

VISION 2012
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Annual Report 2008

Year Ended March 31, 2008

 **SUMITOMO ELECTRIC**
Ingenious Dynamics

Ingenious Dynamics

Ingenious

- Superior Capabilities
- Unique Creativity
- Customer Oriented Determination

Dynamics

- Motivation (The Sumitomo Business Spirit)
- Dynamism (Diversified Business and Technology Synergized for Overall Group Strength)
- Energy for Transformation (Enterprising and Energetic)

Each company of the Sumitomo Electric Group combines its unsurpassed creativity with knowledge and experience to generate dynamics that allow the Group to contribute to society.

VISION 2012

Strategic effort for sustainable “Strengthening of strategies”

Sales

¥2,540 billion

Sales

¥2,700 billion

Operating income

¥149 billion

Operating income

¥150 billion

ROE

9.5 %

ROE

8.0 %

FY 2008

FY 2010

growth

Sales
¥3,000 billion

Operating income
¥210 billion

ROE
10.0 %

FY 2013

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This presentation contains various forward-looking statements that are based on current expectations and assumptions of future events. All figures and statements with respect to the future performance, projections, and business plans of Sumitomo Electric and its affiliated companies constitute forward looking statements. Factors that could cause actual results to differ materially include, but are not limited to:

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

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

At a Glance

Sumitomo Electric Industries, Ltd. (TSE: 5802) designs, manufactures, and sells electric cables, optical fibers and components, advanced electronic devices, automotive parts, cemented carbide tools and special steel wires-products that play an essential part in supporting the economic infrastructure. Thanks to the success of our research and development strategy, as well as our

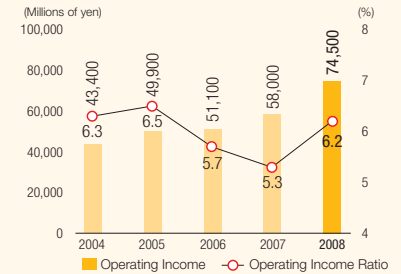
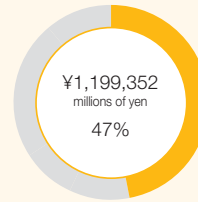
Market Environment

Net Sales Breakdown

Operating Income and Operating Income Ratio

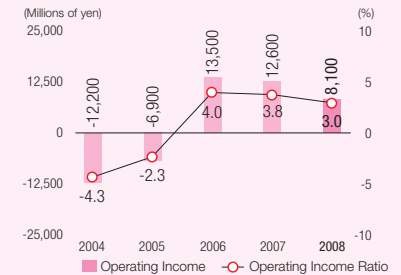
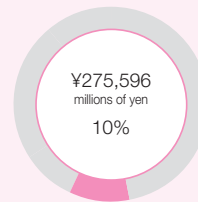
Automotive

Although new model sales decreased 6.7% in 2007 in Japan to some 5,354,000 units, showing the kind of market maturity seen in other advanced nations, automobile markets in emerging countries such as China and India are growing rapidly.



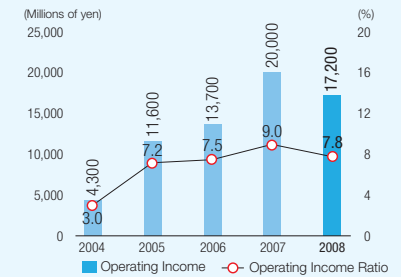
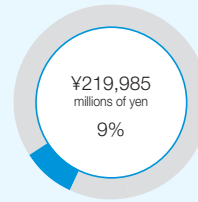
Information & Communications

Demand for optical fiber and access equipment fell back in Japan, but in Europe, India, China and other international markets, active investment in optical communication network infrastructure has fueled robust demand.



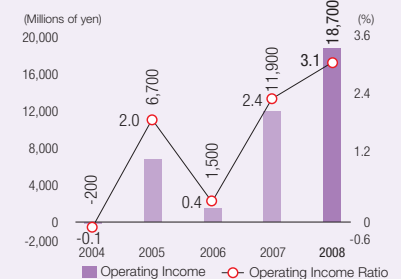
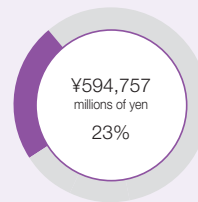
Electronics

The total of mobile-phone handsets sold around the world probably crossed the 1 billion threshold in 2007.



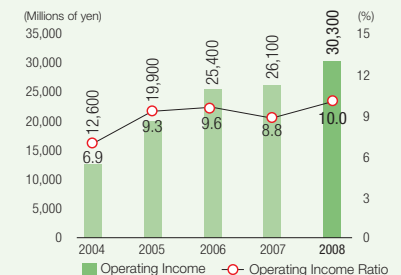
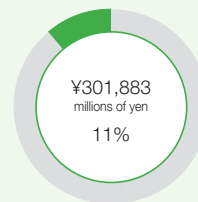
Electric Wire & Cable, Energy

Electric power cable demand is growing in China, India, the Middle East, North America and Russia and other countries building energy infrastructure.



Industrial Materials & Others

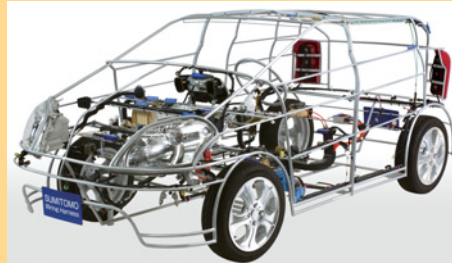
In response to steady demand from the automotive industry, cemented carbide tool shipments in Japan reached record highs for the fifth straight year, exceeding ¥350 billion for the first time.



business strategy, Sumitomo Electric has become one of the world's leading companies in these product fields and is at the forefront of the information-communication technology revolution. The Sumitomo Electric Group employs more than 150,000 people worldwide.

Performance

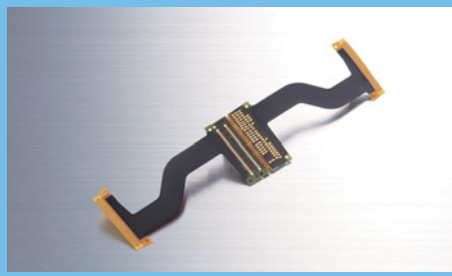
Sales volume in this segment grew both in Japan and abroad. Sales increased ¥103.5 billion, or 9.4% year-on-year, to ¥1,199.4 billion, and operating income climbed ¥16.5 billion to ¥74.5 billion. A decline in sales that resulted from the transfer of the automobile brake division to Aisin Seiki Co., Ltd., was more than offset by a rise in global sales of vehicles in which our wiring harnesses are used, as well as growth in the number of new models fitted with our harnesses in the Western market. A further contribution came from increased sales of anti-vibration rubber products at home and abroad, largely the result of strong sales and expanded production in North America and China.



Sales in this segment declined ¥57.5 billion, or 17.3% year-on-year, to ¥275.6 billion, reflecting a decrease in sales of broadband access equipment, which exceeded the rise in sales of optical communication devices and modules. Moreover, the exclusion of consolidated subsidiary Netmarks Inc. from the scope of consolidation (following a reduction in the Company's equity stake) also contributed to the decline in sales. Operating income fell by ¥4.5 billion to ¥8.1 billion.



