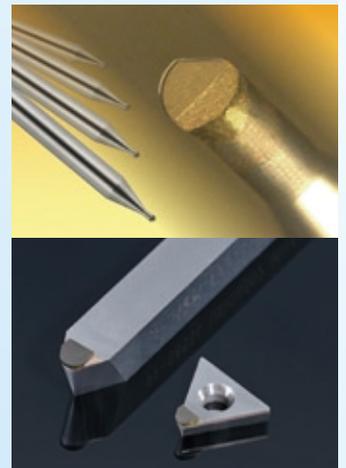
Concerning special steel wire springs and steel cords, we are similarly working to increase sales and boost production in order to meet increased global automotive-related demand.

In its heat sink business, A.L.M.T. Corp. is increasing sales by developing new products used in vehicles and mobile phone base stations, as well as for power control and LED boards.

### Strategic Topics

#### Launch of Cutting Tools Featuring Nano-Polycrystalline Diamond "Sumidia™ Binderless"

Nano-polycrystalline diamond "Sumidia™ Binderless," which has been developed by Sumitomo Electric, is a diamond material produced by firmly and directly bonding together fine grains of several tens of nanometers. This material has greater hardness than single-crystal diamonds, and overcomes the drawback inherent to single-crystal diamonds, namely the tendency to split (cleave) in a specific direction. Drawing on these outstanding characteristics, Sumitomo Electric and A.L.M.T. have launched cutting tools using "Sumidia™ Binderless" as the cutting edge material.



# Research & Development

The Sumitomo Electric Group embraces a corporate philosophy of creating new technologies, generating innovation, and achieving continual growth. Based on the philosophy, the Company is committed to developing new businesses and products that are both novel and profitable, utilizing the information & communications and materials technologies we have cultivated over many years. Against a backdrop of dramatic change in the business environment, we investigate and analyze the likely areas of future technological innovation, movements in global conditions, and changes in business models and customers, both on a long-term global basis, in order to identify prospective business fields. We are also conducting research to ensure that we secure the innovative technologies that will be at the core of next-generation business.

R&D expenses in the 2012 consolidated fiscal year totaled ¥86.6 billion.

## Automotive

In fiscal 2012, R&D expenses in this field totaled ¥49.0 billion.

We have successfully developed and started mass-producing aluminum harnesses, which are environmentally sound and helps reduce the weight of vehicles. We are also engaged in the development of products including high-voltage harnesses and connectors for the growing electric vehicle (EV) and hybrid electric vehicle (HEV) markets. Concerning in-vehicle electronic equipment, we are developing electronic equipment, such as power distributors (PD), as well as semiconductor devices and next-generation in-vehicle LAN (Local Area Network) in order to meet the shift towards IT-based advanced functionality and networking.



Aluminum Harnesses

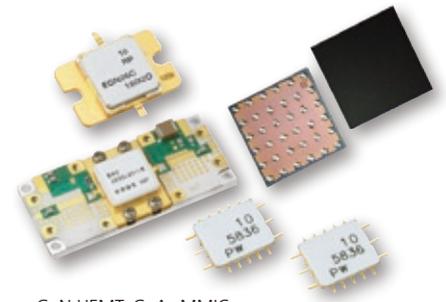
## Information & Communications

In fiscal 2012, R&D expenses in this field totaled ¥16.1 billion.

In the area of optical communications products, we are developing low-loss/low-nonlinearity optical fibers and modules with advanced functionality to meet the need for ultra-high-speed transmission. We are also developing high-speed wiring communication technologies for intra-equipment connection and connection between information devices and servers, etc. at transmission speeds of 10 Gbps and higher.

In the optical devices business, we have developed a low-power consumption (1.5W) and compact (SFP+ compatible) product with a transmission speed of 10 Gbps and a transmission distance of at least 40 km. We are also pushing forward with the development of infrastructure technology aimed at achieving 100/400 Gbps.

With regard to electronic devices, Sumitomo Electric is a global pioneer in the development of high-efficiency/high-output GaN (gallium nitride) transistors and microwave monolithic ICs, which realize advanced functionality at low cost. The Company continues to develop products that support wireless communications, mobile base stations and sensors.



GaN HEMT, GaAs MMIC

In the field of technology related to safety and security, we are developing traffic control algorithms and cooperative driving safety support systems, as well as imaging and radio wave sensors.

## Electronics

In fiscal 2012, R&D expenses in this field totaled ¥5.6 billion.

In the field of compound semiconductors, we are enhancing the quality of InP (indium phosphide) and GaAs (gallium arsenide) substrates for use in optical devices for high-speed communication and electronic devices for wireless communication, etc. As well as enhancing the quality of GaN (gallium nitride) substrates used for applications, such as blue-violet laser diodes, white LEDs and power devices, we have successfully developed a substrate suited to green laser and achieved the world's first pulse oscillation with true green laser.

With regard to electronics-related materials and parts, we have developed high-conductivity paste



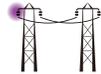
Magnesium Alloys

using metal nano-powder, nano-ink for forming inkjet printing circuits, and materials for high-density mounting, including

anisotropic conductive film for fine-pitch electrodes, etc. We are also engaged in the development of compact electronic circuit boards for mobile equipment, module components, and heat dissipation materials by fully utilizing our unique adhesive material and fine circuit pattern formation technologies.

Concerning our initiatives to save resources and contribute to preservation of the environment, we continue to develop manufacturing technology for high-strength/high corrosion-resistant magnesium alloy wrought materials with the aim of realizing more lightweight products.

### Electric Wire & Cable, Energy

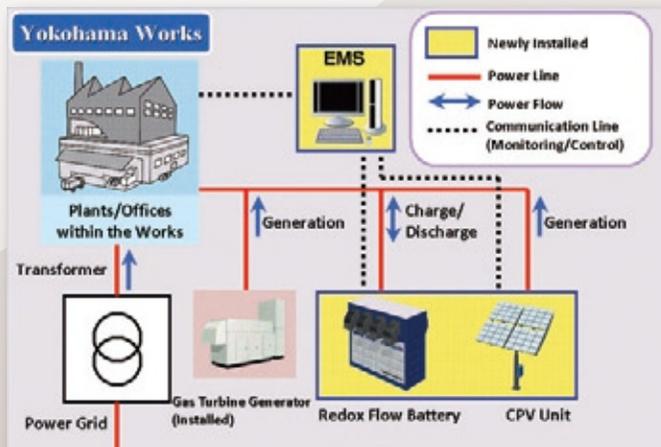


In fiscal 2012, R&D expenses in this field totaled ¥9.6 billion.

In the superconductivity field, we have significantly enhanced the characteristics and mass-producibility of bismuth-based high-temperature superconducting (HTS) wire, and we are stepping up commercial sales including the deployment of wiring in cable projects around the world, as well as in motors and magnet development. In the field of superconducting cables, we have been working on preparations to carry out Japan's first system interconnection test, starting from autumn 2012.

In the field of next-generation power transmission networks, since June 2011 verification tests of a micro smart-grid demonstration system has been underway at Sumitomo Electric's Osaka Works, in which several natural energy power generation devices, including an in-house developed concentrating photovoltaic (CPV) device, and a small redox flow battery (storage battery) are interconnected by DC power cables. In addition, in late July 2012 we began verification testing of a large-scale energy storage and generation system at our Yokohama Works, which has megawatt-class output and capacity.

In the storage battery field, we have developed a new type of secondary battery that makes a compact assembled battery a real possibility - a molten salt electrolyte battery comprising nonflammable material, and we continue to conduct tests using power systems at our Osaka Works. In addition, we have developed the porous aluminum material



Aluminum-Celmet™, and we are currently focusing on developing mass production technology with a view to its use in lithium-ion batteries and storage devices such as capacitors.

### Industrial Materials & Others



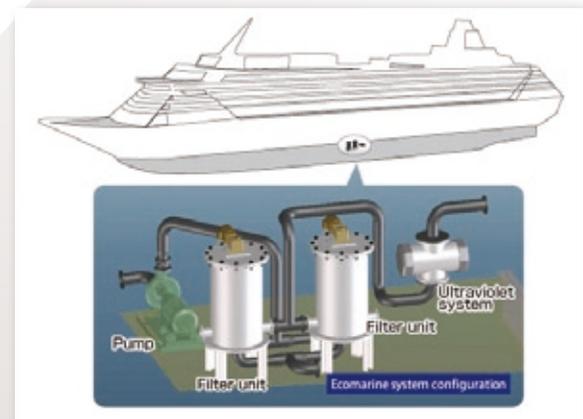
In fiscal 2012, R&D expenses in this field totaled ¥6.3 billion.

In the diamond business, we have developed a high-hardness nano-polycrystalline diamond made from ultra-fine grains of several tens of nanometers, using a new ultra-high voltage technology and a proprietary new process, and this has been commercialized for use in tools for high-performance precision processing.

With regard to sintered parts, we are committed to developing products that employ soft magnetic powder materials, which have excellent magnetic characteristics in the high-frequency range, as well as high-performance soft magnetic powder materials to support EV and HEV applications.

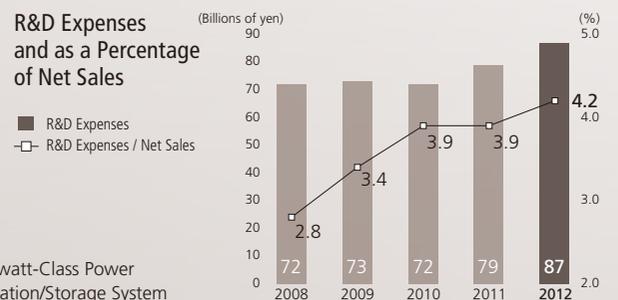
Furthermore, the Sumitomo Electric Group has successfully developed technology for the recycling of used hard metal tools and the tungsten employed in these tools, through collaboration between industry, the government and academia, which will enable us to recycle a volume of metal tools equivalent to our domestic sales volume.

With regard to new business fields, we are focusing on developing ballast water management systems and pre-treatment equipment for seawater desalination. In addition, we have developed the compositional imaging system Compovision™, an inspection system that generates real-time images of previously undetectable compositional differences and of the concentration distribution of material, through the application of our semiconductor and communication device technologies. We are commercializing this system for use in areas such as medical care and quality testing in factories.



Ballast Water Management System

### R&D Expenses and as a Percentage of Net Sales



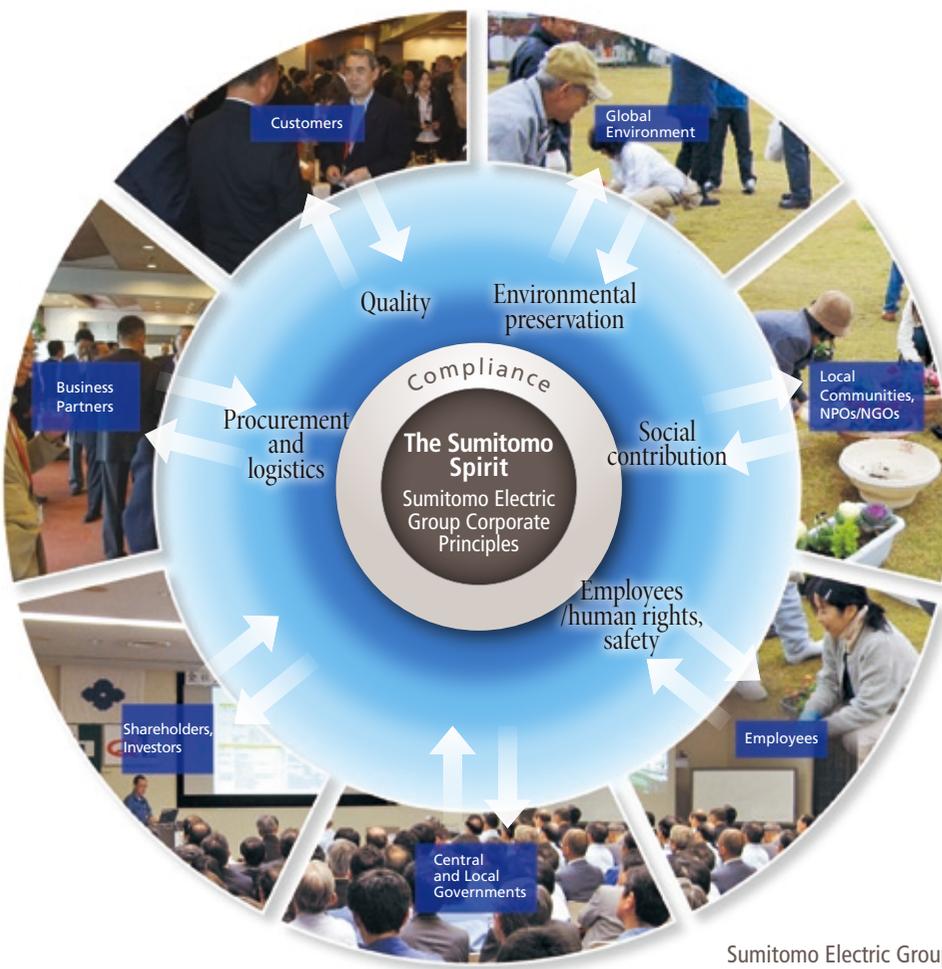
Megawatt-Class Power Generation/Storage System

# Corporate Social Responsibility

## Sumitomo Electric Group CSR Basic Policy

The Sumitomo Spirit, which gives top priority to social credibility and corporate ethics, is deeply instilled into the Sumitomo Electric Group. The Sumitomo Spirit, as well as the Sumitomo Electric Group Corporate Principles, serves as the basic value standards that guide us. We feel that the Sumitomo Electric Group's CSR basic policy is to contribute to society through business operations in line with compliance regulations.

We have specified five priority categories on which we focus our CSR efforts: environmental preservation; procurement and logistics; safety and quality; employees and human rights; and social contribution. Based on this approach, we will establish good relationships with stakeholders and continue sustained growth with the aim of becoming a Glorious Excellent Company, i.e., realizing the ideal state of the Sumitomo Electric Group, so as to fulfill our corporate social responsibility.



Sumitomo Electric Group CSR Report  
SEI CSR Report 2011

For more information on the Group's CSR initiatives, please see our website

[http://global-sei.com/csr\\_e/](http://global-sei.com/csr_e/)

The CSR report for 2012 will be published in September 2012.

## Highlights of Fiscal 2012

### Our Response to the Great East Japan Earthquake

Japan, particularly the Tohoku region, suffered devastating damage by the Great East Japan Earthquake and Tsunami. Some of the Group's plants were also damaged. The Group quickly launched restoration efforts at the damaged plants immediately following the disaster and managed to complete all restoration work by June.

Meanwhile, for the prompt restoration and rehabilitation of the damaged areas and the people living in these areas, the Group has made emergency shipments of goods such as optical cables and low-voltage electric wires aimed at restoring societal infrastructure, as well as provided relief supplies and made financial donations. The Group continues to conduct these activities today.

#### Topics

#### Participation in restoration work at the Fukushima Nuclear Power Station immediately following the disaster

The Group was asked to assist with the emergency restoration of the communication lines linking the Fukushima Daiichi Nuclear Power Station with government agencies and Tokyo Electric Power's Head Office. Restoration of optical ground wires connected to the tops of transmission line towers was successfully completed on March 18 at a work site located 10 km from the power station.



#### Support activities for the reconstruction of affected areas

Sumitomo Electric and other Group companies regularly hold Tohoku food fairs to support the region.

### Community-Oriented CSR Activities

The Sumitomo Electric Group conducts a wide variety of CSR activities in the Group's business locations all over the world in its aim to harmoniously coexist with local communities.

#### Topics

#### Biodiversity conservation activities

Sumitomo Electric's Itami Works participates in restoration activities of the nearby Koya Pond. For the purpose of restoring trees in this once very green area, Itami Works has conducted activities that include the collection of seeds, the cultivation of seedlings, the transfer of these seedlings to the "islands of wild bird" (created in the shape of the Japanese Archipelago), the removal of weeds, and dealing with great cormorants, which were a pest. Itami Works joined the activities in April 2008, and a total of 282 employees have contributed to this project on 49 different occasions over the past four years.



#### Anti-drug campaign in Thailand

Sumitomo Electric Wiring Systems (Thailand) Ltd. (SEWT) has participated in the TO BE NUMBER ONE anti-drug campaign in Thailand for approximately 10 years. As part of the campaign, SEWT promotes various measures, including raising anti-drug awareness at the company, keeping young people away from drugs, and establishing an anti-drug network outside the company. SEWT has been actively promoting drug eradication not only inside but also outside the company. Highly valued for such commitment, in 2011 SEWT became the first private company in Thailand to receive the Golden Award from Princess Ubolratana Rajakanya.



### Sumitomo Electric Group Citizenship Activity Smile Relay blog launched

Sumitomo Electric opened Sumitomo Electric Group Citizenship Activity Smile Relay, a blog to introduce community-based corporate citizen activities performed by Group companies and their employees, on its website in May 2011. This blog reports the various CSR efforts conducted by Group companies and employees in Japan and other countries through their words and opinions while introducing the characteristic features of each country and region.

Website

<http://global-sei.com/smile/>



# Corporate Governance

## Basic Policy for Corporate Governance

The consistent basic policy of the Sumitomo Electric Group is to make a positive contribution to society through the pursuit of fair business activities, in line with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. To develop our business and enhance our corporate value while adhering to this basic policy, we are committed to improving overall management efficiency and speed, and to ensuring the legality and appropriateness of our business decisions and activities. We are also strengthening related supervisory and remedial systems.

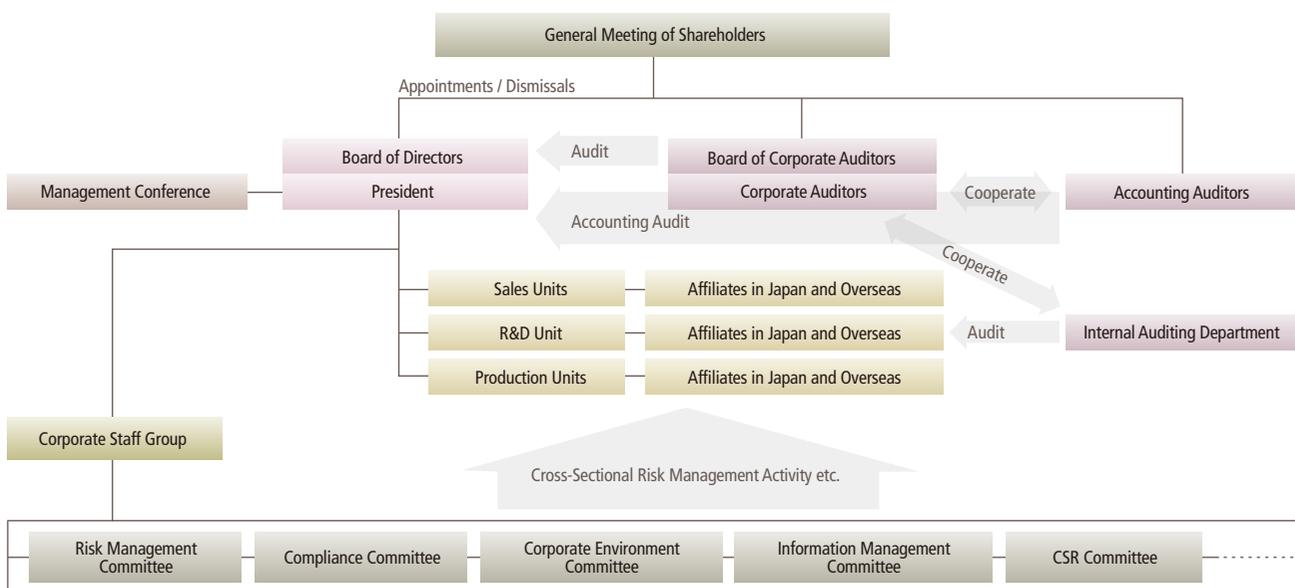
In June 2003, Sumitomo Electric adopted the Executive Officer and Business Unit systems, with the aim of creating a flexible system of business execution by accelerating the Board’s decision-making, improving its supervisory functions, and clarifying the scope of its authority and responsibility.

In June 2008, outside corporate auditors were appointed with the aim of further strengthening the supervisory functions of the Board of Directors.

To ensure soundness of management, we have strengthened auditing functions and ensured that independent Outside Corporate Auditors comprise over half of the Corporate Auditor team. The Outside Corporate Auditors have a high degree of specialist knowledge and multi-faceted expertise. Outside Corporate Auditors, the full-time Corporate Auditors and their support staffs work with the Internal Auditing Department and the Accounting Auditors to ensure that business is conducted in a legal and appropriate way.

At meetings of the Board of Directors, the independent Outside Executive Officers offer their opinions on matters such as improving management efficiency. Looking ahead, we plan to further improve our internal governance systems.

### Sumitomo Electric Group’s Corporate Governance Structure



## Board of Directors

The Board of Directors meet regularly once a month and from time to time when deemed necessary to discuss and approve important business matters such as investment and business restructuring, with the President as a chairman because the position of the chairman of the Board of Director is vacant. Before submitting agendas to the Board, the Management Conference comprising the President and Executive Directors discuss and improve the agenda in advance.

Conduct of operations based on the decisions of the Board of Directors and other committees is entrusted to Business Unit General Managers, Sales Unit General Managers, R&D Unit General Managers and Directors and Executive Officers heading Corporate Staff Groups. At the same time, to establish a functioning system of internal checks, clear organizational authority and responsibilities have been laid down in the in-house regulations, along with appropriate operational procedures.

In addition to receiving monthly reports on sales and earnings as well as financial position and other matters from the director in charge of accounting, the Board of Directors receives reports about orders (received) and sales at each Business Unit headed by a director, and oversees progress towards achievement of management targets and conduct of operations.

## Audits by Corporate Auditors and Internal Audits

The Company receives three types of audits, namely corporate auditor audits, internal audits and accounting audits, to ensure the legality and appropriateness of its business management. In the corporate auditor audits, five corporate auditors, three of whom are Outside Corporate Auditors, inspect the performance of Board members in business execution, backed by the Corporate Auditor support staff (Office of Corporate Auditors).

Corporate Auditors all attend important meetings of the Board of Directors, based on the brief they were assigned—audit planning, policy-making and task allocation — by the Board of Corporate Auditors. They question the Board of Directors, Internal Auditing Department and other offices on their performance of duties, and read through important documents for approval. They also carry out regular visiting audits at major business premises. At the same time, they receive audit reports from other Corporate Auditors and exchange needed information with the Accounting Auditors.

The Company has established the Internal Auditing Department as an auditing unit for internal audits. This Department carries out audits at Sumitomo Electric's premises including Group companies and suggests improvements in problem areas to ensure appropriate and efficient conduct of operations. In addition, the Corporate Auditors and Accounting Auditors collaborate if needed in their audits.

Our Accounting Auditors and Internal Auditors are KPMG AZSA LLC.

## Outside Director and Outside Corporate Auditors

Sumitomo Electric has one Outside Director and three Outside Corporate Auditors. The Company has appointed the Outside Director to provide an external perspective and step up supervision at Board of Directors' meetings and to increase the transparency and objectivity of corporate management. Moreover, to strengthen the supervisory system to better ensure legal and appropriate management, we have appointed Outside Corporate Auditors as over half of our Corporate Auditors, ensuring a wider range of expertise and perspectives.

Although Sumitomo Electric has instituted no guidelines or policies on the independency of Outside Directors, we believe that they must be independent from the Company to fully assume their roles. In this regard, we carefully examine and assess their interests with the Company when selecting the candidates. All the incumbent Outside Directors were appointed as the Independent Directors of the Company as they do not infringe on any of the evaluation standards concerning the independence of independent directors stipulated by the Tokyo Stock Exchange. To date, they have delivered valuable opinions and suggestions from an independent position to the Board of Directors at meetings and other occasions, and were therefore judged there was no risk of a conflict of interests with ordinary shareholders.

# Compliance

## Compliance Committee

The Sumitomo Electric Group has established the Compliance Committee, chaired by the President, as an organization that promotes measures necessary to develop and further strengthen its compliance system.

The Committee engages in various activities, including preparing and distributing the Sumitomo Electric Group Compliance Manual and organizing compliance training seminars. In addition, the Committee identifies and analyzes Group-wide compliance risks, disseminates preventative measures Group-wide, and monitors compliance activities implemented by each division and subsidiary. In fiscal 2012, the Committee convened four times, in May, August, and November 2011, and in March 2012.

## Compliance Manual

Based on the Sumitomo Spirit, the Sumitomo Electric Group Corporate Principles and the Sumitomo Electric Charter of Corporate Behavior, the Compliance Committee created the Sumitomo Electric Group Compliance Manual, which explains specific instructions for employees to act in a socially acceptable way from legal and ethical perspectives. We distributed this manual to employees of both Sumitomo Electric and its subsidiaries in Japan.

## Compliance Education

To check compliance risks, ensure implementation of preventive measures, as well as enhance and spread awareness of compliance, the Compliance Committee organizes regular training seminars for all officers and administrative members every year. New employees and newly promoted personnel are also provided with training seminars.

The Sumitomo Spirit, which forms the basis of the Sumitomo Electric Group's compliance system, as well as our philosophies and codes of conduct mentioned in the Sumitomo Electric Group Corporate Principles and the Sumitomo Electric Group Charter of Corporate Behavior, are also disseminated by holding a variety of training programs and through top management's actions and statements.

## Speak-Up System

We have established the Speak-Up System, which enables employees to directly report and consult on potential compliance-related issues, so as to identify and resolve such issues internally at an early stage and enable the Compliance Committee to swiftly mount an investigation based on information it has received and take the necessary measures.

In addition to overseeing the setting up of in-house offices for Group companies in Japan, we have set up external offices (law offices) under the Speak-Up System for all Group companies to use. We are working to disseminate the Speak-Up System to employees through articles in monthly in-house magazines.

## Strengthened Competition Law Compliance System

### 1. Developed Competition Law Compliance Rules

In June 2010, new Competition Law Compliance Regulations, including rules that restrict contact with competitors, were established and put into effect. While subsidiaries in Japan have implemented similar rules and regulations, key subsidiaries outside of Japan have also adopted them and many other subsidiaries have been introducing them.

### 2. Formed Dedicated Organizations and Established Auditing System

In June 2010, Sumitomo Electric established a Competition Law Compliance Office in its Corporate Staff Group that is solely dedicated to promoting compliance with competition laws. We also established a Sales Compliance Office in electric wire-related sales unit and assigned a Competition Law Compliance Promotion Manager and Promotion Leader at each of other business units. In March 2011, we set up an Automotive Compliance Office in the Automotive Business Unit.

Under the Compliance Committee, the Competition Law Compliance Office closely collaborates with the dedicated organizations or managers assigned at each unit that actually engages in businesses activities. By operating the rules to restrict contact with competitors based on Competition Law Compliance Regulations and promoting related activities such as monitoring and auditing of compliance with the Competition Law and Competition Law Regulations, we will establish an effective system involving the front-line players.

The Sales Compliance Office and the Automotive Compliance Office have been set up in the respective business units subject to the investigation by competition authorities. These offices promote more rigorous on-site measures, such as holding periodical interviews on competition law compliance and monitoring the status of orders. Measures that have been proven effective will be implemented in other business units.

### 3. Enhanced and Continuous Competition Law Training

Instead of the regular compliance training seminars for administrative members organized every year, special training programs on compliance with competition laws were conducted intensively in spring of 2010 for all members of Sumitomo Electric and its subsidiaries in Japan, excluding those working at manufacturing sites (81 sessions held in 40 locations nationwide for 5,000 participants in total).

The Company continues to raise employee awareness by providing compliance training sessions on a regular basis that more strongly focus on competition law compliance issues.

### 4. Established Action Guidelines for Competition Law Compliance

Sumitomo Electric has been considering competition laws to be a priority matter to be observed in the Compliance Manual. To more clearly specify prohibited conduct and rules of compliance and to also address foreign competition laws, new sales-related Competition Law Action Guidelines were established in October 2010. Training sessions were organized in October and November 2010 to familiarize the guidelines to all employees involved in sales activities. Sumitomo Electric will continue to make efforts to ensure compliance with these guidelines.

# Business Risk

The following major categories of risk could affect the business performance and financial position of the Sumitomo Electric Group. Forward-looking statements in this section represent judgments made by the Group's management on a consolidated basis as of March 31, 2012.

## Political and economic situations and demand fluctuations

The Group's businesses span the "Automotive," "Information & Communications," "Electronics," "Electric Wire & Cable, Energy" and "Industrial Materials & Others" sectors. In addition to Japan, the Group has business operations in the Americas, the rest of Asia, Europe and North Africa. For this reason, its business performance, financial position and cash flows do not depend excessively on specific trading partners, products or technologies, but are affected by sector- and locality-specific changes in demand, the shortening of product life cycles due to technological innovation, and political change in the countries in which the Group operates. Most of the Group's products are components for end-user goods, and materials and systems used in public facilities and infrastructure. Hence, the Group is exposed to fluctuations in the business cycle as well as changes in customers' procurement policies and decisions on capital expenditures.

## Changes in laws and regulations

In addition to its Japanese facilities, the Group has manufacturing and sales subsidiaries and affiliates in countries around the world. Operations in each of these markets entail the following risk factors which are impossible to fully avoid and could affect the business performance and financial position of the Group.

- Falling sales or a deterioration in the cost-to-sales ratio due to import restrictions and increases in customs duties.
- Increased tax cost due to changes in taxation systems for domestic or cross-border transactions.
- Inability to recover investment due to foreign currency restrictions, hyperinflation, acts of terrorism, the outbreak of infectious diseases including new influenza, or other factors.

## Risks related to lawsuits, regulations and other legal measures by regulatory authorities

In the course of its ordinary business operations, the Sumitomo Electric Group is exposed to risks related to lawsuits, administrative orders and other legal measures carried out by regulatory authorities, which could result in compensation claims for damages, official pecuniary penalties, or imposition of constraints that could obstruct the Group's ordinary business operations. Any such lawsuit, administrative order or legal measure taken by regulatory authorities could have negative impact on the Group's business operations, earnings performance and financial condition.

In January 2009, the Sumitomo Electric Group was subjected to an on-site investigation by the Japan Fair Trade Commission (JFTC) with regard to collusion and cartel allegations in the

submarine and underground power cables businesses. Sumitomo Electric had transferred its development, manufacturing and export businesses in this field to J-Power Systems Corporation, our 50-50 joint venture with Hitachi Cable, Ltd., in October 2001, with sales operations targeting domestic power companies transferred in October 2004. Regulatory authorities in the EU, U.S. and later Australia also started investigations into these allegations. In January 2010, the JFTC issued a cease and desist order and an order for payment of an administrative surcharge totaling ¥228 million against J-Power Systems Corporation. Further, in July 2011, the European Commission issued a statement of objections to both J-Power Systems and Sumitomo Electric concerning the investigation.

An investigation of the Company by the JFTC was initiated in February 2010 concerning the Company's trade in automotive wiring harnesses-related products. The Company is also under investigation by EU, U.S. and other overseas antitrust regulators. Regarding this case, class action lawsuits have been filed in the U.S. against the Company and its subsidiaries. The Company received an order for payment of surcharge in the amount ¥2,102 million from the JFTC in January 2012.

## Natural disasters

Having sustained significant damage in the Great Hanshin-Awaji Earthquake of 1995 and the Great East Japan Earthquake and Tsunami of 2011, the Group has earthquake and other disaster measures in place. However, the Group could suffer significant earthquake damage such as from a tsunami and liquefaction in the event of a massive earthquake, as some of its manufacturing facilities are located in the areas most likely to be affected, specifically coastal areas, if earthquakes were to hit the Tokai, Tonankai and Nankai regions. Moreover, because the Group has expanded its business globally, the Group could suffer direct damage from earthquakes, typhoons, and other natural disasters in each country and region, and its production activities might not proceed as planned due to damage-affected customers, material distribution disruption, aftershocks, large-scale electric power shortages in the Kanto and Kansai regions, and other factors.

## Interest-rate changes

In its fund-raising activities, the Group takes care of funding requirements, the financial market environment and the balance of funding sources. The Group raises funds mainly through the issuance of long-term, fixed-rate corporate bonds and long-term loans, to ensure a stable, long-term supply of funding for capital investment.