Sales in this segment decreased ¥3.0 billion, or 1.4% year-on-year, to ¥220.0 billion, owing to lower selling prices of flexible printed circuits (FPCs) and weakening demand for ultra-thin coaxial cables and compound semiconductors, although demand for FPCs for use in cell phones increased. Operating income fell by ¥2.8 billion to ¥17.2 billion.



Sales in this segment increased ¥93.0 billion, or 18.5% year-on-year, to ¥594.8 billion, as a result of increased revenues from electric conductors and magnet wires in line with rising copper prices and the inclusion of Nissin Electric Co., Ltd. in the scope of consolidated subsidiaries for the second half of the reporting period. Operating income rose ¥6.8 billion to ¥18.7 billion.



Segment sales rose ¥6.4 billion, or 2.2% year-on-year, to ¥301.9 billion, reflecting increased sales of powder metal components and synthetic diamond products, mainly used in cutting tools, as well as stronger demand for steel cords for automobile tires, semiconductor heatspreaders, and sintered parts. Operating income rose ¥4.2 billion to ¥30.3 billion.



Financial Highlights

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31

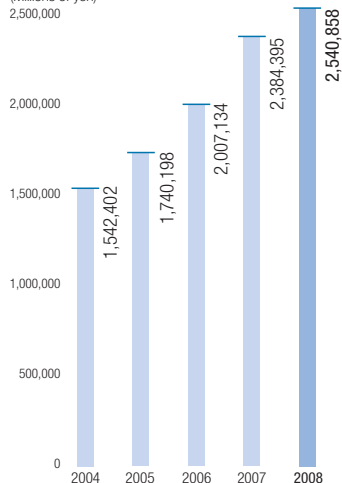
	Millions of yen					Thousands of U.S. dollars ¹
	2008	2007	2006	2005	2004	2008
For the Year:						
Net sales	¥2,540,858	2,384,395	2,007,134	1,740,198	1,542,402	\$25,360,395
Operating income	148,996	128,745	105,495	81,429	48,203	1,487,134
Income before income taxes and minority interests	166,612	144,550	108,279	90,130	66,254	1,662,960
Net income	87,804	76,029	58,346	36,540	25,635	876,375
Capital expenditures	134,421	128,568	132,707	108,988	92,542	1,341,661
Depreciation and amortization	106,892	99,802	87,151	80,005	82,519	1,066,893
R&D expenses	72,271	68,373	64,427	56,480	55,276	721,339
At Year-End:						
Total assets	2,194,882	2,126,405	1,991,048	1,735,814	1,700,764	21,907,196
Total interest-bearing liabilities	415,473	456,399	452,808	414,655	426,172	4,146,851
Total net assets ²	1,128,235	1,052,989	811,121	690,872	655,553	11,260,954
Cash Flows:						
Net cash provided by operating activities	204,612	130,997	124,973	108,979	85,779	2,042,240
Net cash used in investing activities	(126,414)	(131,193)	(155,340)	(79,937)	(74,934)	(1,261,743)
Net cash provided by (used in) financing activities	55,946	(16,549)	21,102	(18,403)	1,413	558,399

Notes: 1. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥100.19 to U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2007.

2. Effective from the term ended March 2007, minority interests have been included in total net assets in line with the stipulations of the Japanese Company Law enacted May 2006.

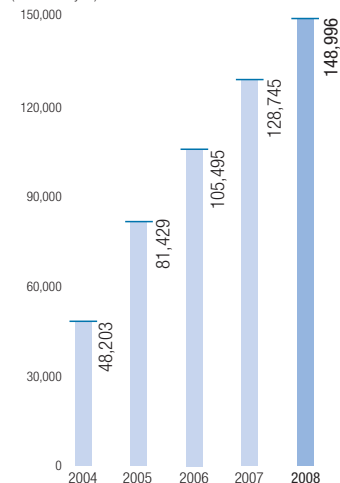
Net Sales

(Millions of yen)



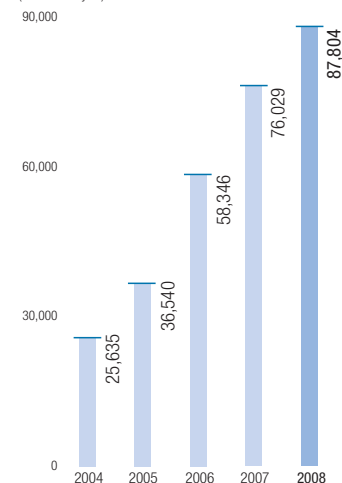
Operating Income

(Millions of yen)



Net Income

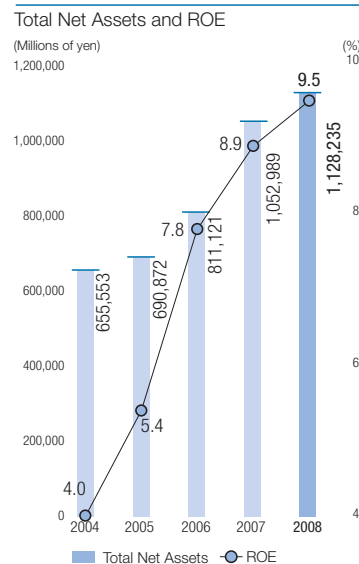
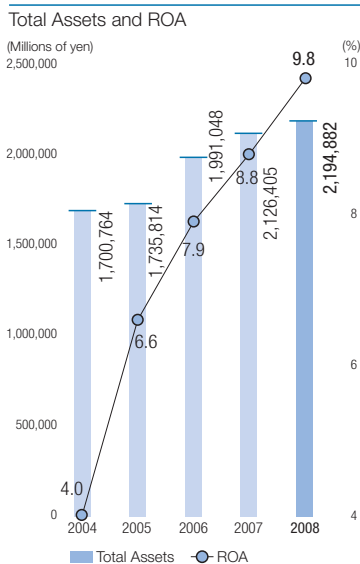
(Millions of yen)



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

	Yen					U.S. dollars ¹
	2008	2007	2006	2005	2004	2008
Per Share Data:						
Net income: Basic	¥ 112.74	100.22	76.43	48.01	34.29	\$ 1.125
Diluted	107.71	95.40	72.72	46.04	32.88	1.075
Cash dividends	20.00	17.00	13.00	10.00	8.00	0.200
Shareholders' equity per share ³	1,226.56	1,170.54	1,068.73	911.24	888.06	12.242
Financial Indexes:						
R&D expenses / net sales (%)	2.8	2.9	3.2	3.2	3.6	
Net income / net sales (%)	3.5	3.2	2.9	2.1	1.7	
Return on equity (%)	9.5	8.9	7.8	5.4	4.0	
Return on assets (%) ⁴	9.8	8.8	7.9	6.6	4.0	
Current ratio (Times)	1.5	1.6	1.6	1.7	1.7	
Shareholders' equity ratio (%)	44.1	41.8	40.7	39.8	38.5	

Notes: 3. Shareholders' equity = Net assets excluding share warrants and minority interests
4. ROA = Operating income divided by average capital employed



Message from the President

Business Results for Fiscal 2008 and Progress of VISION 2007



For the fiscal year ended March 2008, the Sumitomo Electric Group realized record highs in net sales for the ninth consecutive year, ordinary income¹ for a fourth straight year, and operating income and net income for the third year in a row, all on a consolidated basis. On behalf of our management team, I would like to extend our heartfelt thanks to all our stakeholders.