For this reason, the Group has relatively little exposure to

short-term fluctuations in interest rates, but medium- to long-term rises in interest rates can push up the costs of funding via corporate bonds and other funding sources, which could in turn adversely affect the business performance and financial position of the Group.

### Exchange-rate fluctuations

Individual financial statements of overseas subsidiaries and equity method affiliates of the Group are prepared using local currencies, which are then translated into Japanese yen when the consolidated financial statements are compiled. Therefore, even when there is no major variation in business results on local currency basis, the Group can suffer adverse effects on its business performance and financial position at the time of translation into yen as a result of changes in the exchange rate against the U.S. dollar, euro and other currencies.

The Group carries out its manufacturing and sales activities in countries all over the world (overseas sales accounted for 45.6% of total sales for fiscal year 2012 on a consolidated basis). The Group minimizes risk from short-term exchange-rate fluctuations by using forward exchange contracts and similar instruments, but substantial exchange-rate fluctuations over the medium-to-long term could adversely affect the business performance and financial position of the Group.

### Raw materials procurement

The Group produces electric cables and many other items that use copper as the main component. In setting the sales prices of major products containing copper, risk of market price fluctuation is avoided through the widespread industry practice of using the prevailing copper price quoted on the London Metal Exchange. However, this method is not used for setting the prices of certain Group products containing copper, which means that any rapid rise in copper market prices could adversely affect the Group's business performance and financial position.

For the procurement of other raw and secondary materials such as non-ferrous metals, steel and petrochemicals, the Group is strengthening measures to purchase at more advantageous terms, for example through joint purchasing. However, a rapid rise in market prices or a sharp drop in the inventory prices of such raw and secondary materials could adversely affect the financial performance and business standing of the Group. Difficulty may also be experienced in procuring needed volumes of rare metals because rare metal deposits and suppliers are limited. Supplies of such raw materials and secondary materials may also be difficult to obtain in the needed volumes for reasons such as bankruptcy of the supplier, natural disaster, war, terrorism, strike, and transportation system failure.

### Valuation losses on securities held for business purposes

The Group holds shares in its trading partners with the purpose of ensuring steady supplies of raw materials and stable business relations with customers. As the Group does not hold securities for the purpose of investment, it is exposed to a relatively low level of risk from share-price fluctuation, but a rapid fall in the stock market could erode the Group's equity ratio.

### Intellectual property

In addition to protecting its own technologies through the acquisition of patents, design rights and other intellectual property protection, the Group is scrupulous in its observance of other companies' intellectual property rights. However, circumstances may arise in which it unwittingly violates the intellectual property rights of another company due to diversification of product configuration or manufacturing technology, expansion of overseas business activities, and increased complexity of retail channels. This could result in the Group being forced to suspend marketing activities or make design changes. Further, because the necessary protection cannot always be assured in cases where other companies violate the Group's intellectual property rights, due to differences in legal systems and enforcement practices from one country to another, the Group is unable to guarantee that its products will win a significant share in overseas markets.

### Information leakage

In the pursuit of its business activities, the Group holds a great deal of personal and confidential information. The Group has taken every possible measure to uphold confidentiality of such information, but can offer no definitive guarantee that leakage will not occur in the case of unforeseen circumstances. If such circumstances arise, the Group's business performance and financial position could be adversely affected by harm done to its reputation and damage claims.

### Defective products and inferior services

Based on predetermined product quality standards, the Group makes every effort to ensure the quality of its products and services. However, in certain unforeseen circumstances, it cannot rule out the possibility of the occurrence of product quality problems leading to large-scale recalls and product-liability compensation payments. If such circumstances arise, the Group's business performance and financial position could be adversely affected.

# Directors, Corporate Auditors and Executive Officers



**Masayoshi Matsumoto**  
*President and CEO*



**Hiroyuki Takenaka**  
*Executive Vice President*



**Fumikiyo Uchioko**  
*Executive Vice President*



**Mitsuo Nishida**  
*Senior Managing Director*



**Shigeru Tanaka**  
*Senior Managing Director*



**Hideaki Inayama**  
*Senior Managing Director*



**Atsushi Yano**  
*Managing Director*



**Shigeru Noda**  
*Managing Director*



**Makoto Nakajima**  
*Managing Director*



**Akito Kubo**  
*Managing Director*



**Naoyuki Yamabayashi**  
*Managing Director*



**Kazuo Hiramatsu**  
*Director (Outside Director)*

*President and CEO*

**Masayoshi Matsumoto**

*Executive Vice Presidents*

**Hiroyuki Takenaka**  
**Fumikiyo Uchioko**

*Senior Managing Directors*

**Mitsuo Nishida**  
**Shigeru Tanaka**  
**Hideaki Inayama**

*Managing Directors*

**Atsushi Yano**  
**Shigeru Noda**  
**Makoto Nakajima**  
**Akito Kubo**  
**Naoyuki Yamabayashi**

*Director*

**Kazuo Hiramatsu**  
*(Outside Director)*

*Corporate Auditors*

**Shintaro Mitake**  
**Kazuyoshi Hasegawa**  
**Takashi Kakimi**  
**Ichiro Kobayashi**  
**Kan Hayashi**

*Managing Executive Officers*

**Shosuke Hongo**  
**Seizo Takamuku**  
**Masanori Yoshikai**  
**Fumiyoshi Kawai**  
**Masamichi Yokogawa**  
**Hiroyasu Torii**  
**Nozomi Ushijima**

*Executive Officers*

**Hisashi Takada**  
**Yoshihiro Minato**  
**Makoto Tani**  
**Satoru Ogura**  
**Shigeo Saito**  
**Yasushi Kida**  
**Takashi Yoshioka**  
**Kenji Miyazaki**  
**Takahiro Nakano**  
**Junji Ito**

**Toshiaki Kakii**  
**Jun Ito**  
**Kenichi Urushibata**  
**Kazuhiko Hayashi**  
**Kunihiro Tomita**  
**Mamoru Moritani**  
**Yoshitomo Kasui**

(As of June 2012)

# Financial Section 2012

## Five-Year Financial Data and Indexes

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the five years in the period ended March 31, 2012

	Millions of yen					Thousands of U.S. dollars
	2012	2011	2010	2009	2008	2012
<b>For the Year:</b>						
Net sales .....	<b>¥2,059,344</b>	¥2,033,827	¥1,836,352	¥2,121,978	¥2,540,858	<b>\$25,055,895</b>
Cost of sales .....	<b>1,688,370</b>	1,656,750	1,516,688	1,814,447	2,102,375	<b>20,542,280</b>
Selling, general and administrative expenses ....	<b>284,028</b>	273,267	267,936	284,004	289,487	<b>3,455,749</b>
Operating income .....	<b>86,946</b>	103,810	51,728	23,527	148,996	<b>1,057,866</b>
Income before income taxes and minority interests.....	<b>99,941</b>	113,781	55,425	41,126	166,612	<b>1,215,975</b>
Net income.....	<b>58,861</b>	70,614	28,708	17,237	87,804	<b>716,158</b>
Capital expenditures .....	<b>148,799</b>	107,620	81,943	143,182	134,421	<b>1,810,427</b>
Depreciation and amortization .....	<b>77,954</b>	96,760	103,848	108,168	106,892	<b>948,461</b>
R&D expenses.....	<b>86,582</b>	79,026	72,259	72,988	72,271	<b>1,053,437</b>
<b>At Year-End:</b>						
Total assets .....	<b>2,072,064</b>	1,956,284	1,939,935	1,868,174	2,194,882	<b>25,210,658</b>
Working capital.....	<b>411,551</b>	457,833	402,081	313,591	387,088	<b>5,007,312</b>
Total interest-bearing liabilities.....	<b>363,995</b>	341,923	355,586	405,477	415,473	<b>4,428,702</b>
Total net assets*1 .....	<b>1,138,931</b>	1,092,610	1,064,575	1,014,082	1,128,235	<b>13,857,294</b>
<b>Per Share Data:</b>						
Net income:						
Basic.....	<b>¥ 74.21</b>	¥ 89.02	¥ 36.19	¥ 21.78	¥ 112.74	<b>\$ 0.903</b>
Diluted .....	<b>74.20</b>	89.02	36.19	21.32	107.71	<b>0.903</b>
Cash dividends.....	<b>19.00</b>	19.00	16.00	18.00	20.00	<b>0.231</b>
Owner's equity*2 .....	<b>1,245.57</b>	1,196.46	1,139.84	1,086.79	1,226.56	<b>15.154</b>
Weighted average number of shares outstanding (in thousands).....	<b>793,210</b>	793,225	793,241	791,414	778,785	
Number of employees (at year-end) .....	<b>194,734</b>	182,773	157,203	152,547	153,725	
<b>Financial Indexes:</b>						
R&D expenses / net sales (%).....	<b>4.2</b>	3.9	3.9	3.4	2.8	
Net income / net sales (%).....	<b>2.9</b>	3.5	1.6	0.8	3.5	
Return on owner's equity (%) .....	<b>6.1</b>	7.6	3.3	1.9	9.5	
Current ratio (Times).....	<b>1.6</b>	1.9	1.7	1.6	1.5	
Owner's equity ratio (%) .....	<b>47.7</b>	48.5	46.6	46.1	44.1	
Total assets turnover (Times) .....	<b>1.0</b>	1.0	1.0	1.0	1.2	
Inventory turnover (Times) .....	<b>6.9</b>	7.6	7.1	7.3	8.7	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥82.19 to U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2012.

\*1 See Note 9.

\*2 Owner's equity is sum of total shareholders' equity and total accumulated other comprehensive income.

# Management's Discussion and Analysis

## Business Conditions in Fiscal 2012

In fiscal 2012, business conditions were increasingly challenging overall. The Japanese economy remained sluggish due to factors including the impact of the Great East Japan Earthquake, the strong yen, and continued deflation. Despite growth in global demand, particularly from emerging countries, there was also increased uncertainty surrounding the global economy as its growth appeared to slow further.

## Review of Operations in Fiscal 2012

Against this backdrop, the Group worked to further expand its marketing capability to capture global demand. As well as focusing on rigorous cost reduction, new technology and product development, along with sales expansion, the Group had worked on the early recovery of our bases impacted by the Great East Japan Earthquake and the Thai floods, and strengthening its marketing and production structure in order to meet increased post-recovery demand.

In the first half of the year, we were unable to avoid a year-on-year fall in revenue and profit, due to the impact of the earthquake disaster, but in the second half we re-established growth in revenue and profit, despite challenging business conditions including sharp yen appreciation. However, the benefits of this recovery were mainly experienced in the fourth quarter, due to the occurrence of the Thai floods in the third quarter. As a result, while sales increased 1.3% year on year to ¥2,059.3 billion, operating income fell 16.2% year on year to ¥86.9 billion, which was short of the forecast we announced at the beginning of the year.

Nonetheless, during the second half of the year we

achieved a 5.7% year-on-year increase in sales and a 9.2% year-on-year increase in operating income due to the record high global production volume of automotive wiring harnesses, cutting tools and flexible printed circuits (FPCs). In particular, we posted a record high level of operating income in the fourth quarter, taking into account the effect of exchange rates.

## Segment Information

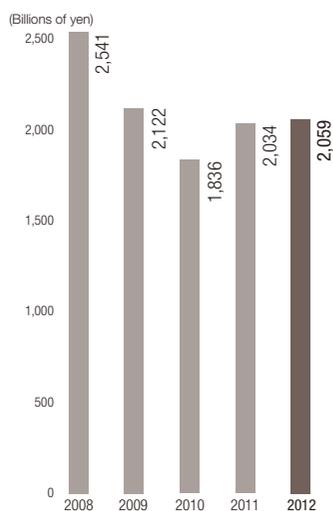
### • Automotive:

Despite a decline in automotive demand during the first half of the year, owing to the aftereffects of the earthquake and tsunami of March 11, the Group enjoyed increased orders from automakers thanks to a production recovery in the second half as well as increased demand in the global market. As a result of these factors, the market share of our wiring harnesses grew, and the net sales of our Automotive segment, on a consolidated basis, came to ¥991.7 billion for an increase of ¥31.7 billion (3.3%) over the previous year. Operating income, however, posted a year-on-year decrease of ¥9.8 billion to ¥54.3 billion, owing to lower production levels in the first-half period as a result of the March 11 disaster. The operating income ratio declined by 1.2 percentage points to 5.5%.

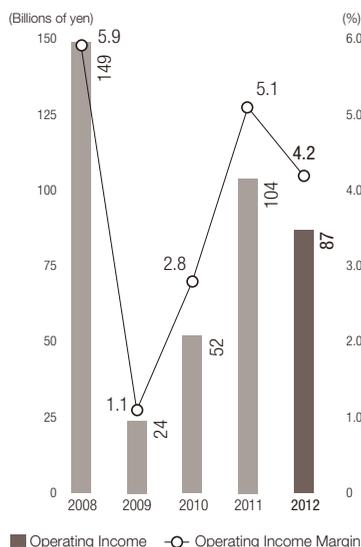
### • Information & Communications:

The March 11 earthquake and tsunami forced the Group's optical fiber cable and opto-electronic device manufacturing plants to cut production, and this segment's business was also adversely impacted by the sharp appreciation of the Japanese currency and declining demand in the domestic fiber cable market. In addition, Commutere Corp. was removed from the list of the Company's consolidated

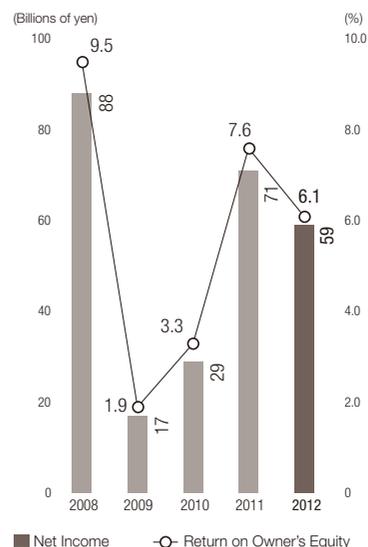
Net Sales



Operating Income and Operating Income Margin



Net Income and Return on Owner's Equity



subsidiaries with effect from the second half of the previous business year. As a result of these factors, net sales of the Information & Communications segment, on a consolidated basis, posted a year-on-year decline of ¥56.2 billion (25.7%) to ¥162.0 billion. Due to a fall in production levels caused by the earthquake and tsunami as well as a decline in the profitability of exports in line with the yen's appreciation, the operating income/loss account deteriorated by ¥8.9 billion from an operating income of ¥3.0 billion for the previous year to an operating loss of ¥5.9 billion for the reporting period.

• **Electronics:**

Thanks to increased demand for flexible printed circuits used in smart phones, among other products, net sales of the Electronics segment rose by ¥7.6 billion (4.3%) year on year, on a consolidated basis, to ¥185.8 billion. Operating income, however, fell by ¥3.3 billion year on year to ¥3.3 billion as a result of the stronger yen and fiercer international competition. The operating income ratio declined by 1.9 percentage points to 1.8%.

• **Electric Wire & Cable, Energy:**

Net sales of the Electric Wire & Cable, Energy segment, on a consolidated basis, posted a year-on-year increase of ¥43.7 billion (9.4%) to ¥508.6 billion. This was the result of growth in demand for low-voltage cables for use in post-disaster recovery work, as well as overseas electrical installation work carried out by Sumitomo Densetsu Co., Ltd. and increased demand for charged particle beam-oriented equipment made by Nissin Electric Co., Ltd. Operating income rose ¥3.5 billion to ¥16.9 billion, while the operating income ratio improved by 0.4 of a percentage point to 3.3%. The value of orders for

installation work and plants, on a consolidated basis, came to ¥233.8 billion for a year-on-year increase of ¥26.3 billion (12.7%).

• **Industrial Materials & Others:**

During the reporting period, the Industrial Materials & Others segment saw increased demand for cemented carbide tools against the background of increased automotive production worldwide and expanding demand for industrial tools in the emerging economies. As a result, net sales, on a consolidated basis, edged up by ¥346 million (0.1%) year on year to ¥277.9 billion, while operating income rose ¥1.6 billion to ¥18.5 billion and the operating income ratio improved by 0.5 of a percentage point to 6.6%.