Performance Results

In the reporting term, the Sumitomo Electric Group achieved a steady performance overall, offsetting intensified international competition, the resultant downward pressure on product prices, and high raw materials prices.

The Group responded to intensified competition from both domestic and overseas rivals, as well as changes in user preferences, with aggressive cost-cutting measures and quality improvement efforts as well as the development of new technologies and products. We were rewarded with an expansion in sales. We also undertook a restructuring of business operations at the Group level, and made efforts to enhance our earnings structure.

As a result, net sales on a consolidated basis totaled ¥2,540.9 billion. Operating income came to ¥149.0 billion, with ordinary income of ¥169.6 billion and net income of ¥87.8 billion, marking a fifth straight year of growth in both revenue and earnings.

	VISION 2007	Results for FY 2008
Consolidated net sales	¥ 2,000 billion	¥ 2,540 billion
Consolidated operating income	¥ 120 billion	¥ 149 billion
ROA *	8.0 %	9.8 %

* ROA = operating income divided by average capital employed

Overview of VISION 2007

Amid a harsh operating environment following the bursting of the IT bubble, the Sumitomo Electric Group in April 2003 launched a new medium-term management plan under the name "VISION 2007," which calls for a change in strategies with an emphasis on the achievement of sustainable growth. Under VISION 2007, we set our targets at ¥2,000 billion in net sales, ¥120 billion in operating income, and an ROA of 8%, all on a consolidated basis. This plan includes the two core policies of raising our global presence² and strengthening our leading technology³. In line with these policies, each business segment has formulated growth strategies and worked to maximize group synergies. As a result, in the previous term, ended March 2007, we reached our numerical targets one year ahead of schedule. These targets were then exceeded by a wide margin in the reporting period.

Based on these results, we have launched a new medium-term plan, VISION 2012, which begins in April this year and ends in March 2013. Under this plan, explained on page 22, we are aiming to realize net sales of ¥3,000 billion, operating income of ¥210 billion, an operating income margin of 7%, and an ROE of 10%, all on a consolidated basis.

"Glorious Excellent Company"

The word "Glorious" represents the characteristics that the Sumitomo Electric Group wants to cultivate from the Sumitomo Business Spirit, which has supported Sumitomo business ethics for 400 years, and the Sumitomo Electric Group Corporate Principles, which developed from the Business Spirit. All of us at the Sumitomo Electric Group respect and share these principles and adhere to them sincerely.

The word "Excellent" implies our ideal state or goal in quantitative terms. We aim to steadily move toward becoming an "Excellent Company" by achieving the numerical targets set out in VISION 2012.

The entire Sumitomo Electric Group will make consistent efforts to win the trust of our customers and society at large, and to gain the status of a "Glorious Excellent Company."

We ask shareholders for their continued support and encouragement.

M. Matsumoto

Masayoshi Matsumoto
President and CEO

Notes:

1. Ordinary income does not appear in the income statement due to the reclassification of amounts posted under extraordinary gains and losses.
2. "Raising our global presence" as a policy involves not only the transference of production bases to overseas locations, but also the strategic advancement of business activities such as research and development, logistics services and the establishment of a sales network on a global basis.
3. "Strengthening our leading technology" as a policy entails the development of leading technologies that surpass those of competitors in terms of safety and environmental considerations, as well as quality, cost, delivery, and R&D considerations.

Research & Development

Our creativity and technological expertise lead to innovation for the future



Architect's rendering of the WinD Lab R&D center

Basic Policy

In line with the Sumitomo Electric Group Corporate Principles — “building technical expertise, realizing changes, and striving for consistent growth” — we are focusing on fields with growth potential and working to develop new businesses and products that display both originality and good earnings prospects. Based on our assessments of likely technological developments in the near future, we adopt an aggressive stance toward the discovery and nurturing of new research themes that promise to drive the Group's growth into the next generation.

Realizing Our Goals Under the VISION 2012 Plan

To achieve growth for the Sumitomo Electric Group as a whole we must develop new products, not allowing our conceptual horizons to be limited by our existing businesses. To realize this aim, we have drawn up the VISION 2012 management plan, under which we have set a target of 30% for the ratio of new products to total annual sales, to be achieved by the end of March 2013. To enable us to reach this target, we have identified three new areas into which we must expand our business activities: the environment and natural resource conservation; life sciences; and the realization of a reliable and safe ubiquitous network society. We have therefore placed priority on R&D into these three themes. We are currently constructing a new R&D facility in the grounds of our Osaka Works, under the name of the “WinD Lab.” After completion, this facility is expected to play a central role in our R&D work on these new themes.

R&D Initiatives by Segment

Automotive

In the field of wiring harnesses and car electronics, we leverage our extensive proprietary technological know-how in electronic materials and analytic techniques to help create safe, comfortable vehicles with minimal environmental invasiveness. R&D efforts in this field are carried out mainly by the parent company Sumitomo Electric and by its subsidiary Sumitomo Wiring Systems, Ltd., as well as AutoNetworks Technologies, Ltd., a joint venture between the parent and subsidiary.

In recent years there has been a growing trend toward the computerization and networking of car electronics

equipment, which is becoming increasingly sophisticated. To meet user needs related to this trend, we have developed new electronic equipment including power distributors, as well as center display units and next-generation in-vehicle LANs, and also wire harnessing systems specially designed for use in these applications.

In response to growing calls for products that impose a minimum load on the environment, we have redesigned our wiring harnesses for lighter weight and developed a high-voltage wiring harness for use in hybrid electric vehicles.

To improve the efficiency of our new product development processes and ensure high product quality,

we have put priority on the development of element technologies, as well as on refining our capabilities in the techniques of testing, analysis, and evaluation, which are crucial to product reliability.

Information & Communications

In the field of fiber-optic communications products, we have developed optical fibers, optical interconnect products, and optical modules that enable the creation of efficient access networks and facilitate their management and operation.

In photonic products, we are conducting development efforts to expand our lineup of 10-Gbps links, and are also tackling R&D in high-performance devices, centered on semiconductor lasers and photo-diodes. To enable us to meet the photonic network needs of the future, we are conducting R&D into high-speed optical fibers and optical modules with higher performance capabilities and more sophisticated functions.

In the networking equipment field, we are developing increasingly high-speed next-generation systems, such as 10-Gigabit Ethernet-passive optical network (10GE-PON) systems. In the field of customer premise equipment, we are carrying out research into and development of high-speed, high-performance household gateway devices compatible with Next-Generation Network (NGN) services. We have already developed and put on the market a new series of high-speed coaxial cable modem named "ACLIC" (short for Advanced Cable Link Communications), which utilizes power line communications (PLC) technology and makes possible the easy construction of a high-speed network employing existing coaxial cable for CATV.

Electronics

In the field of compound semiconductors, we are working to achieve further refinement in gallium nitride (GaN) substrates for use in blue-violet laser diodes for next-generation DVD players. We are also pursuing the development of aluminum nitride substrates, which are expected to be in strong demand for application to optical devices operating with ultraviolet light.

In electronic materials, we are developing products made from metallic nanopowder including pastes that exhibit high electrical conductivity and inks for use in inkjet printing of electronic circuits.

In the development of new materials using microfabrication technology, we are working on the

development of nano-scale periodic structures known as photonic crystals. We are also pursuing the development of diamond nano-emitters, which are seen as a promising candidate for next-generation electron-emitting sources, and silicon carbide transistors, which are expected to be important next-generation power devices.

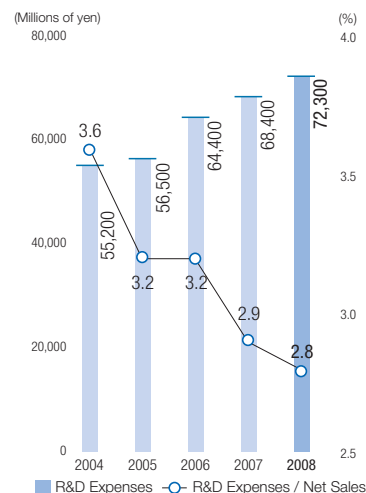
Electric Wire & Cable, Energy

We have put on sale an ultra-long, high-temperature, superconducting wire, made principally from bismuth, which gives the world's highest-level performance, greatly exceeding that of existing bismuth superconducting wires. We have developed a process for the mass-production of superconducting wire that shows a critical current of 210 (the world's highest current level) and have already begun shipments of sample long wire with a critical current of 180 amperes.

Industrial Materials & Others

We manufacture and sell products utilizing rare metals such as tungsten, cobalt, gallium and indium. At Sumitomo Electric we place a high management priority on pursuing an eco-friendly 3Rs (reduce, reuse and recycle) policy involving the reuse or recycling of products, leading to a reduction in waste disposal. Starting in fiscal 2007, in collaboration with a team from Nagoya University we have been conducting research into technologies for the extraction of rare metals from scrap cemented carbide tools, as a means of realizing material recovery and lowering the environmental load of industrial activities.

R&D Expenses and as a Percentage of Net Sales



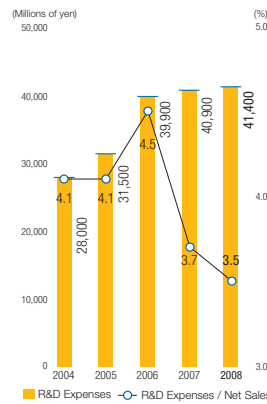
Winning a 25% share of the global market for wiring harnesses



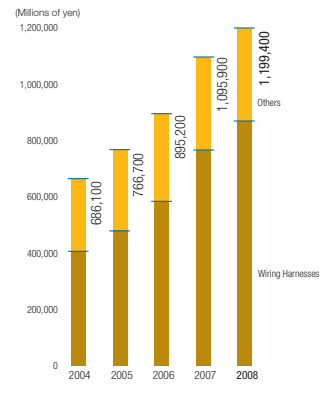
VISION 2007: Results

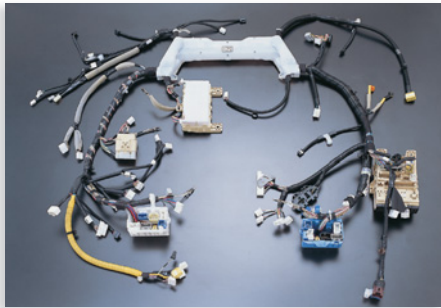
In the Automotive segment, the core wiring-harness business took over German wiring harness maker Volkswagen Bordnetze GmbH in March 2006, enabling our full entry into the German wiring harness market, and achieved its goal of winning 20% of the global market for automotive wiring harnesses (the “Global 20” target). We also converted Sumitomo Wiring Systems, Ltd., which handles wiring harness design and production, into a full subsidiary in August 2007. This move has generated synergies by eliminating duplication of functions in areas such as business planning and purchasing/distribution, IT systems and capital procurement. At the same time, we transferred our automotive braking business to Aisin Seiki Co., Ltd. in October 2007, as part of measures to select and focus on core competencies. As a result of these initiatives, we easily exceeded our targets in VISION 2007 in this segment.

R&D Expenses and as a Percentage of Net Sales



Net Sales





Wiring Harness

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



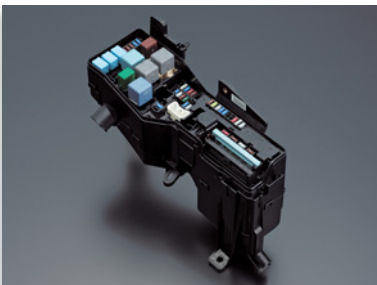
High-Voltage Harness for HEVs

High-voltage harnesses are used in hybrid electrical vehicles (HEVs) that have both an electric motor and an internal combustion engine.



Halogen-Free Electrical Wire

Our environmentally-friendly automotive electrical wires do not contain any halogen elements or lead compounds, and conform to ISO standards.



Compact, High-Reliability Relay Box

By adopting the semiconductor relay and a new heatsink structure, we achieved miniaturization and weight reduction of our high-reliability relay box.



Anti-Vibration Rubber

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

Market Overview

We expect demand from China, India and other emerging markets to keep automotive demand buoyant, despite a likely decline in total vehicle unit sales due to the subprime crisis in the United States and limited growth prospects in other advanced markets, which are approaching saturation.

Turning to vehicle category, we expect the shift from general passenger cars and light trucks toward more compact and low-cost vehicles and environment-friendly vehicles (such as hybrid vehicles) to continue.

Initiatives for Achieving VISION 2012

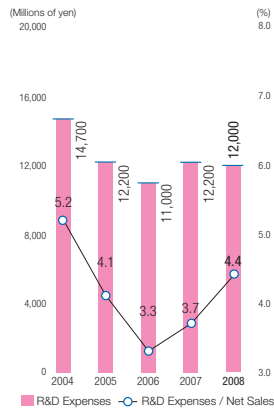
Our wiring harness business comprises a total of 95 companies handling marketing, manufacturing and development in 30 countries around the world. We aim to win stable orders from emerging markets, where automotive demand is strong, by supplying both established Japanese customers and new local automakers. In the stable European markets, although our products occupy leading positions among the wiring harnesses supplied to Japanese automakers, we will also work to increase orders from non-Japanese automakers. As soaring personnel costs in Eastern Europe are now beginning to bite, we are also transferring production bases to northern Africa and Ukraine. We will also continue to develop environment-friendly, safety-enhancing new products and technologies.