**Cash Flows**

The term-end balance of cash and cash equivalents decreased by ¥49.7 billion (25.9%), compared with the previous term-end, to stand at ¥142.4 billion.

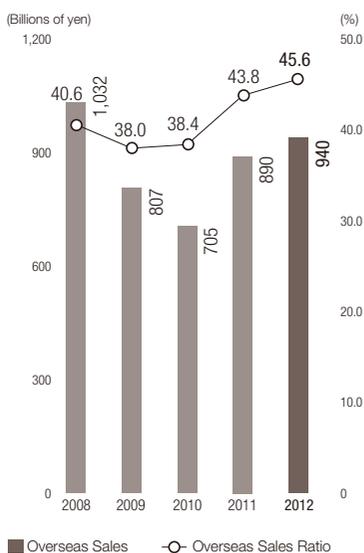
Net cash provided by operating activities decreased by ¥53.2 billion to ¥86.1 billion.

Net cash used in investing activities increased by ¥42.7 billion to ¥129.2 billion.

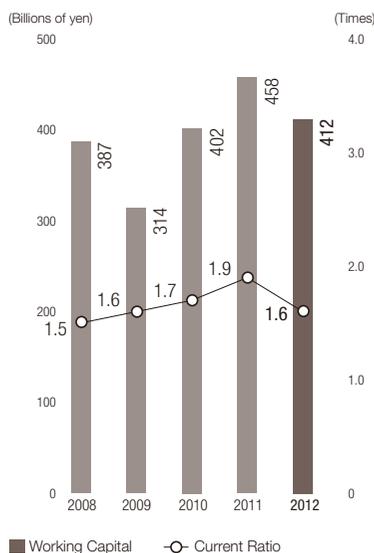
Free cash flow, cash flows provided from operating activities and investing activities (combined), posted a negative figure in the amount of ¥43.2 billion, compared with ¥52.7 billion (positive) in the previous year.

Net cash used in financing activities came to ¥2.4 billion, compared with ¥27.8 billion used in the previous year.

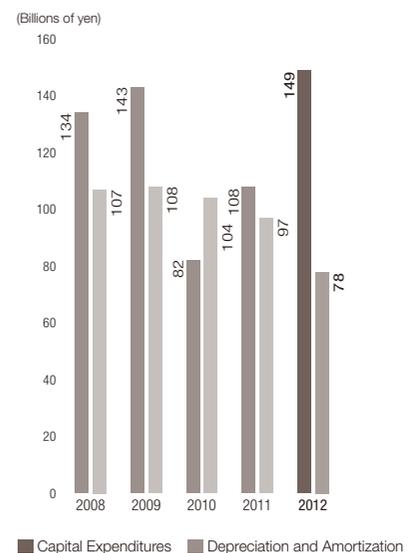
**Overseas Sales and Overseas Sales Ratio**



**Working Capital and Current Ratio**



**Capital Expenditures and Depreciation and Amortization**



# Consolidated Balance Sheets

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and time deposits (Notes 3 and 4).....	¥ 132,657	¥ 142,287	\$ 1,614,028
Trade notes and accounts receivable (Note 4) .....	500,857	425,187	6,093,892
Securities (Notes 3, 4 and 5) .....	12,288	53,993	149,507
Inventories (Note 7) .....	310,086	286,519	3,772,795
Deferred income taxes (Note 12) .....	30,683	32,979	373,318
Other current assets.....	62,690	50,013	762,746
Allowance for doubtful receivables .....	(1,831)	(2,195)	(22,278)
Total current assets .....	1,047,430	988,783	12,744,008
<b>Non-Current Assets:</b>			
<b>Property, Plant and Equipment (Note 8):</b>			
Buildings and structures.....	483,377	459,461	5,881,214
Machinery, equipment and others.....	1,133,978	1,079,955	13,797,031
Land .....	79,265	75,528	964,412
Construction in progress .....	32,149	16,420	391,155
	1,728,769	1,631,364	21,033,812
Accumulated depreciation.....	(1,185,053)	(1,149,589)	(14,418,457)
Net property, plant and equipment .....	543,716	481,775	6,615,355
<b>Intangible Assets</b> .....	27,255	25,446	331,610
<b>Investments and Other Assets:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 4).....	201,975	186,680	2,457,416
Investment securities (Notes 4, 5 and 8).....	154,574	175,793	1,880,691
Deferred income taxes (Note 12) .....	16,935	17,745	206,047
Other .....	81,774	81,882	994,939
Allowance for doubtful receivables .....	(1,595)	(1,820)	(19,406)
Total investments and other assets.....	453,663	460,280	5,519,686
Total non-current assets .....	1,024,634	967,501	12,466,650
Total assets .....	¥2,072,064	¥1,956,284	\$25,210,658

The accompanying notes to consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade notes and accounts payable (Note 4).....	¥ 316,584	¥254,067	\$ 3,851,855
Short-term debt (Notes 4 and 8).....	140,064	81,857	1,704,149
Current portion of bonds (Notes 4 and 8) .....	20,000	35,000	243,339
Accrued income taxes.....	16,891	18,272	205,512
Provision for loss on disaster (Note 16).....	—	4,114	—
Provision for surcharge (Note 17) .....	2,102	—	25,575
Other current liabilities (Note 12).....	140,238	137,640	1,706,265
Total current liabilities.....	635,879	530,950	7,736,695
<b>Non-Current Liabilities:</b>			
Bonds (Notes 4 and 8) .....	51,850	60,000	630,855
Long-term debt (Notes 4 and 8) .....	150,608	163,590	1,832,437
Deferred income taxes (Note 12) .....	49,930	64,369	607,495
Accrued pension and severance costs (Note 13).....	31,622	30,381	384,743
Other non-current liabilities.....	13,244	14,384	161,139
Total non-current liabilities.....	297,254	332,724	3,616,669
Total liabilities.....	933,133	863,674	11,353,364
<b>Contingent Liabilities</b> (Note 14)			
<b>NET ASSETS</b> (Note 9)			
<b>Shareholders' Equity:</b>			
Common stock;			
Authorized—3,000,000 thousand shares in 2012 and 2011			
Issued—793,941 thousand shares in 2012 and 2011 .....	99,737	99,737	1,213,493
Capital surplus .....	171,020	171,020	2,080,789
Retained earnings .....	741,192	696,776	9,018,031
Treasury stock, at cost; 732 thousand shares in 2012 and 728 thousand shares in 2011 .....	(645)	(640)	(7,848)
Total shareholders' equity .....	1,011,304	966,893	12,304,465
<b>Accumulated Other Comprehensive Income:</b>			
Net unrealized holding gains on available-for-sale securities .....	57,306	61,184	697,238
Deferred gains and losses on hedges.....	(192)	(35)	(2,336)
Foreign currency translation adjustments .....	(80,420)	(78,996)	(978,464)
Total accumulated other comprehensive income .....	(23,306)	(17,847)	(283,562)
Share Warrants .....	10	17	122
Minority Interests.....	150,923	143,547	1,836,269
Total net assets .....	1,138,931	1,092,610	13,857,294
Total liabilities and net assets.....	¥2,072,064	¥1,956,284	\$25,210,658

# Consolidated Statements of Income

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Net Sales</b> .....	<b>¥2,059,344</b>	¥2,033,827	<b>\$25,055,895</b>
<b>Cost of Sales</b> .....	<b>1,688,370</b>	1,656,750	<b>20,542,280</b>
Gross profit .....	370,974	377,077	4,513,615
<b>Selling, General and Administrative Expenses</b> .....	<b>284,028</b>	273,267	<b>3,455,749</b>
Operating income .....	<b>86,946</b>	103,810	<b>1,057,866</b>
<b>Other Income (Expenses):</b>			
Interest and dividend income .....	4,218	4,355	51,320
Interest expense .....	(5,378)	(5,189)	(65,434)
Equity in net income .....	20,527	23,861	249,751
Gain on sales of property, plant and equipment .....	259	368	3,151
Gain on sales of investment securities .....	6,790	7,970	82,613
Loss on disposal of property, plant and equipment .....	(2,191)	(2,188)	(26,658)
Loss on valuation of investment securities .....	(2,162)	(1,287)	(26,305)
Impairment losses of fixed assets (Note 15) .....	—	(11,336)	—
Loss on disaster (Note 16) .....	(7,349)	(8,845)	(89,415)
Provision for surcharge (Note 17) .....	(2,102)	—	(25,575)
Other, net .....	383	2,262	4,661
	<b>12,995</b>	9,971	<b>158,109</b>
<b>Income before Income Taxes and Minority Interests</b> .....	<b>99,941</b>	113,781	<b>1,215,975</b>
<b>Income Taxes</b> (Note 12):			
Current .....	29,406	30,993	357,781
Deferred .....	1,004	165	12,216
	<b>30,410</b>	31,158	<b>369,996</b>
<b>Income before Minority Interests</b> .....	<b>69,531</b>	82,623	<b>845,979</b>
<b>Minority Interests</b> .....	<b>(10,670)</b>	(12,009)	<b>(129,821)</b>
<b>Net Income</b> .....	<b>¥ 58,861</b>	¥ 70,614	<b>\$ 716,158</b>
		Yen	U.S. dollars (Note 1)
<b>Per Share of Common Stock</b> (Note 10):			
Net income (basic) .....	<b>¥74.21</b>	¥89.02	<b>\$0.903</b>
Net income (diluted) .....	<b>74.20</b>	89.02	<b>0.903</b>
Cash dividends .....	<b>19.00</b>	19.00	<b>0.231</b>

The accompanying notes to consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Income before Minority Interests</b> .....	<b>¥69,531</b>	¥82,623	<b>\$845,979</b>
<b>Other Comprehensive Income</b> (Note 11)			
Net unrealized holding gains on available-for-sale securities .....	(3,424)	11,022	(41,660)
Deferred gains and losses on hedges .....	227	(44)	2,762
Foreign currency translation adjustments .....	(2,853)	(26,368)	(34,712)
Share of other comprehensive income of affiliates in equity method .....	(4,276)	(7,791)	(52,026)
Total other comprehensive income .....	<b>(10,326)</b>	(23,181)	<b>(125,636)</b>
<b>Comprehensive Income</b> .....	<b>59,205</b>	59,442	<b>720,343</b>
Comprehensive income attribute to:			
Owners of the Company .....	<b>48,291</b>	52,956	<b>587,553</b>
Minority interests .....	<b>10,914</b>	6,486	<b>132,790</b>

The accompanying notes to consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2012 and 2011

	Millions of yen											
	Shareholders' Equity				Accumulated Other Comprehensive Income							Total net assets (Note 9)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation	Foreign currency translation adjustments	Share warrants	Minority interests		
<b>Balance at beginning of fiscal 2011</b> .....	¥99,737	¥171,020	¥637,478	¥(619)	¥50,087	¥ 33	¥(1,188)	¥(52,387)	¥22	¥160,392	¥1,064,575	
Effect arising from change in closing period of consolidated subsidiaries (Note 2 a) .....			4,605								4,605	
Cash dividends .....			(14,280)								(14,280)	
Net income for the year .....			70,614								70,614	
Effect arising from net change in scope of consolidation .....			(1,607)								(1,607)	
Purchases of treasury stock .....				(22)							(22)	
Disposal of treasury stock .....		0		1							1	
Other .....			(34)		11,097	(68)	1,188	(26,609)	(5)	(16,845)	(31,276)	
<b>Balance at end of fiscal 2011</b> .....	¥99,737	¥171,020	¥696,776	¥(640)	¥61,184	¥ (35)	¥ —	¥(78,996)	¥17	¥143,547	¥1,092,610	
<b>Balance at beginning of fiscal 2012</b> .....	¥99,737	¥171,020	¥696,776	¥(640)	¥61,184	¥ (35)	¥ —	¥(78,996)	¥17	¥143,547	¥1,092,610	
Effect arising from change in closing period of consolidated subsidiaries (Note 2 a) .....			2,366								2,366	
Cash dividends .....			(15,075)								(15,075)	
Net income for the year .....			58,861								58,861	
Effect arising from net change in scope of consolidation .....			73								73	
Purchases of treasury stock .....				(5)							(5)	
Disposal of treasury stock .....		(0)		0							0	
Other .....			(1,809)		(3,878)	(157)	—	(1,424)	(7)	7,376	101	
<b>Balance at end of fiscal 2012</b> .....	¥99,737	¥171,020	¥741,192	¥(645)	¥57,306	¥(192)	¥ —	¥(80,420)	¥10	¥150,923	¥1,138,931	

	Thousands of U.S. dollars (Note 1)											
	Shareholders' Equity				Accumulated Other Comprehensive Income							Total net assets (Note 9)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Deferred gains and losses on hedges	Land revaluation	Foreign currency translation adjustments	Share warrants	Minority interests		
<b>Balance at beginning of fiscal 2012</b> .....	\$1,213,493	\$2,080,789	\$8,477,624	\$ (7,787)	\$744,421	\$ (426)	\$—	\$(961,138)	\$207	\$1,746,526	\$13,293,709	
Effect arising from change in closing period of consolidated subsidiaries (Note 2 a) .....			28,787								28,787	
Cash dividends .....			(183,416)								(183,416)	
Net income for the year .....			716,158								716,158	
Effect arising from net change in scope of consolidation .....			888								888	
Purchases of treasury stock .....				(61)							(61)	
Disposal of treasury stock .....		(0)		0							0	
Other .....			(22,010)		(47,183)	(1,910)	—	(17,326)	(85)	89,743	1,229	
<b>Balance at end of fiscal 2012</b> .....	\$1,213,493	\$2,080,789	\$9,018,031	\$ (7,848)	\$697,238	\$(2,336)	\$—	\$(978,464)	\$122	\$1,836,269	\$13,857,294	

The accompanying notes to consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Cash Flows

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests .....	¥ 99,941	¥113,781	\$1,215,975
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization.....	76,653	96,969	932,632
Impairment losses of fixed assets .....	508	11,336	6,181
Interest and dividend income .....	(4,218)	(4,355)	(51,320)
Interest expense .....	5,378	5,189	65,434
Equity in net income .....	(20,527)	(23,861)	(249,751)
Increase (decrease) in accrued pension and severance costs .....	1,496	(868)	18,202
Loss on disposal of property, plant and equipment .....	2,192	2,296	26,670
Gain on sales of investment securities.....	(6,679)	(7,826)	(81,263)
Loss on valuation of investment securities.....	2,162	1,287	26,305
Increase (decrease) in provision for loss on disaster .....	(4,114)	4,114	(50,055)
Provision for surcharge .....	2,102	—	25,575
(Increase) decrease in trade notes and accounts receivable .....	(47,628)	(16,232)	(579,486)
(Increase) decrease in inventories.....	(20,174)	(52,521)	(245,456)
Increase (decrease) in trade notes and accounts payable .....	17,331	21,658	210,865
Other, net.....	2,955	12,281	35,953
Subtotal .....	107,378	163,248	1,306,461
Interest and dividend received.....	9,140	10,411	111,206
Interest paid.....	(5,480)	(5,204)	(66,675)
Payments for surcharge .....	—	(6,763)	—
Income taxes paid .....	(29,338)	(29,998)	(356,953)
Income tax refunds .....	4,351	7,604	52,938
Net cash provided by operating activities.....	86,051	139,298	1,046,977
<b>Cash Flows from Investing Activities:</b>			
Expenditures for purchase of property, plant and equipment .....	(121,411)	(91,163)	(1,477,199)
Proceeds from sales of property, plant and equipment .....	2,115	3,518	25,733
Expenditures for purchase of securities .....	(12,803)	(7,413)	(155,773)
Proceeds from sales and redemption of securities.....	10,710	10,766	130,308
Expenditures for purchase of investments in subsidiaries .....	(2,403)	(1,551)	(29,237)
Special dividend distribution received from an affiliate.....	4,723	9,446	57,464
Expenditures for acquisition of shares of newly consolidated subsidiaries .....	(229)	—	(2,786)
Other, net .....	(9,925)	(10,154)	(120,757)
Net cash used in investing activities.....	(129,223)	(86,551)	(1,572,247)
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term debt .....	33,823	(13,768)	411,522
Proceeds from bonds and long-term debt.....	26,264	55,793	319,552
Repayment of bonds and long-term debt.....	(42,776)	(51,184)	(520,453)
Proceeds from issuance of stock to minority shareholders .....	786	135	9,563
Sale of treasury stock.....	0	0	0
Purchase of treasury stock.....	(2)	(5)	(24)
Cash dividends paid.....	(15,075)	(14,280)	(183,416)
Cash dividends paid to minority shareholders.....	(4,772)	(3,489)	(58,060)
Other, net .....	(639)	(1,047)	(7,775)
Net cash used in financing activities .....	(2,391)	(27,845)	(29,091)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents...</b>	541	(2,720)	6,582
<b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>	(45,022)	22,182	(547,779)
<b>Cash and Cash Equivalents at Beginning of Year .....</b>	192,092	175,617	2,337,170
<b>Increase (Decrease) in Cash and Cash Equivalents from Change in Closing Period of Consolidated Subsidiaries (Note 2a) .....</b>	(7,610)	(689)	(92,590)
<b>Cash and Cash Equivalents of Newly Consolidated Subsidiaries .....</b>	3,273	1,037	39,822
<b>Cash and Cash Equivalents of Deconsolidated Subsidiaries .....</b>	(374)	(6,322)	(4,550)
<b>Increase in Cash and Cash Equivalents Resulting from Merger with Unconsolidated Subsidiaries .....</b>	—	267	—
<b>Cash and Cash Equivalents at End of Year (Note 3).....</b>	¥142,359	¥192,092	\$1,732,072

The accompanying notes to consolidated financial statements are an integral part of these statements.