VISION 2007: Results

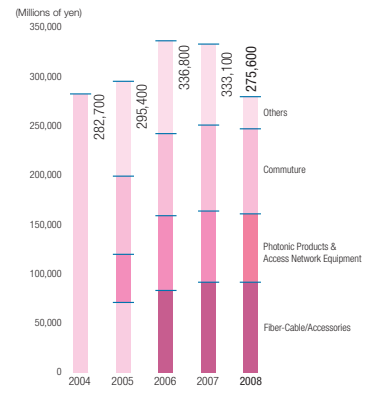
The Information & Communications segment comprises optical fibers and cables, photonic products and network equipment. In optical fiber operations, buoyant global demand enabled us to maintain operation at nearly full capacity at Kiyohara Sumiden, Ltd., where we have concentrated our manufacturing operations of general-use optical fibers to reduce costs. In photonic products, we expanded our product lineup of 10-Gigabit Ethernet transceivers, the core component of Next Generation Networking (NGN) equipment. In networking equipment, we are building a lead in Japan in equipment for fiber-to-the-home (FTTH) technology, through investment in new access product technologies such as very high bit-rate digital subscriber line (VDSL) and gigabit Ethernet-passive optical network (GE-PON).

We fell short of numerical targets under VISION 2007 in this segment, due chiefly to falling prices of products, and the exclusion of Netmarks Inc. from the scope of consolidation, but we achieved a significant improvement in performance after the red ink of the years following the collapse of the IT bubble.

R&D Expenses and as a Percentage of Net Sales



Net Sales



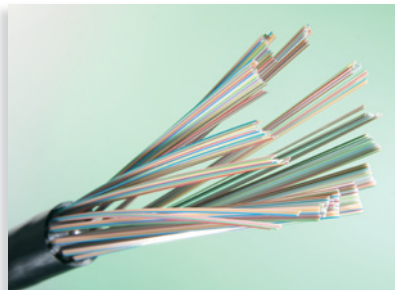
Supplying the global FTTH and NGN markets

Market Overview

We expect anemic optical fiber demand in the Japanese market, but foresee recovery from March 2008 with the launch of NGN services. However, in overseas markets — including the United States, Europe and China — FTTH businesses are expanding, generating demand in related sectors.

Initiatives for Achieving VISION 2012

In optical fiber cables and optical communications devices, we aim to further increase our price competitiveness by again cutting costs for general-use optical fiber. At the same time, we will strengthen overseas bases to tap strong demand in overseas markets. We are also leveraging synergies from conversion of Toyokuni Electric Cable Co., Ltd. into a full subsidiary in May 2008 and strengthened new product development and marketing capability. In photonic products, we have expanded our ranges for 10-Gigabit Ethernet applications, and in April 2008 launched integrated production of optical devices and optical transceivers at our plant in Suzhou, China. To meet globally growing demand, we aim to maximize output of optical devices and optical transceivers with the shortest possible manufacturing lead times. In networking equipment, we are accelerating development of NGN-compatible equipment, and are actively seeking opportunities in overseas growth markets such as China and Taiwan.



Multicore Optical Fiber Cable

Our multicore optical fiber cables, in which fiber ribbons are housed in the groove of the slot, offer high fiber density and small cable diameter.



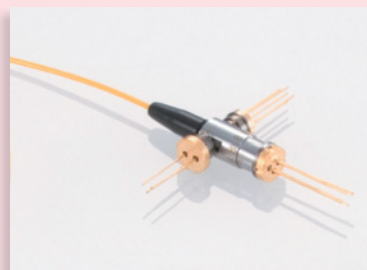
High-Speed Power Line Communications (PLC)

The PLC technology realizes high-speed data transmission by superimposing communication signals on existing power line, thereby providing customers with Internet access and other services through their power outlets.



XFP/X2/SFP+ Transceiver

Responding to the increasing demands for larger transmission capacity, our optical transceivers provide a maximum data rate of 10Gbps.



Bi-Directional Laser Module

Our world's smallest optical devices incorporate both light-emitting element and photo-acceptance unit, and provide bi-directional communications that are optimal for the FTTH networks.



Optical Fiber Fusion Splicer

Optical fiber splicing tools are ideal for use in FTTH installation, which is expected to spread widely in the future, and in laying and maintenance of optical fiber cables in buildings.

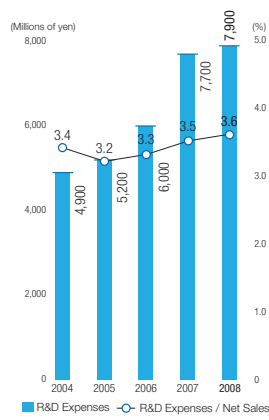
Expanding global production and marketing networks, and accelerating development of new high value-added products



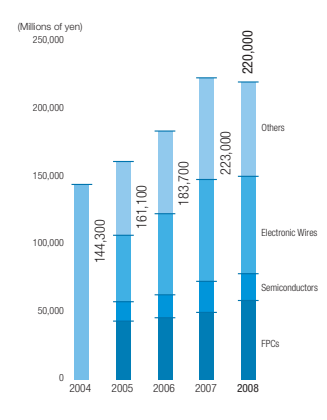
VISION 2007: Results

The Electronics segment comprises electronic wires, flexible printed circuits (FPCs), compound semiconductors and fine polymer products. The Sumitomo Electric Group is aggressively globalizing production and marketing to meet user needs, and is also developing and expanding marketing of high value-added products such as gallium nitride (GaN) substrates and ultrafine coaxial cable. As a result of these efforts, we were able to meet both sales and operating income targets in VISION 2007.

R&D Expenses and as a Percentage of Net Sales

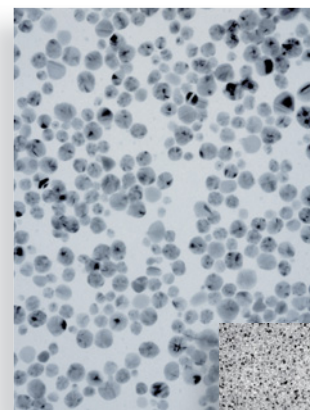


Net Sales





Gallium Nitride (GaN) Substrate
GaN semiconductors are used in blue-violet lasers that enable reading data from and writing data to the next-generation DVD discs.



Metal Nano Powder
We have developed a technology for fabricating and processing nano powders. Using this technology, it has become possible to produce the several nano to micron order metal nano powders of various shapes.



Micro Flex Coaxial (MFCX) Cable
MFCX cable has an extremely small outer diameter ranging from 0.20 to 0.35 mm. This cable is mainly used in the hinge connection area between the motherboard and LCD of a laptop PC or mobile-phone. Double-shielded structure is also available to enhance noise immunity.



Flat Cable
Flat cables having flat square conductors are thin in thickness. They can be connected easily with connectors and are used in multi-wire connection applications.



POREFLON Module
Using the POREFLON fluoroplastic porous film tubes, filtering of high turbidity solution becomes possible. The POREFLON Modules can be used in various applications including sterile filtration, clarification, wastewater treatment, film distillation, deaeration, and gas dissolution.

Initiatives for Achieving VISION 2012

In the Electronics segment, the following are major goals in VISION 2012:

- Strengthening of product lineups and expansion of marketing of products in growth markets such as mobile phones, LCD TVs and next-generation optical disc players;
- Strengthening of marketing and production on a global scale;
- Expansion of marketing of high value-added products and reduction of costs for mainstay products;
- Faster development of new technologies and launches of new products.

For electronic wiring products, we will increase local production capacity to meet demand in China, and build up competitiveness by reducing costs.

In FPCs, we will strengthen overseas marketing and increase production capacity in Japan and overseas strongholds such as China and Vietnam. We will also develop and expand marketing of high value-added products such as surface-mounted and modularized products.

In compound semiconductors, we plan to expand sales of GaN substrates for high-power LEDs. In the gallium arsenide (GaAs) substrate market, we plan to increase market share through expansion of sales of products for mobile phones.

Also planned are investments in promising new growth fields such as microfiltration membrane modules for water treatment and metallic nano-particle materials, using proprietary materials and technology development strengths.

Market Overview

We expect demand for mobile-phone components to peak out in Japan, but we see demand expanding globally, especially in newly emerging economies. We also expect to see expansion of the market for next-generation optical disc players as unified standards spread in the audiovisual equipment and personal computer markets. As functions in mobile phones and digital appliances become more sophisticated, we also expect to see pressure for further miniaturization.

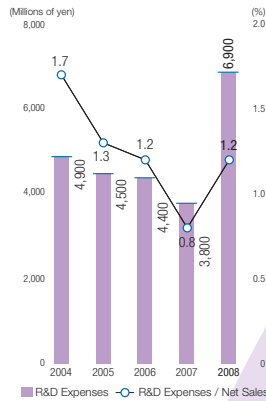
Achieving stable profitability at established businesses, and launching new businesses

VISION 2007: Results

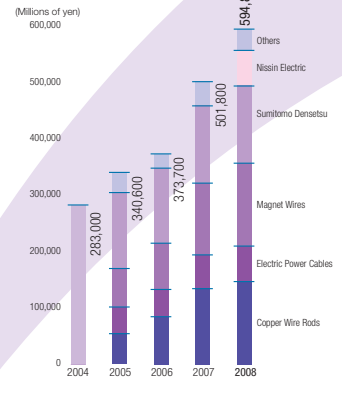
The Electric Wire & Cable, Energy segment comprises copper wire rods, electric power cables, and magnet wires. Major subsidiaries are Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd.

To cope with change in the market environment, this segment moved early to restructure its businesses, through measures such as alliances with other companies and integration of subsidiaries. Also, we included our subsidiary Nissin Electric into consolidation in December 2007. With these measures and due to higher copper prices, the segment easily surpassed both sales and operating income targets in VISION 2007.

R&D Expenses and as a Percentage of Net Sales



Net Sales





Susceptor for Semiconductor Manufacturing

We offer thermal control devices with superb thermal performance characteristics, by combining our unique advanced materials technology, processing technology including metalizing, bonding and sealing, and thermal design technology.



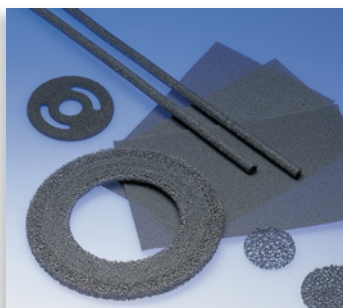
Infrared Optical Product

We manufacture optical materials of all kinds that are applicable to the infrared to visible region. We conduct and manage all steps of product manufacturing, from material manufacturing to polishing and thin film coating.



Scratch-Resistant Magnet Wire

Magnet wires are widely used in automotive electric components. Our magnet wires can withstand harsh conditions during coil winding and are used in high-efficiency motors and coils.



Porous Metal CELMET

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



Cross-Linked Polyethylene (XLPE) Insulated Cable

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.

Initiatives for Achieving VISION 2012

In VISION 2012, major issues for this segment are:

- Further structural reform and rigorous cost-cutting in mature businesses;
- Tapping strong overseas demand, in China, other Asian countries, the Middle East, and other booming markets;
- Developing products for the automotive and electronics markets;
- Cultivating new businesses in the fields of energy/resource conservation and environmental protection.

Measures undertaken so far include further reduction of costs through more capital investment for production rationalization, and development of high-voltage electrical cable businesses in India. We have also increased production capacity for "CELMET" porous metal used in batteries for hybrid vehicles, and are commercializing thermal-control devices for the electronics sector. In addition, the consolidation of our subsidiary Nissin Electric enables effective shared use of management resources. We are working to expand marketing of products of both Nissin Electric and Sumitomo Electric by developing markets in promising newly emerging countries in the Middle East and other parts of the world, and integrating the marketing networks of the two companies. We are also creating new products and businesses in the environmental protection and energy/resource conservation fields.

Market Overview

Despite a surge in capital investment sentiment in Japan in power utilities and private-sector manufacturing companies, we foresee limited sustainable growth prospects for high-voltage electric power cables and electric power equipment in the medium-to-long term. However, infrastructure construction in emerging countries such as China, other Asian countries and the Middle East is driving expansion of this market.

In magnet wire, applications are increasing in automotive electronics, in areas such as drive motors for hybrid vehicles and motors for power-steering systems.

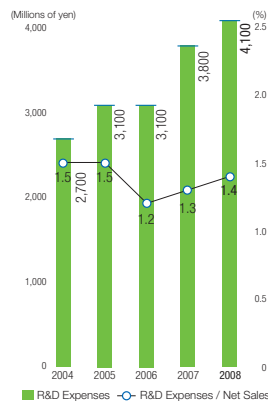
Aiming for steady growth based on advanced materials and machining technologies



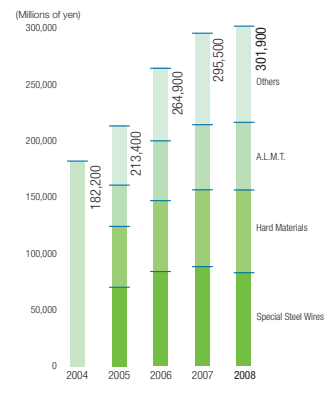
VISION 2007: Results

The Industrial Materials & Others segment comprises hard materials, special steel wires, sintered parts and other products. The products and markets of this segment are very diversified. We are establishing bases in Japan and overseas to respond rapidly to a market environment characterized by buoyant conditions in the key automotive sector. This enabled us to meet both sales and operating income targets under VISION 2007 in this segment, despite soaring prices for raw materials such as iron, tungsten and cobalt.

R&D Expenses and as a Percentage of Net Sales



Net Sales



Market Overview

Despite the likelihood of deceleration in the North American automotive market, vehicle production volumes are growing in China, Thailand, India and Eastern Europe, and we expect continued robust demand for cutting tools and sintered parts. Amid signs of revitalization in the construction equipment and aerospace industries, the market for cutting tools for parts machining is also expanding.



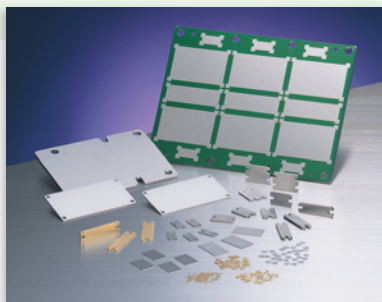
Sintered Parts

Sintered 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.



Cutting Tool

Cutting tools are edged with cubic crystal boron nitride or a sintered body of diamond. Suitable for high-efficiency, high-accuracy cutting operations for high-hardened steel and aluminum alloy, these cutting tools improve productivity and lower cutting cost.



Heatspreader Material

High-performance heatspreader materials are widely used in high-power semiconductor devices like inverters for hybrid cars and high-output laser diodes.