# Notes to Consolidated Financial Statements

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
March 31, 2012 and 2011

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Electric Industries, Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in Japanese yen, and in accordance with the provisions set forth in the Japanese Corporate Law (the "Law"), the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas consolidated subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance in Japan as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory consolidated financial statements prepared in Japanese, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which was ¥82.19 to U.S.\$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. All significant intercompany transactions and balances have been eliminated. The difference between the cost of investments in consolidated subsidiaries and the underlying equity at dates of acquisition is amortized over periods within 20 years; however, most are in five years.

Investments in significant affiliates and unconsolidated subsidiaries are accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates, not accounted for by the equity method, are stated at cost.

All of the overseas consolidated subsidiaries that have the fiscal year ending December 31 processed additional financial closings at March-end for consolidation purposes, aiming at a more appropriate disclosure.

62 overseas consolidated subsidiaries have changed the fiscal year-end from December 31 to March 31 starting from April 1, 2011. 42 overseas consolidated subsidiaries that have the fiscal year ending December 31 have changed to process additional financial closings at March-end for consolidation purposes, aiming at a more appropriate disclosure. As a result of these changes, the Company consolidated the 12 months' result from April 1, 2011 to March 31, 2012. As for those 104 (62 plus 42) companies, 3 months gains and losses from January 1, 2011 to March 31, 2011, are included in the retained earnings on the Balance Sheet. Additionally, 3 months cash flows during the period are included in an adjustment item of cash and cash equivalents at the beginning of year on the Statements of Cash Flows.

110 overseas consolidated subsidiaries reported on a calendar year for consolidation purpose in fiscal 2011. Necessary adjustments, such as significant transactions that occurred during January 1 to March 31, 2011, were included. All but 110 of the overseas consolidated subsidiaries that have the fiscal year ending December 31 processed additional financial closings at March-end for consolidation purposes, aiming at a more appropriate disclosure.

44 overseas consolidated subsidiaries changed the fiscal year-end from December 31 to March 31 starting from April 1, 2010. 21 overseas consolidated subsidiaries that have the fiscal year ending December 31 changed to process additional financial closings at March-end for consolidation purposes, aiming at a more appropriate disclosure. As a result of these changes, the Company consolidated the 12 months' result from April 1, 2010 to March 31, 2011. As for those 65 (44 plus 21) companies, 3 months gains and losses from January 1, 2010 to March 31, 2010, were included in the retained earnings on the Balance Sheet. Additionally, 3 months cash flows during the period were included in an adjustment item of cash and cash equivalents at the beginning of year on the Statements of Cash Flows.

**b) Translation of Foreign Currencies**

All assets and liabilities of overseas subsidiaries and affiliates are translated into Japanese yen at the current exchange rate of the respective fiscal year end, and revenues and expenses are translated at the average exchange rates, shareholders' equity is translated at historical rates. The resulting foreign currency translation adjustments are shown as a separate component of net assets, net of minority interests.

**c) Cash and Time Deposits**

Cash and time deposits include cash on hand, readily available deposits and deposits with a maturity of one year or less.

**d) Securities**

The Company and its domestic consolidated subsidiaries classify and account for securities as follows:

Held-to-maturity debt securities are stated at amortized cost. Investments in unconsolidated subsidiaries and affiliates, excluding those accounted for by the equity method, are stated at cost.

Debt and equity securities, not classified as above, are classified as available-for-sale securities. Available-for-sale securities which have fair values are stated at the fair value at the fiscal year end, and unrealized gains and losses, net of related taxes and minority interests, are reported as a separate component of net assets. Available-for-sale securities which do not have fair values are stated at average cost. Realized gains or losses on sales of such securities are computed using average cost.

Held-to-maturity debt securities and available-for-sale securities maturing within one year from the fiscal year end, and highly liquid investment funds are included in securities in current assets. Other securities are included in investments in unconsolidated subsidiaries and affiliates and investment securities.

**e) Derivatives and Hedging Transactions**

The Company and its consolidated subsidiaries utilize hedge accounting for foreign currency forward exchange contracts and currency options hedging foreign currency monetary assets and liabilities, foreign currency swap contracts hedging foreign currency debt, interest rate swap contracts hedging interest on debt and bonds, and commodity forward contracts, etc., hedging raw materials.

Derivative financial instruments are stated at fair value. If derivative financial instruments meet certain hedging criteria, the Company and its consolidated subsidiaries defer the recognition of gains or losses until the hedged transactions occur. Certain foreign currency forward exchange contracts, currency options and foreign currency swap contracts,

meeting certain conditions, are accounted for as a part of translating foreign currency monetary assets and liabilities in the consolidated balance sheets. In case where an interest rate swap contract is used as a hedge and meets certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

The Company and its consolidated subsidiaries utilize hedging instruments to hedge risks of future changes in foreign exchange rates and interest rates in accordance with respective internal policies and procedures on risk control.

The Company and its consolidated subsidiaries assess the effectiveness of each hedge contract by comparing the total cash flow fluctuation of hedging instruments and hedged items, except in case where interest rate swap contract is used as hedges and meet certain hedging criteria.

**f) Allowance for Doubtful Receivables**

The allowance for doubtful receivables is provided based upon estimated uncollectible amounts for individually identified doubtful receivables and historical loss experience for other receivables.

**g) Inventories**

Inventories are mainly stated at the lower of average cost or net realizable value.

**h) Property, Plant and Equipment (excluding Leases)**

The Company and its consolidated subsidiaries use the straight-line method.

Changes in accounting policy

The Company and its domestic consolidated subsidiaries principally used the straight-line method for depreciation of buildings and the declining-balance method for other depreciable assets, and overseas subsidiaries principally used the straight-line method, based on the estimated useful lives of the respective assets.

In fiscal 2012, the Company and its domestic consolidated subsidiaries have changed the depreciation method for other depreciable assets to the straight-line method, aiming at the unification of the accounting policies for the group companies.

The effect of this change was to increase operating income by ¥16,522 million (US\$201,022 thousand), and income before income taxes and minority interests by ¥16,593 million (US\$201,886 thousand).

**Changes in accounting estimate**

In fiscal 2012, the Company and some of its consolidated subsidiaries have changed the useful lives of some of property, plant and equipment.

The effect of this change was to increase operating income, and income before income taxes and minority interests by ¥515 million (US\$6,266 thousand).

**i) Revenue Recognition**

Sales are generally recorded at the time of shipment of products.

For construction contracts commencing on or after the year ended March 31, 2010, when the outcome of individual contracts can be estimated reliably, the percentage-of-completion method is applied, otherwise the completed-contract method is applied. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

**j) Research and Development**

Expenses related to research and development activities are charged to income as incurred and totaled ¥86,582 million (US\$1,053,437 thousand) and ¥79,026 million for the years ended March 31, 2012 and 2011, respectively.

**k) Accrued Pension and Severance Costs**

The amount for accrued pension and severance costs is based on the benefit obligation and fair value of plan assets at the end of the fiscal year.

Prior service cost is amortized on a straight-line basis over the average remaining service lives of employees (mainly 15 years) in the year in which it arises, or accounted for as an expense when it arises.

Actuarial differences are amortized on a straight-line basis mainly over the average remaining service lives of employees (mainly 15 years) or certain periods within the average remaining service lives of employees (mainly 15 years) from the year following that in which they arise. It is accounted for as an expense when it arises at some consolidated subsidiaries.

**l) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are determined based on the financial statements carrying amounts and tax bases of assets and liabilities, using the effective tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating loss carryforwards.

**m) Leases**

Finance leases which do not transfer ownership are accounted for as purchase and sale transactions and are depreciated by straight-line method over their lease terms, while some of such leases are accounted for in the same manner as operating leases if they commenced prior to April 1, 2008.

**n) Consolidated Statements of Cash Flows**

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

**o) Appropriation of Retained Earnings**

The Company and its domestic consolidated subsidiaries record, as a charge directly to retained earnings, cash dividends in the financial year in which the appropriation of retained earnings is approved at the shareholders' meeting.

**p) Use of Estimates**

The management of the Company has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in preparing these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

**q) Reclassifications and Restatement**

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications and restatement had no effect on previously reported results of operations or retained earnings.

**r) New Accounting Standards**

Effective from the year ended March 31, 2012, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009).

**s) Unapplied Accounting Standards**

There are no material accounting standards which have been issued but not yet required to be applied for fiscal 2012.

### 3. CASH AND CASH EQUIVALENTS

The reconciliations between cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and time deposits.....	¥132,657	¥142,287	\$1,614,028
Securities maturing within three months from the acquisition dates.....	12,278	51,000	149,386
Deposits placed with banks with a maturity of over three months .....	(2,576)	(1,195)	(31,342)
Cash and cash equivalents.....	¥142,359	¥192,092	\$1,732,072

In fiscal 2012, the Company and its consolidated subsidiaries did not have any significant non-cash transaction.

In fiscal 2011, Commutere Corp., together with Daimei Telecom Engineering Corp. and Todentsu Corp. transferred its share and established Mirait Holdings Corp. As a result, Commutere Corp. and its two subsidiaries have been excluded from the consolidated subsidiaries. Details of decrease in assets and liabilities are provided below as a result of this transaction.

2011	Millions of yen
Current assets.....	¥30,014
Non-current assets.....	21,145
Total assets .....	51,159
Current liabilities .....	10,022
Non-current liabilities .....	2,071
Total liabilities.....	¥12,093

### 4. FINANCIAL INSTRUMENTS

#### a) Qualitative Information on Financial Instruments

##### (1) Policies for using financial instruments

The Company and its consolidated subsidiaries finance investment in equipment and operating capital for business, mainly using borrowings from banks and the issuance of bonds based on their cash flow planning. Temporary excess cash is managed with low risk financial assets. The Company and its consolidated subsidiaries utilize derivative transactions only to hedge risks of future changes in cash flows and fair values not for trading purpose.

##### (2) Details of financial instruments used and the exposures to risk and how they arise

Trade notes and accounts receivable are exposed to the credit risks of customers, but the Company and its consolidated subsidiaries try to reduce the risk according to rules for credit control. Operating receivables denominated in foreign currency are exposed to foreign exchange risks, but the Company and its consolidated subsidiaries hedge the risks using forward exchange contracts, etc. for the net position of foreign currency operating receivables and payables. Securities are mainly held to build and maintain good customer relationships. The Company and its consolidated subsidiaries review the circumstances periodically and evaluate the fair value of the securities or the financial condition of the issuer, which are generally business counterparties.

The main purpose of holding debt and issuing bonds is to secure financing for equipment and operating capital. The derivative transactions entered into comprise forward exchange contracts to hedge exchange risks of foreign currency debts and credits, interest swap contracts to hedge fluctuation risks of interest rates and fair value for debt and bonds, and commodity forward transactions to hedge the risk of price fluctuation for materials. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

**b) Fair Value of Financial Instruments**

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet at March 31, 2012 and 2011 are as follows. Financial instruments whose fair value is hard to determine are not included in the table.

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits.....	¥132,657	¥132,657	¥ —	¥142,287	¥142,287	¥ —	\$ 1,614,028	\$ 1,614,028	\$ —
Trade notes and accounts receivable .....	500,857	500,857	—	425,187	425,187	—	6,093,892	6,093,892	—
Securities, investments in unconsolidated subsidiaries and affiliates and investment securities .....	251,079	282,350	31,271	309,691	337,369	27,678	3,054,861	3,435,333	380,472
Total assets .....	884,593	915,864	31,271	877,165	904,843	27,678	10,762,781	11,143,253	380,472
Trade notes and accounts payable .....	316,584	316,584	—	254,067	254,067	—	3,851,855	3,851,855	—
Short-term debt.....	140,064	140,064	—	81,857	81,857	—	1,704,149	1,704,149	—
Bonds .....	71,850	73,136	1,286	95,000	96,921	1,921	874,194	889,841	15,647
Long-term debt .....	150,608	152,980	2,372	163,590	165,704	2,114	1,832,437	1,861,297	28,860
Total liabilities.....	679,106	682,764	3,658	594,514	598,549	4,035	8,262,635	8,307,142	44,507
Derivative transactions.....	369	369	—	(30)	(30)	—	4,490	4,490	—

(1) Valuation approach for the fair value of financial instruments

**Cash and time deposits, trade notes and accounts receivable:**

The carrying amount approximates fair value because of the short maturity.

**Securities, investments in unconsolidated subsidiaries and affiliates and investment securities:**

Securities in current assets are stated at the carrying amount which approximates fair value because they consist of negotiable certificates of deposit settled in the short term. Investments in unconsolidated subsidiaries and affiliates and investment securities, which have a quoted market value, are stated at the fair market value. The fair value of those which do not have a quoted market value is estimated based on the present value of future cash flows using appropriate current discount rates.

**Trade notes and accounts payable:**

The carrying amount approximates fair value because of the short maturity.

**Short-term debt:**

The carrying amount approximates fair value because of the short maturity.

**Bonds:**

The fair value of bonds is stated at the fair market value.

**Long-term debt:**

The fair value of long-term debt is estimated based on the present value of future cash flows using appropriate current discount rates.

**Derivative transactions:**

See Note 6.

(2) Financial instruments whose fair value is hard to determine

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted securities (available-for-sale securities) .....	¥ 8,561	¥ 9,228	\$ 104,161
Unlisted investments in unconsolidated subsidiaries and affiliates .....	109,197	97,547	1,328,592

These financial instruments do not have quoted market value and their future cash flows cannot be estimated. Because the fair value is hard to determine, these instruments are not included in "Securities, investments in unconsolidated subsidiaries and affiliates and investment securities."

## 5. SECURITIES

The carrying amounts of securities in current assets and investment securities at March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Securities in current assets:</b>			
Available-for-sale securities .....	¥ 12,278	¥ 51,100	\$ 149,385
Held-to-maturity debt securities .....	10	2,893	122
	¥ 12,288	¥ 53,993	\$ 149,507
<b>Investment securities:</b>			
Available-for-sale securities .....	¥154,574	¥175,783	\$1,880,691
Held-to-maturity debt securities .....	—	10	—
	¥154,574	¥175,793	\$1,880,691

Available-for-sale securities with fair value or quoted market values included in investment securities at March 31, 2012 and 2011 are as follows:

2012	Millions of yen			Book value (Fair value)
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Equity securities .....	¥31,405	¥106,349	¥(2,271)	¥135,483
Other .....	10,000	530	—	10,530
	¥41,405	¥106,879	¥(2,271)	¥146,013

2011	Millions of yen			Book value (Fair value)
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Equity securities .....	¥33,643	¥125,670	¥(3,002)	¥156,311
Other .....	10,000	244	—	10,244
	¥43,643	¥125,914	¥(3,002)	¥166,555

2012	Thousands of U.S. dollars			Book value (Fair value)
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Equity securities .....	\$382,102	\$1,293,941	\$(27,631)	\$1,648,412
Other .....	121,670	6,448	—	128,118
	\$503,772	\$1,300,389	\$(27,631)	\$1,776,530

Proceeds from sales of available-for-sale securities were ¥9,469 million (US\$115,209 thousand) and ¥10,730 million for the years ended March 31, 2012 and 2011, respectively. The net realized gains on those sales were ¥6,306 million (US\$76,725 thousand) and ¥7,970 million for the years ended March 31, 2012 and 2011, respectively. Impairment losses

of securities during fiscal 2012 amounted to ¥2,162 million (US\$26,305 thousand), which is all of the available-for-sale securities. Impairment losses of securities during fiscal 2011 amounted to ¥1,287 million, which consist of ¥1,226 million for the available-for-sale securities and ¥61 million for the securities of the non-consolidated subsidiaries.