Initiatives for Achieving VISION 2012

To meet its goals in VISION 2012, the Industrial Materials & Others segment will:

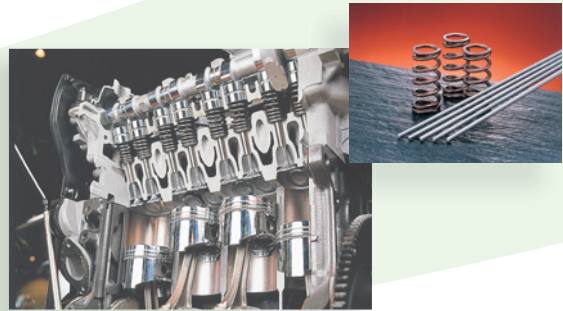
- Leverage its strengths in indexable inserts, CBN tools and “Multidrill” carbide drills to accelerate global business growth;
- Further step up its core technology, which is development of advanced materials based on rare metals;
- Develop products for the automotive and electronics sectors;
- Secure stable supplies of tungsten and other raw materials.

Below are details of these initiatives.

We are aiming for a 10% share of the global cutting-tool market by 2010, by bolstering production capacity at Hokkaido Sumiden Precision Co., Ltd., and meeting increased demand for indexable inserts in globally booming major industries such as automobiles, iron and steel, industrial equipment and aerospace.

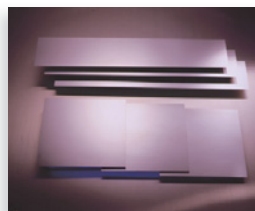
In sintered parts, we aim to expand our network of production bases in Japan, and strengthen the business in Europe centered Sumitomo Electric Sintered Components (Germany) GmbH, acquired in September 2007.

We are also expanding production capacity and marketing channels for LCD TV parts materials, heat sinks, and other high-demand products. To secure a stable supply of raw materials, we are in a joint initiative with the Nagoya University to develop recycling technologies with low environmental impact for cemented carbide tools.



Oil-Tempered Wire for Valve Springs

Oil-tempered wires are used for automotive valve springs and torque converter springs, which are required to have good fatigue resistance under high stress conditions.



Molybdenum and Tungsten Materials for Liquid Crystal Panels

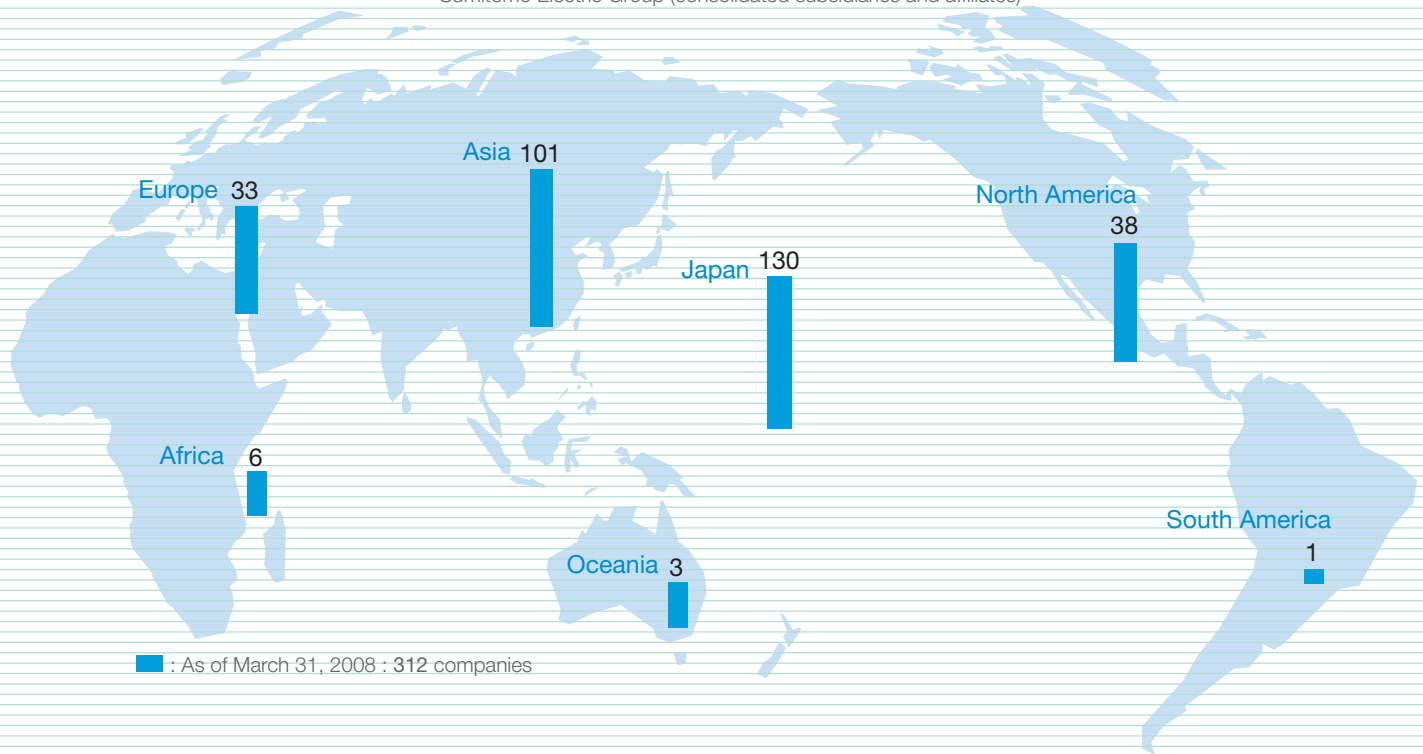
Our molybdenum and tungsten materials are widely used as parts for manufacturing thin-film transistor liquid crystal display panels, such as large flat panel displays, and as materials for cold cathode tubes.

Unique products and new technologies, trusted worldwide

Sales in Overseas Markets

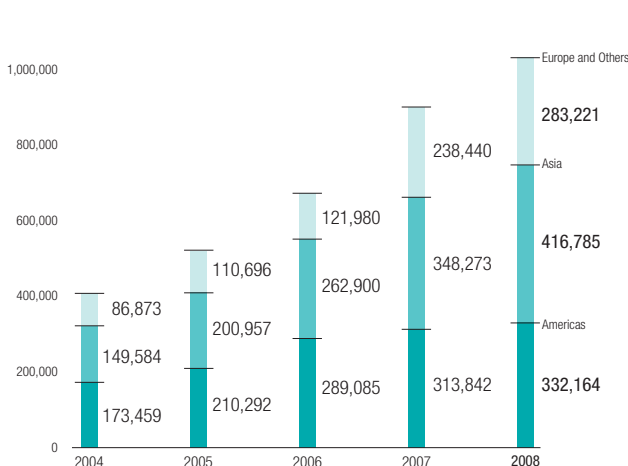
Overseas sales for the business term ended March 2008 rose 14.6% over the previous period, to ¥1,032,170 million. They accounted for 40.6% of total sales on a consolidated basis, for a year-on-year increase of 2.8%. Sales in the Americas came to ¥332,164 million (13.1% of total sales), sales in Asia amounted to ¥416,785 million (16.4%), and sales in all other regions combined (centered on Europe) came to ¥283,221 million (11.1%).