## 6. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have entered into foreign currency forward exchange contracts, currency options and foreign currency swap contracts to hedge risks of exchange rate fluctuations of foreign currency monetary assets and liabilities, interest rate swap contracts to hedge risks of interest rate fluctuations, and commodity forward contracts, etc., for copper and aluminum to hedge risks of price fluctuations. The Company and its consolidated subsidiaries use derivative transactions for managing market risk

related to recorded assets and liabilities as well as for future commitments, and not for speculation or dealing purposes. The Company and its consolidated subsidiaries deal with highly rated international financial institutions and trading concerns as counterparties to these transactions to minimize credit risk exposure. Derivative transactions are entered into by each operational division, and the processing of the transactions is controlled and reviewed by administrative divisions, in accordance with established policies that restrict dealing in derivatives, including limits on authorities and amounts.

Additional information for derivative transactions as of and for the years ended March 31, 2012 and 2011 is as follows:

	Millions of yen									
	2012					2011				
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*		Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*	
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Foreign currency forward exchange contracts:										
Buy.....	¥ 3,346	¥2	¥2	¥16,065	¥532	¥ 4,728	¥ 5	¥ 5	¥14,044	¥145
Sell.....	4,401	(5)	(5)	11,153	(232)	9,274	(61)	(61)	7,525	(148)
Commodity forward contracts for copper:										
Buy.....	1,715	(1)	(1)	—	—	1,914	0	0	—	—
Sell.....	1,702	0	0	—	—	1,926	(1)	(1)	569	1
Copper swap contracts...	—	—	—	872	73	—	—	—	626	29
	<b>¥11,164</b>	<b>¥(4)</b>	<b>¥(4)</b>	<b>¥28,090</b>	<b>¥373</b>	<b>¥17,842</b>	<b>¥(57)</b>	<b>¥(57)</b>	<b>¥22,764</b>	<b>¥ 27</b>
	Thousands of U.S. dollars									
	2012									
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*						
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value					
Foreign currency forward exchange contracts:										
Buy.....	\$ 40,711	\$ 24	\$ 24	\$195,462	\$6,473					
Sell.....	53,547	(61)	(61)	135,698	(2,823)					
Commodity forward contracts for copper:										
Buy.....	20,866	(12)	(12)	—	—					
Sell.....	20,708	0	0	—	—					
Copper swap contracts...	—	—	—	10,610	888					
	<b>\$135,832</b>	<b>\$(49)</b>	<b>\$(49)</b>	<b>\$341,769</b>	<b>\$4,538</b>					

\* Certain interest rate swap contracts (contracted amount ¥63,142 million (US\$768,244 thousand) and ¥64,129 million for the years ended March 31, 2012 and 2011) meeting certain hedging criteria are excluded from the table above. Certain foreign currency forward exchange contracts (contracted amount "Buy" ¥13,625 million (US\$165,774 thousand) and ¥9,632 million, "Sell" ¥107,156 million (US\$1,303,760 thousand) and ¥98,077 million for the years ended March 31, 2012 and 2011, respectively) meeting certain hedging criteria are excluded from the table above. See Note 4.

**7. INVENTORIES**

Inventories at March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Merchandise and finished goods .....	¥ 87,257	¥ 81,830	\$1,061,650
Work in process .....	122,897	118,148	1,495,279
Raw materials and supplies .....	99,932	86,541	1,215,866
	<b>¥310,086</b>	<b>¥286,519</b>	<b>\$3,772,795</b>

**8. INTEREST-BEARING LIABILITIES**

(1) Short-term debt and bonds in current liabilities at March 31, 2012 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Short-term debt, principally from banks (with a weighted-average interest rate of 1.18% at March 31, 2012) .....	¥112,437	¥ 74,019	\$1,368,013
Current portion of long-term debt, principally from banks and insurance companies (with a weighted-average interest rate of 0.98% at March 31, 2012) .....	27,627	7,838	336,136
Current portion of bonds, interest rate of 1.209%-1.51% .....	20,000	35,000	243,339
	<b>¥160,064</b>	<b>¥116,857</b>	<b>\$1,947,488</b>

(2) Bonds and long-term debt at March 31, 2012 and 2011 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unsecured bonds, due 2011 to 2017, interest rate of 0.479%-1.75% .....	¥ 71,850	¥ 95,000	\$ 874,194
Long-term debt, principally from banks and insurance companies, due 2011–2021 (with a weighted-average interest rate of 0.96% at March 31, 2012) .....	178,235	171,428	2,168,573
	250,085	266,428	3,042,767
Current portion of bonds and long-term debt .....	(47,627)	(42,838)	(579,475)
	<b>¥202,458</b>	<b>¥223,590</b>	<b>\$2,463,292</b>

The aggregate annual maturities of bonds and long-term debt at March 31, 2012 are as follows:

(Bonds)

March 31	Millions of yen	Thousands of U.S. dollars
2013 (=current portion).....	¥20,000	\$243,339
2014.....	20,000	243,339
2015.....	10,620	129,213
2016.....	10,620	129,213
2017.....	10,610	129,090
2018 and thereafter .....	—	—
	¥71,850	\$874,194

(Long-term debt)

March 31	Millions of yen	Thousands of U.S. dollars
2013 (=current portion).....	¥ 27,627	\$ 336,136
2014.....	20,017	243,545
2015.....	67,378	819,783
2016.....	10,913	132,778
2017.....	22,300	271,323
2018 and thereafter .....	30,000	365,008
	¥178,235	\$2,168,573

The following assets were pledged as collateral for short-term debt and long-term debt, including current portion, at March 31, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investment securities .....	¥6,580	¥6,845	\$ 80,059
Property, plant and equipment, net of accumulated depreciation.....	2,068	2,200	25,161
	¥8,648	¥9,045	\$105,220

(3) Lease obligations

The aggregate annual maturities of lease obligations at March 31, 2012 are as follows:

March 31	Millions of yen	Thousands of U.S. dollars
2013 (=current portion).....	¥ 530	\$ 6,448
2014.....	330	4,015
2015.....	265	3,224
2016.....	244	2,969
2017.....	93	1,132
2018 and thereafter .....	11	134
	¥1,473	\$17,922

## 9. NET ASSETS

Under the Law, the entire amount of the issue price of shares is required to be accounted for as common stock. However a company may, by a resolution of the Board of Directors, account for an amount not exceeding 50% of the issue price of the new shares as additional paid-in capital, which is included in capital surplus. However, an increase resulting from share exchange can be included in capital surplus up to a full amount.

The Law provides that the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve, in cases where a dividend distribution of surplus is made.

Under the Law, additional paid-in capital may be used to eliminate or reduce a deficit, or may be capitalized by a resolution of the shareholders' meeting, and legal earnings reserve may be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that a company can distribute as dividends is calculated based on its non-consolidated financial statements in accordance with the Law.

Conversions of convertible bonds into common stock are accounted for in accordance with the provisions of the Law by crediting approximately one-half of the conversion proceeds to the common stock account and the remainder to the capital surplus account.

### a) Stock Information

Changes in number of shares issued and outstanding during the years ended March 31, 2012 and 2011 are as follows:

Common stock outstanding

	Thousands of shares	
	2012	2011
Balance at beginning .....	793,941	793,941
Balance at end.....	793,941	793,941

Treasury stock outstanding

	Thousands of shares	
	2012	2011
Balance at beginning .....	728	702
Increase due to purchase of odd-lot stocks.....	2	5
Other, net .....	2	21
Balance at end.....	732	728

**b) Dividend Information**

Dividends paid in fiscal 2012

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
The shareholders' meeting on June 24, 2011	March 31, 2011	June 27, 2011	¥7,933	\$96,520
The board of directors on October 28, 2011	September 30, 2011	December 1, 2011	¥7,140	\$86,872

Dividend paid after March 31, 2012 with respect to fiscal 2012

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
The shareholders' meeting on June 27, 2012	March 31, 2012	June 28, 2012	¥7,933	\$96,520

Dividends paid in fiscal 2011

Resolution	Record date	Effective date	Total amount	
			Millions of yen	
The shareholders' meeting on June 25, 2010	March 31, 2010	June 28, 2010	¥7,140	
The board of directors on October 29, 2010	September 30, 2010	December 1, 2010	¥7,140	

Dividend paid after March 31, 2011 with respect to fiscal 2011

Resolution	Record date	Effective date	Total amount	
			Millions of yen	
The shareholders' meeting on June 24, 2011	March 31, 2011	June 27, 2011	¥7,933	

**10. EARNINGS PER SHARE**

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding increased by the number of shares which would have been outstanding assuming the conversion of dilutive bonds and exercise of dilutive share warrants at the beginning of the period. The related interest expense, net of income taxes, has been eliminated for the purpose of this calculation.

**11. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

2012	Millions of yen	Thousands of U.S. dollars
Net unrealized holding gains on available-for-sale securities		
Increase (decrease) during the year .....	¥(11,652)	\$ (141,769)
Reclassification adjustments .....	(4,222)	(51,369)
Sub-total, before tax .....	(15,874)	(193,138)
Tax effects .....	12,450	151,478
Sub-total, net of tax .....	¥ (3,424)	\$ (41,660)
Deferred gains and losses on hedges		
Increase (decrease) during the year .....	¥ 918	\$ 11,169
Reclassification adjustments .....	(506)	(6,156)
Adjustments for acquisition cost of hedged items .....	(75)	(913)
Sub-total, before tax .....	337	4,100
Tax effects .....	(110)	(1,338)
Sub-total, net of tax .....	¥ 227	\$ 2,762
Foreign currency translation adjustments		
Increase (decrease) during the year .....	¥ (3,850)	\$ (46,843)
Reclassification adjustments .....	997	12,131
Sub-total, before tax .....	(2,853)	(34,712)
Tax effects .....	—	—
Sub-total, net of tax .....	¥ (2,853)	\$ (34,712)
Share of other comprehensive income of affiliates accounted for by the equity method		
Increase (decrease) during the year .....	¥ (4,754)	\$ (57,842)
Reclassification adjustments .....	478	5,816
Sub-total, net of tax .....	(4,276)	(52,026)
Total other comprehensive income .....	¥(10,326)	\$ (125,636)

## 12. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to several taxes based on income which, in the aggregate, result in statutory tax rates of approximately 40.6% for the years ended March 31, 2012 and 2011.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2012 and 2011:

	2012	2011
Statutory tax rate.....	40.6%	40.6%
Equity in net income .....	(8.3)	(8.5)
Expenses not deductible for tax purposes .....	0.4	0.3
Dividend income from overseas consolidated subsidiaries .....	0.9	1.4
Tax credits .....	(1.7)	(2.4)
Effect of lower tax rates for overseas consolidated subsidiaries .....	(7.4)	(10.2)
Valuation allowance .....	(1.0)	3.0
Intercompany profits .....	0.1	0.4
Undistributed earnings of consolidated subsidiaries and affiliates .....	1.2	0.2
Amortization of goodwill.....	0.6	0.4
Provision for surcharge .....	0.9	—
Adjustment of deferred tax assets and liabilities due to change in corporate tax rate .....	1.8	—
Other .....	2.3	2.2
Effective tax rate.....	<b>30.4%</b>	27.4%

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On December 2, 2011, amendments to the Japanese tax regulations; the “Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No.114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake” (Act No.117 of 2011) were enacted into law. For the years beginning on or after April 1, 2012, corporate tax rate will be reduced and special corporate tax for reconstruction will be imposed.

In line with these changes, the tax rates of these amendments were applied to the statutory effective tax rate to compute deferred tax assets and liabilities in fiscal 2012. The effect of this change in statutory effective tax rate was to decrease net deferred tax liabilities by ¥3,439 million (US\$41,842 thousand), and to increase deferred income taxes by ¥1,827 million (US\$22,229 thousand) and net unrealized holding gains on available-for-sale securities by ¥5,266 million (US\$64,071 thousand) at March 31, 2012.

Deferred tax assets and liabilities included in the consolidated balance sheets at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred income taxes (current assets) .....	¥30,683	¥ 32,979	\$373,318
Deferred income taxes (investments and other assets).....	16,935	17,745	206,047
Other current liabilities .....	(223)	(653)	(2,713)
Deferred income taxes (non-current liabilities) .....	(49,930)	(64,369)	(607,495)
	<b>¥ (2,535)</b>	¥(14,298)	<b>\$ (30,843)</b>

Significant components of the deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Deferred tax assets:</b>			
Net operating loss carryforwards.....	¥ 30,578	¥ 31,238	\$ 372,040
Fixed assets.....	17,340	21,131	210,974
Accrued pension and severance costs.....	10,314	11,353	125,490
Accrued expenses.....	13,278	13,993	161,553
Inventories.....	6,798	6,978	82,711
Intercompany profits.....	6,994	6,272	85,096
Investment securities.....	3,830	5,217	46,599
Accrued contributions of transfer to defined contribution plans.....	723	1,269	8,797
Allowance for doubtful receivables.....	752	1,017	9,150
Other.....	18,664	22,562	227,083
	<b>109,271</b>	<b>121,030</b>	<b>1,329,493</b>
Less—Valuation allowance.....	(37,311)	(41,143)	(453,961)
Total deferred tax assets.....	<b>71,960</b>	<b>79,887</b>	<b>875,532</b>
<b>Deferred tax liabilities:</b>			
Net unrealized holding gains on available-for-sale securities.....	(37,572)	(50,248)	(457,136)
Prepaid pension cost.....	(12,336)	(14,886)	(150,091)
Undistributed earnings of consolidated subsidiaries and affiliates.....	(14,028)	(13,187)	(170,678)
Reserve for deferred gains on sales of fixed assets.....	(1,453)	(6,095)	(17,678)
Excess of fair value over the book value of assets and liabilities of consolidated subsidiaries at the acquisition dates.....	(4,336)	(4,936)	(52,756)
Accelerated depreciation of overseas consolidated subsidiaries.....	(2,624)	(2,095)	(31,926)
Other.....	(2,146)	(2,738)	(26,110)
Total deferred tax liabilities.....	<b>(74,495)</b>	<b>(94,185)</b>	<b>(906,375)</b>
Net deferred tax liabilities.....	<b>¥ (2,535)</b>	<b>¥ (14,298)</b>	<b>\$ (30,843)</b>

### 13. PENSION AND SEVERANCE COSTS

The Company and most of its domestic consolidated subsidiaries have contributory and noncontributory defined benefit plans and lump-sum retirement benefit plans, while the Company and some of its subsidiaries have defined contribution plans and prepaid retirement allowance plans. Some overseas subsidiaries have defined benefit plans.

The following table sets forth the employee benefit obligations, plan assets and funded status of the Company and its consolidated subsidiaries at March 31, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Benefit obligation at the end of the fiscal year .....	¥(252,293)	¥(250,795)	\$(3,069,631)
Fair value of plan assets at the end of the fiscal year .....	222,670	218,486	2,709,210
Funded status:			
Plan assets in excess of (less than) benefit obligation .....	(29,623)	(32,309)	(360,421)
Unrecognized actuarial differences .....	64,657	69,170	786,677
Unrecognized prior service cost .....	(1,411)	(1,716)	(17,167)
Subtotal .....	33,623	35,145	409,089
Advances to funded pension plans .....	63,729	64,029	775,387
Accrued pension and severance costs for employees in the consolidated balance sheets .....	¥ (30,106)	¥ (28,884)	\$ (366,298)

In addition, retirement benefits for directors and corporate auditors of certain subsidiaries of ¥1,516 million (US\$18,445 thousand) and ¥1,497 million are included in accrued pension and severance costs as of March 31, 2012 and 2011, respectively.

Pension and severance costs of the Company and its consolidated subsidiaries consist of the following components for the years ended March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost .....	¥ 9,111	¥ 9,411	\$110,853
Interest cost .....	6,023	6,152	73,281
Expected return on plan assets .....	(2,853)	(2,806)	(34,712)
Amortization:			
Actuarial differences .....	7,591	7,582	92,359
Prior service cost .....	618	(147)	7,519
Net periodic pension and severance costs .....	¥20,490	¥20,192	\$249,300

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2012 and 2011 are as follows:

	2012	2011
Method of attributing benefits to periods of service .....	<b>Straight-line basis (Some subsidiaries adopt point basis.)</b>	Straight-line basis (Some subsidiaries adopt point basis.)
Discount rates .....	<b>Mainly 2.5%</b>	Mainly 2.5%
Long-term rates of expected return on plan assets .....	<b>0.0%–5.6%</b>	0.0%–6.8%
Amortization period for prior service cost .....	<b>Mainly 15 years</b>	Mainly 15 years
Amortization period for actuarial differences .....	<b>Average remaining service period or less (mainly 15 years)</b>	Average remaining service period or less (mainly 15 years)

#### 14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Notes receivable discounted.....	¥ —	¥ 187	\$ —
Notes receivable endorsed .....	470	543	5,718
Guarantees:			
Guarantees for debt of employees, unconsolidated subsidiaries and affiliates .....	4,357	4,899	53,011
Contingent guarantees for debt of unconsolidated subsidiaries and affiliates .....	209	430	2,543
Keepwell agreements and letters of awareness for debt of unconsolidated subsidiaries and affiliates .....	3,798	1,350	46,210

#### 15. IMPAIRMENT LOSSES OF FIXED ASSETS

The Company and its consolidated subsidiaries did not recognize any impairment losses of fixed assets in fiscal 2012.

Details of impairment losses of fixed assets for the years ended March 31, 2011 are as follows:

2011	Millions of yen
Machinery, equipment and others .....	¥ 4,316
Buildings and structures .....	6,395
Construction in progress.....	223
Intangible assets.....	381
Other .....	21
	<u>¥11,336</u>

The Company and its consolidated subsidiaries grouped long-lived assets into asset groups by business segment, and conducted impairment tests with the conclusion that the carrying amounts should be reduced by ¥11,336 million to the recoverable amounts in fiscal 2011.

The recoverable amount is the net selling price or the value in use, which is equal to net future cash flow discounted at 8.3%.

Figures of impairment losses of fixed assets for each reportable segment are disclosed in Note 18 b), for the year ended March 31, 2011.

#### 16. LOSS ON DISASTER

Loss on disaster which has been accounted for caused by the Great East Japan Earthquake and Flood in Thailand for the year ended March 31, 2012, consist mainly of extraordinary loss in operations and others.

Details of loss on disaster which was accounted for caused by the Great East Japan Earthquake for the year ended March 31, 2011 are as follows:

2011	Millions of yen
Loss on disposal of inventories .....	¥ 926
Loss on disposal of property, plant and equipment.....	108
Restoration expense and others* .....	7,811
	<u>¥8,845</u>

\* Including the amount of provision for loss on disaster, ¥4,114 million.

#### 17. PROVISION FOR SURCHARGE

In fiscal 2012, the Company recognized a provision for surcharge (¥2,102 million, US\$25,575 thousand) as a result of an order for payment of surcharge from the Japan Fair Trade Commission, regarding the investigation of the Company's trade in automotive wiring harnesses-related products.

#### 18. SEGMENT INFORMATION

##### a) Reportable Segments

The reportable segment of the Company is regular consideration, whose divided financial information is available for the President, the supreme decision-making body, to make decisions regarding management resources allocation and evaluate each business result.

The Company has adopted a business unit system based upon the similarity in product's category, method for manufacturing and sales markets, etc., and devises comprehensive strategies of the Company and its affiliates by dividing businesses such as product development, manufacturing, sales and supplementary services into the following five classifications: "Automotive," "Information & Communications," "Electronics," "Electric Wire & Cable, Energy" and "Industrial Materials & Others." Therefore, the Company considers the

above five classifications as reportable segments.

The method of calculation of sales, profit or loss, assets and other items by reportable segment is pursuant to the accounting policies stated in Note 2. Intersegment sales are stated at current market value.

**Automotive:**

Wiring harnesses, anti-vibration rubber products and other automotive parts

**Information & Communications:**

Optical fiber cables, optical fiber fusion splicers, optical data links and other optical components, access network system products such as GE-PON, CDN-related product and traffic control systems

**Electronics:**

Electronic wires, compound semiconductors, materials for electronic components, irradiated products and flexible printed circuits (FPCs)

**Electric Wire & Cable, Energy:**

Copper wire rods, electric power cables, magnet wires, power system equipment such as substation equipment, supervisory telecontrol equipment and power cable construction works

**Industrial Materials & Others:**

Special steel wires, hard materials and sintered parts

Changes in accounting policy

The Company and its domestic consolidated subsidiaries principally used the straight-line method for depreciation of buildings and the declining-balance method for other depreciable assets, and overseas subsidiaries principally used the straight-line method, based on the estimated useful lives of the respective assets.

In fiscal 2012, the Company and its domestic consolidated subsidiaries have changed the depreciation method for other depreciable assets to the straight-line method, aiming at the unification of the accounting policies for the group companies.

The effect of this change was to increase segment profit by ¥7,119 million (US\$86,616 thousand) in the Automotive segment, ¥1,407 million (US\$17,119 thousand) in the Electronics segment, ¥1,921 million (US\$23,373 thousand) in the Electric Wire & Cable, Energy segment and ¥4,006 million (US\$48,741 thousand) in the Industrial Materials & Others segment, and to decrease segment loss by 2,069 million (US\$25,173 thousand) in the Information & Communications segment, in fiscal 2012.

Changes in accounting estimate

In fiscal 2012, the Company and some of its consolidated subsidiaries have changed the useful lives of some of property, plant and equipment.

The effect of this change was to increase segment profit by ¥698 million (US\$8,493 thousand) in the Automotive segment, and ¥816 million (US\$9,928 thousand) in the Electric Wire & Cable, Energy segment, to decrease segment profit by ¥233 million (US\$2,835 thousand) in the Electronics segment, and ¥678 million (US\$8,249 thousand) in the Industrial Materials & Others segment, and to increase segment loss by ¥88 million (US\$1,071 thousand) in the Information & Communications segment, in fiscal 2012.

Reportable segment information for the years ended March 31, 2012 and 2011 is as follows:

2012	Millions of yen						
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Adjustments	Consolidated
Sales to customers.....	¥991,246	¥160,214	¥176,910	¥492,320	¥238,654	¥ —	¥2,059,344
Intersegment sales .....	436	1,777	8,876	16,304	39,225	(66,618)	—
Net sales .....	¥991,682	¥161,991	¥185,786	¥508,624	¥277,879	¥(66,618)	¥2,059,344
Segment profit or loss .....	¥ 54,331	¥ (5,872)	¥ 3,289	¥ 16,922	¥ 18,462	¥ (186)	¥ 86,946
Segment assets.....	¥846,223	¥198,393	¥156,523	¥429,971	¥443,074	¥ (2,120)	¥2,072,064
Depreciation and amortization...	¥ 36,454	¥ 9,277	¥ 8,811	¥ 9,881	¥ 13,531	¥ —	¥ 77,954
Amortization of goodwill.....	380	348	121	918	34	—	1,801
Investments in equity method affiliates .....	72,704	31,959	398	40,663	32,732	—	178,456
Amount of increase in tangible and intangible fixed assets....	65,871	18,011	16,136	14,255	31,768	—	146,041

2011	Millions of yen						Consolidated
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Adjustments	
Sales to customers.....	¥959,341	¥216,752	¥169,546	¥449,771	¥238,417	¥ —	¥2,033,827
Intersegment sales .....	661	1,413	8,663	15,112	39,116	(64,965)	—
Net sales .....	¥960,002	¥218,165	¥178,209	¥464,883	¥277,533	¥(64,965)	¥2,033,827
Segment profit or loss .....	¥ 64,118	¥ 2,983	¥ 6,603	¥ 13,428	¥ 16,884	¥ (206)	¥ 103,810
Segment assets.....	¥735,249	¥198,573	¥145,036	¥404,779	¥424,499	¥ 48,148	¥1,956,284
Depreciation and amortization...	¥ 45,044	¥ 12,264	¥ 9,458	¥ 13,173	¥ 16,821	¥ —	¥ 96,760
Amortization of goodwill.....	168	304	63	719	127	—	1,381
Investments in equity method affiliates .....	67,912	32,164	381	39,573	30,995	—	171,025
Amount of increase in tangible and intangible fixed assets....	47,910	20,423	10,816	10,701	15,289	—	105,139

2012	Thousands of U.S. dollars						Consolidated
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Adjustments	
Sales to customers.....	\$12,060,421	\$1,949,313	\$2,152,452	\$5,990,023	\$2,903,686	\$ —	\$25,055,895
Intersegment sales .....	5,305	21,621	107,994	198,370	477,248	(810,538)	—
Net sales .....	\$12,065,726	\$1,970,934	\$2,260,446	\$6,188,393	\$3,380,934	\$(810,538)	\$25,055,895
Segment profit or loss .....	\$ 661,041	\$ (71,444)	\$ 40,017	\$ 205,889	\$ 224,626	\$ (2,263)	\$ 1,057,866
Segment assets.....	\$10,295,936	\$2,413,834	\$1,904,404	\$5,231,427	\$5,390,851	\$ (25,794)	\$25,210,658
Depreciation and amortization...	\$ 443,533	\$ 112,873	\$ 107,203	\$ 120,221	\$ 164,631	\$ —	\$ 948,461
Amortization of goodwill.....	4,624	4,234	1,472	11,169	414	—	21,913
Investments in equity method affiliates .....	884,584	388,843	4,842	494,744	398,249	—	2,171,262
Amount of increase in tangible and intangible fixed assets....	801,448	219,139	196,326	173,440	386,518	—	1,776,871

1. Segment profit or loss included in Adjustments of ¥186 million (US\$2,263 thousand) and ¥206 million at March 31, 2012 and 2011, respectively, consist mainly of unrealized profits caused by intersegment transactions.
2. Segment assets included in Adjustments of ¥(2,120) million (US\$(25,794) thousand) at March 31, 2012, consist mainly of elimination of receivables caused by intersegment transactions, cash and time deposits and investment securities owned by the Company and ¥48,148 million at March 31, 2011, consist mainly of cash and time deposits and investment securities owned by the Company, respectively.
3. Segment profit or loss corresponds to operating income.

## b) Related Information

Information about products and services

2012	Millions of yen		
	Wiring harnesses	Others	Total
Sales to customers.....	¥740,104	¥1,319,240	¥2,059,344

2011	Millions of yen		
	Wiring harnesses	Others	Total
Sales to customers.....	¥714,182	¥1,319,645	¥2,033,827

2012	Thousands of U.S. dollars		
	Wiring harnesses	Others	Total
Sales to customers.....	\$9,004,794	\$16,051,101	\$25,055,895

## Information about geographical areas

2012	Millions of yen						
	Japan	Asia			Americas	Europe and Others	Consolidated
		China	Others				
Sales to customers.....	¥1,119,400	¥256,026	¥232,298	¥241,638	¥209,982	¥2,059,344	
Net property, plant and equipment...	¥ 358,281	¥ 65,541	¥ 53,296	¥ 33,566	¥ 33,032	¥ 543,716	

2011	Millions of yen						
	Japan	Asia			Americas	Europe and Others	Consolidated
		China	Others				
Sales to customers.....	¥1,143,457	¥237,941	¥213,155	¥239,947	¥199,327	¥2,033,827	
Net property, plant and equipment...	¥ 324,289	¥ 54,810	¥ 41,348	¥ 32,973	¥ 28,355	¥ 481,775	

2012	Thousands of U.S. dollars						
	Japan	Asia			Americas	Europe and Others	Consolidated
		China	Others				
Sales to customers.....	\$13,619,662	\$3,115,050	\$2,826,354	\$2,939,993	\$2,554,836	\$25,055,895	
Net property, plant and equipment...	\$ 4,359,180	\$ 797,433	\$ 648,449	\$ 408,395	\$ 401,898	\$ 6,615,355	

## Information about impairment losses of fixed assets by reportable segment

2011	Millions of yen					
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
Impairment losses of fixed assets .....	¥1,124	¥9,133	¥245	¥48	¥786	¥11,336

## Information about goodwill by reportable segment

2012	Millions of yen					
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
Amortization .....	¥380	¥348	¥121	¥918	¥ 34	¥1,801
Balance at end .....	¥270	¥374	¥468	¥904	¥187	¥2,203

2011	Millions of yen					
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
Amortization .....	¥168	¥304	¥63	¥ 719	¥127	¥1,381
Balance at end .....	¥650	¥678	¥95	¥1,732	¥262	¥3,417

2012	Thousands of U.S. dollars					
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
Amortization .....	\$4,624	\$4,234	\$1,472	\$11,169	\$ 414	\$21,913
Balance at end .....	\$3,285	\$4,550	\$5,694	\$10,999	\$2,276	\$26,804

**19. RELATED PARTY INFORMATION**

Condensed financial information of a significant affiliate, Sumitomo Rubber Industries, Ltd., as of fiscal 2012 is as follows:

2012	Millions of yen	Thousands of U.S. dollars
Total current assets .....	<b>¥325,428</b>	<b>\$3,959,460</b>
Total non-current assets .....	<b>346,182</b>	<b>4,211,972</b>
Total current liabilities .....	<b>242,135</b>	<b>2,946,040</b>
Total non-current liabilities.....	<b>207,300</b>	<b>2,522,205</b>
Total net assets .....	<b>222,174</b>	<b>2,703,187</b>
Sales .....	<b>676,903</b>	<b>8,235,832</b>
Income before income taxes.....	<b>43,779</b>	<b>532,656</b>
Net Income.....	<b>28,386</b>	<b>345,370</b>

Condensed financial information of a significant affiliate, Sumitomo 3M Ltd., as of fiscal 2011 is as follows:

2011	Millions of yen
Total current assets .....	¥124,494
Total non-current assets .....	23,008
Total current liabilities .....	40,255
Total non-current liabilities.....	2,397
Total net assets .....	104,850
Sales .....	212,954
Income before income taxes.....	48,542
Net Income.....	36,236

**20. OTHER**

An investigation of the Company by the Japan Fair Trade Commission (JFTC) was initiated in February 2010 concerning the Company's trade in automotive wiring harnesses-related products. The Company is also under investigation by EU, U.S. and other overseas antitrust regulators. Regarding this case, class action lawsuits have been filed in the U.S. against the Company and its subsidiaries. The Company received an order for payment of surcharge in the amount ¥2,102 million (US\$25,575 thousand) from the JFTC in January 2012.

# Independent Auditor's Report

## To the Board of Directors of Sumitomo Electric Industries, Ltd.:

We have audited the accompanying consolidated financial statements of Sumitomo Electric Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Electric Industries, Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 h) to the consolidated financial statements that Sumitomo Electric Industries, Ltd. and its domestic consolidated subsidiaries have changed the depreciation method for depreciable assets for the year ended March 31, 2012.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 27, 2012  
Osaka, Japan

# Corporate Directory

## Head Office (Osaka)

4-5-33, Kitahama, Chuo-ku,  
Osaka 541-0041, Japan  
Tel.: 81 (6) 6220-4141  
Fax: 81 (6) 6222-3380

## Head Office (Tokyo)

Shibaura Renasite Tower 3-9-1 Shibaura,  
Minato-ku, Tokyo 108-8539, Japan  
Tel.: 81 (3) 6722-3100  
Fax: 81 (3) 6722-3109

## DOMESTIC WORKS

### Osaka Works

Main Products: Electric conductors, electric power cables, power line construction and engineering, optical fiber cables, telecommunication cables, information systems, control systems, high frequency products, hybrid products

### Itami Works

Main Products: Special steel wires, powdered alloys, sintered powder metal products, diamond products, compounds semiconductors

### Yokohama Works

Main Products: Optical fiber cables, telecommunication cables, optical connectors, optical fiber fusion splicers, optical amplifiers, optical transmission components

## AUTOMOTIVE

### DOMESTIC CONSOLIDATED SUBSIDIARIES

#### • Tokai Rubber Industries, Ltd.

Main Products: Rubber isolators, hoses and resin products

#### • Sumitomo Wiring Systems, Ltd.

Main Products: Wiring harnesses, connectors, electric wires and cables

#### ★ AutoNetworks Technologies, Ltd.

Main Service: R&D of wiring harnesses, parts and materials

### OVERSEAS CONSOLIDATED SUBSIDIARIES

#### • Sumitomo Electric Wiring Systems, Inc.

Kentucky, U.S.A.  
Main Products: Wiring harnesses and harness components

#### • Sumidenso do Brasil Industrias Eletricas Ltda.

Sao Paulo, Brazil  
Main Products: Wiring harnesses

#### • Sumitomo Electric Wiring Systems (Europe) Ltd.

Staffordshire, U.K.  
Main Products: Wiring harnesses and harness components

#### • Sumitomo Electric Bordnetze GmbH

Wolfsburg, Germany  
Main Products: Automotive wiring harnesses and components

#### • SEWS-CABIND S.p.A.

Collegno, Italy  
Main Products: Wiring harnesses and harness components

#### • Sumidenso Vietnam Co., Ltd.

Hai Duong, Vietnam  
Main Products: Wiring harnesses

#### • Huizhou Zhurun Wiring Systems Co., Ltd.

Guangdong, China  
Main Products: Wiring harnesses

#### • Sumidenso Mediatech Suzhou Co., Ltd.

Jiangsu, China  
Main Products: Wiring harnesses

#### • Fuzhou Zhu Wiring Systems Co., Ltd.

Fujian, China  
Main Products: Automotive wiring harnesses

107 other companies

## INFORMATION & COMMUNICATIONS

### DOMESTIC CONSOLIDATED SUBSIDIARIES

#### • Kiyohara Sumiden, Ltd.

Main Products: Optical fibers

#### • SEI Optifrontier Co., Ltd.

Main Products: Optical network devices and components, optical fiber cables, machinery and appliances for communication

#### • Sumitomo Electric Device Innovations, Inc.

Main Products: Electric devices, optical devices, and optical transceivers

#### • Sumitomo Electric Networks, Inc.

Main Products: Data communications equipment

#### • Sumitomo Electric System Solutions Co., Ltd.

Main Products: Information communications network, systems related to road and traffic, and electronic equipment

### OVERSEAS CONSOLIDATED SUBSIDIARIES

#### • Sumitomo Electric Lightwave Corp.

North Carolina, U.S.A.  
Main Products: Optical fiber cables, Future FLEX Air-Blown Fiber Cabling Systems and optical fiber fusion splicers

#### • Sumitomo Electric Device Innovation U.S.A., Inc.

North Carolina, U.S.A.  
Main Products: Lightwave products and microwave products

#### • Hangzhou SEI-Futong Optical Fiber Co., Ltd.

Zhejiang, China  
Main Products: Optical fibers and preforms

#### • Sumitomo Electric Optical Components (Wuxi) Co., Ltd.

Jiangsu, China  
Main Products: Optical couplers, optical connectors and jumper units

#### • Sumitomo Electric Photo-Electronics

Components (Suzhou), Ltd.  
Jiangsu, China  
Main Products: Optical devices and optical transceivers

8 other companies

## ELECTRONICS

### DOMESTIC CONSOLIDATED SUBSIDIARIES

#### ★ Sumiden Shoji Co., Ltd.

Main Products: Products and Components related to electronics, automotive, information and industrial materials

#### • Sumitomo (SEI) Electronic Wire, Inc.

Main Products: Electric wires and electric wire products

#### • Sumiden Fine Conductors Co., Ltd.

Main Products: Thin metallic wires and electronic part materials

#### • Sumiden Semiconductor Materials Co., Ltd.

Main Products: Compound semiconductor materials

#### • Sumitomo Electric Printed Circuits, Inc.

Main Products: FPCs

#### • Sumitomo Electric Fine Polymer, Inc.

Main Products: Fine polymer products

### OVERSEAS CONSOLIDATED SUBSIDIARIES

#### • Judd Wire, Inc.

Massachusetts, U.S.A.  
Main Products: Electronic wires

- Sumitomo Electric Semiconductor Materials, Inc.  
Oregon, U.S.A.  
Main Products: Compound semiconductor materials
  - Sumitomo Electric Interconnect Products (Suzhou), Ltd.  
Jiangsu, China  
Main Products: Electric wires
  - Sumitomo Electric Interconnect Products (Hong Kong), Ltd.  
Hong Kong, China  
Main Products: Electronic wire products, FPCs and irradiated products
  - Sumitomo Electric Interconnect Products (Shenzhen), Ltd.  
Guangdong, China  
Main Products: Electric wires, FFC and FPC products
- 19 other companies

## ELECTRIC WIRE & CABLE, ENERGY

### DOMESTIC CONSOLIDATED SUBSIDIARIES

- **Sumitomo Densetsu Co., Ltd.**  
Main Service: Installation of electric transmission lines, indoor wiring and communications system
- **Nissin Electric Co., Ltd.**  
Main Products: Electrical equipment and instruments
- Daikoku Electric Wire Co., Ltd.  
Main Products: Electric wires and coils
- Sumitomo Electric Toyama Co., Ltd.  
Main Products: Electric wires, cables and metal materials
- Sumitomo Electric Industrial Wire & Cable, Inc.  
Main Products: Electric wires and cables
- Sumitomo Electric Wintec, Inc.  
Main Products: Magnet wires and related products

### OVERSEAS CONSOLIDATED SUBSIDIARIES

- P.T. Karya Sumiden Indonesia  
Jakarta, Indonesia  
Main Products: Copper wire rods
- **P.T. Sumi Indo Kabel Tbk**  
Jakarta, Indonesia  
Main Products: Power cables
- Sumitomo Electric Wintec (Wuxi) Co., Ltd.  
Jiangsu, China  
Main Products: Magnet wires and DG coils

48 other companies

## INDUSTRIAL MATERIALS & OTHERS

### DOMESTIC CONSOLIDATED SUBSIDIARIES

- Sumitomo Electric Hardmetal Corp.  
Main Products: Cemented carbide, CBN and sintered diamond cutting tools
- Sumitomo Electric Sintered Alloy Ltd.  
Main Products: Sintered parts
- A.L.M.T. Corp.  
Main Products: Tungsten and molybdenum products, diamond tools and CBN tools

- Sumitomo (SEI) Steel Wire Corp.  
Main Products: Special steel wires

- Sumitomo Electric Tochigi Co., Ltd.  
Main Products: Steel cords

### OVERSEAS CONSOLIDATED SUBSIDIARIES

- ★ Sumitomo Electric Finance U.S.A., Inc.  
New York, U.S.A.  
Finance company
- ★ Sumitomo Electric U.S.A., Inc.  
New York, U.S.A.  
Regional headquarter
- ★ Sumitomo Electric Carbide, Inc.  
Illinois, U.S.A.  
Main Products: Cemented carbide, CBN and PCD cutting tools
- ★ Sumitomo Electric Finance U.K. Ltd.  
London, U.K.  
Finance company
- ★ Sumitomo Electric Europe Ltd.  
London, U.K.  
Regional headquarter
- ★ Sumitomo Electric Hartmetall GmbH  
Willich, Germany  
Main Products: Cemented carbide, CBN and PCD cutting tools

- Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.  
Rayong, Thailand  
Main Products: Steel tire cords

- Sumitomo Electric Hardmetal Manufacturing (Changzhou) Co., Ltd.  
Jiangsu, China  
Main Products: Cemented carbide drills, sintered diamond indexable inserts

- ★ Sumitomo Electric Asia, Ltd.  
Hong Kong, China  
Regional headquarter

46 other companies

## SUBSIDIARIES AND AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD

### DOMESTIC

- Kitanihon Electric Cable Co., Ltd.  
Main Products: Electric wires and cables

### ★ TECHNO ASSOCIE, Co., Ltd.

- Main Products: Threads and non-ferrous metal products

- Sumitomo 3M, Ltd.  
Main Products: Abrasives and industrial tapes

### • Sumitomo Rubber Industries, Ltd.

- Main Products: Automotive tires and sporting goods

- Daiden Corporation  
Main Products: Electric wires and cables

- J-Power Systems Corporation  
Main Products: Power transmission cables, aerial cables, cable accessories and related systems

### ★ MIRAIT Holdings Corporation

- Main Service: Telecommunications engineering work, electrical work, civil engineering work and construction work

### OVERSEAS

- Kyungshin Corporation  
Incheon, South Korea  
Main Products: Automotive wiring harnesses

- Chengdu SEI-Futong Optical Fiber Co., Ltd.  
Sichuan, China  
Main Products: Optical fibers and cables

30 other companies

Notes 1. Publicly listed companies are indicated in bold print.  
2. The number of the companies is as of March 31, 2012.

- Manufacturing / Construction company
- ★ Sales company / Others

# History

1897	Sumitomo Copper Rolling Works was founded
1900	Started production of coated wires
1908	Started production of power cables
1909	Started trial production of telecommunication cables
1911	Established Sumitomo Electric Wire & Cable Works
	Laid first Japan-made high-voltage underground cables
1916	Opened a new factory (now the Osaka Works)
	Started production of enamel wires
1920	Sumitomo Electric Wire & Cable Works incorporated as a limited company
1931	Started production of cemented carbide tools
1932	Started production of special steel wires
1939	Company name changed to the current name, Sumitomo Electric Industries, Ltd.
1941	Opened the Itami Works
1943	Started production of vibration-proof rubber products and fuel tanks
1946	Opened a branch office in Tokyo (now the Tokyo Head Office)
1948	Started marketing sintered powder metal products
1949	Entered into the construction business of overhead transmission lines
1957	Delivered the first Japan-made television broadcasting antennas
1961	Opened the Yokohama Works
	Delivered the wiring harnesses for four-wheel vehicles for the first time in its history
1962	Started production of the Irrax™ Tube electron beam irradiation tubes
	The head office was moved from Osaka's Konohana Ward to its present location in Chuo Ward
1963	Started production of disc brakes
1964	Started production of electron beam irradiation wires
1968	Entered into the traffic control systems business
1969	Established the first overseas production subsidiary in Thailand (SIAM Electric Industries Co., Ltd.)
	Started development of flexible printed circuits (FPCs)
1970	Started production of compound semiconductors

1971	Opened the Kanto Works
1974	Started production of optical fiber cables
1975	Contracted to construct a power transmission line in Iran
1976	Received an order for a large telecommunications network construction project in Nigeria
1978	Delivered and put into operation the world's first bidirectional fiber optics CATV system called "Hi-OVIS"
1981	Delivered and installed fiber optic LAN systems for the first time in its history
1982	Succeeded in producing the world's-largest-class (1.2 carats) synthetic diamonds
1996	Developed a technology for producing long-length oxide high voltage superconducting wires
1998	Developed and started marketing ecology wires and cables
1999	Sumitomo Electric Fine Polymer, Inc. (fine polymer products) started operation
2001	J-Power Systems Corporation (high-voltage power cables) started operation
2002	Sumitomo Electric Networks, Inc. (network equipment), Sumitomo (SEI) Steel Wire Corp. (special steel wires) and Sumitomo Electric Wintec, Inc. (magnet wires) started operation
2003	Sumiden Hitachi Cable Ltd. (wires and cables for buildings and industrial equipment) and Sumitomo Electric Hardmetal Corp. (powder metal and diamond products) started operation
2004	A.L.M.T. Corp. was made a wholly-owned subsidiary
2006	The HTS cable used in a power transmission grid in the U.S. started supplying electricity
2007	Sumitomo Wiring Systems, Ltd. was made a wholly-owned subsidiary
	Nissin Electric Co., Ltd. was made a consolidated subsidiary
2008	Opened Technical Training Center
2009	Eudyna Devices Inc. was made a wholly-owned subsidiary and changed its trade name to Sumitomo Electric Device Innovations, Inc.
2010	Opened WinD Lab, a new laboratory building
	SEI Optifrontier Co., Ltd. was made a wholly-owned subsidiary

# Investor Information

## Sumitomo Electric Industries, Ltd. (As of March 31, 2012)

### HEAD OFFICE (OSAKA)

4-5-33, Kitahama, Chuo-ku, Osaka 541-0041, Japan

### HEAD OFFICE (TOKYO)

Shibaura Renasite Tower 3-9-1 Shibaura, Minato-ku, Tokyo 108-8539, Japan

### INCORPORATED

December 1920

### NUMBER OF EMPLOYEES

194,734

### COMMON STOCK

Authorized: 3,000,000,000 shares

Issued: 793,940,571 shares

### NUMBER OF SHAREHOLDERS

72,844

### STOCK EXCHANGE LISTINGS

Four domestic stock and securities exchanges: Tokyo, Osaka, Nagoya, and Fukuoka  
 Ticker Code: 5802

### SHAREHOLDER REGISTER MANAGER

Sumitomo Mitsui Trust Bank, Limited  
 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

### SUMITOMO ELECTRIC VIA THE INTERNET

Sumitomo Electric Group's web site provides a wide range of corporate information, including the latest annual report, news releases, and financial results.  
<http://global-sei.com/>

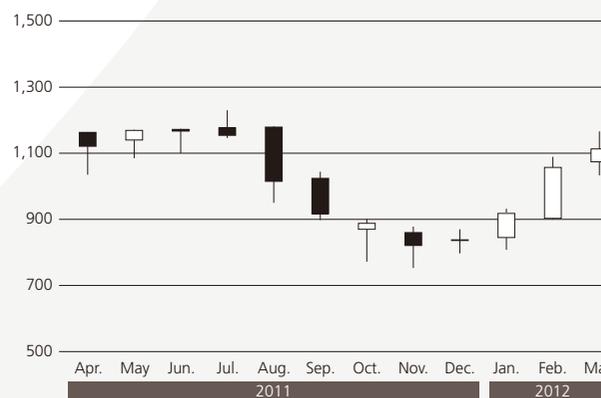
### PRINCIPAL SHAREHOLDERS

	Shareholdings (Thousands)	Outstanding voting share (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	67,080	8.46
The Master Trust Bank Japan, Ltd. (Trust Account)	56,690	7.15
Nippon Life Insurance Company	28,903	3.64
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	18,768	2.37
Sumitomo Life Insurance Company	15,556	1.96
Japan Trustee Services Bank, Ltd. (Trust Account 9)	13,662	1.72
Sumitomo Mitsui Banking Corporation	12,551	1.58
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	11,846	1.49
Japan Trustee Services Bank, Ltd. (Trust Account 4)	11,002	1.39
STATE STREET BANK AND TRUST COMPANY 505225	9,914	1.25
<b>Total</b>	<b>245,972</b>	<b>31.01</b>

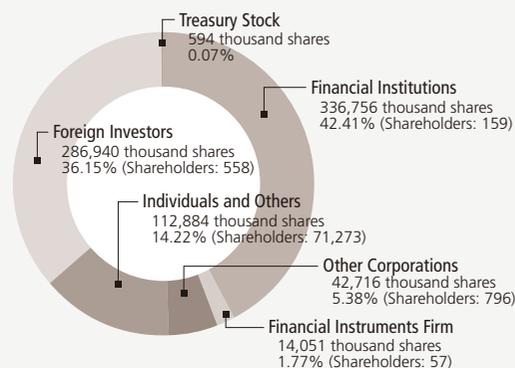
### SHARE PRICE RANGE (Yen)

Year	Month	High	Low	
2011	Apr.	1,164	1,035	
	May	1,171	1,085	
	Jun.	1,174	1,100	
	Jul.	1,230	1,146	
	Aug.	1,181	950	
	Sep.	1,044	898	
	Oct.	901	772	
	Nov.	878	753	
	Dec.	870	797	
	2012	Jan.	932	808
		Feb.	1,089	900
		May.	1,166	1,033

### SHARE PRICE (Yen)



### BREAKDOWN OF SHAREHOLDERS





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