Sumitomo Electric Group (consolidated subsidiaries and affiliates)



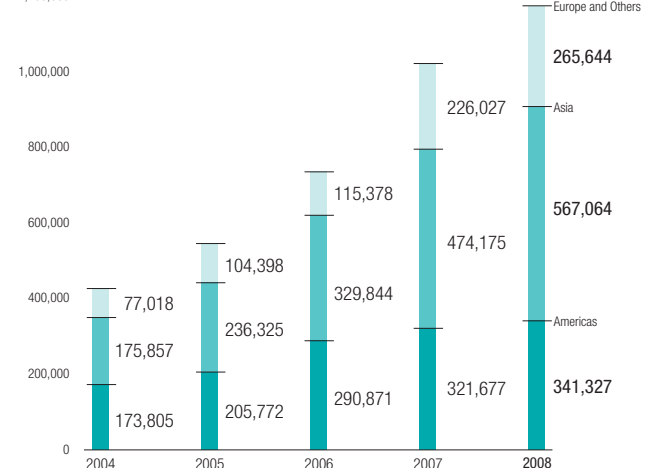
Overseas Sales

(Millions of yen)



Geographical Segment Sales

(Millions of yen)





Focusing on Sustainable Growth Strategies



We have achieved the targets of VISION 2007, and April 2008 marks the start of VISION 2012. The Sumitomo Electric Group has devised its new medium-term management plan with an emphasis on the attainment of sustainable growth. Each of our five business segments will implement its strategies of growth with “strengthening of strategies” as a key phrase.

New mid-term plan “VISION 2012”

In line with the Sumitomo Electric Group Corporate Principles, which embody the Sumitomo Business Spirit, we will make utmost efforts to achieve the targets set out in VISION 2012, so that we may become the “Glorious” and “Excellent” business enterprise that we aim to be.

Glorious Excellent Company

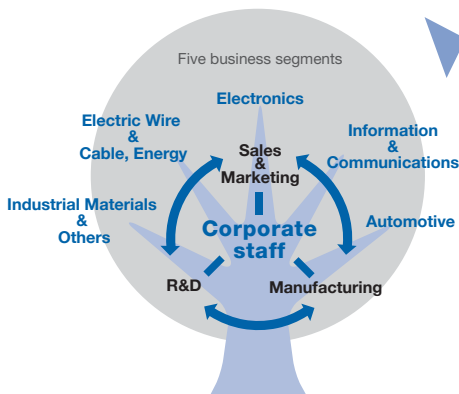
VISION 2012

(Our 2nd five-year management plan)

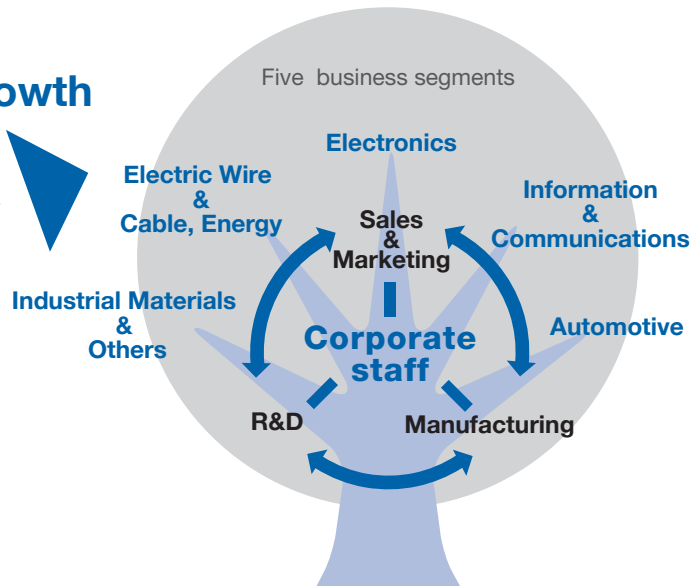
“Strengthening of strategies”

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

VISION 2007 (Our 1st five-year management plan) “Gearing up for growth”



Growth



Raising Our Global Presence

- Expand overseas operations (Manufacturing, R&D, Sales, Logistics)
- Create corporate alliances and expand business in a strategic manner

Growth Strategies

Global Top 3 Target

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

Strengthening Our Leading Technology

- Be a global top competitor in “SEQCDD” (Safety, Environment, Quality, Cost, Delivery and Development)
- Exploiting intellectual property (IP)

Human Resource Development (SEI University)

- Sumitomo Business Spirit
- Sumitomo Electric Group Corporate Principles

Earnings Targets

	FY2008		FY2010		VISION 2012 FY2013 (Target)
Sales	¥ 2,540 billion	>>	¥ 2,700 billion	>>	¥ 3,000 billion
Operating income (margin)	¥ 149 billion (5.9 %)	>>	¥ 150 billion (5.6 %)	>>	¥ 210 billion (7.0 %)
Net income (margin)	¥ 87 billion (3.5 %)	>>	¥ 92 billion (3.7 %)	>>	¥ 130 billion (4.3 %)
ROE	9.5 %	>>	8.0%*	>>	10.0 %

* Calculated on fully diluted basis of 6th unsecured CB (¥47.0 billion as of March 2008, expected redemption in FY 2008)

Other Targets

A contribution to sales ratio of 30% for new products

Entry into new business fields utilizing core technology

- Environment and resource conservation
- Safe ubiquitous networks
- Life sciences

The creation of a balanced business portfolio

Enhance all business segments to the core businesses

Reduce dependence on particular businesses

Financial and shareholder return targets

Establish a solid financial base to become a Glorious Excellent Company

- Shareholders' equity ratio: 50%
- ROE: 10%

Raise return to shareholders

- Target payout ratio: 30%

Interview with the President



The Sumitomo Business Spirit

The Sumitomo Business Principles

Article
1

Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article
2

Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

In addition to the Sumitomo Business Principles, the Sumitomo Business Spirit also includes the following principles.

Attaching Importance to Technology

Respect for Human Resources

Long-Range Planning

**Profit for Self and Others, Private and Public Interests,
are One and the Same**

The Sumitomo Electric Group Corporate Principles

(Defined 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.

Q.1 What is the meaning of VISION 2012 to the Sumitomo Electric Group?

A.1 The Sumitomo Electric Group is determined to become a “Glorious Excellent Company.” We use the word “Glorious” to describe the type of organization that we strive to become by upholding the Sumitomo Electric Group Corporate Principles, which embody the 400-year-old Sumitomo Business Spirit. We will become an “Excellent” business enterprise we aim to be by steadily achieving the quantitative business targets we set out.

April 2008 marks the start of our new

medium-term management plan VISION 2012. We must achieve the numerical targets contained in this new plan if we hope to demonstrate our excellence as a “Glorious Excellent Company.”

Q.2 What are the core policies of VISION 2012?

A.2 In the case of VISION 2007, we specified as our core policies the two growth strategies of raising our global presence and strengthening our leading technology. The five business segments also implemented their own growth strategies. With VISION 2012, we will

maintain these core policies, but also introduce as new themes the development of a profit-oriented growth portfolio, the bolstering of our business structure based on the full implementation of capital and financial strategies, and the optimization of Group management worldwide.

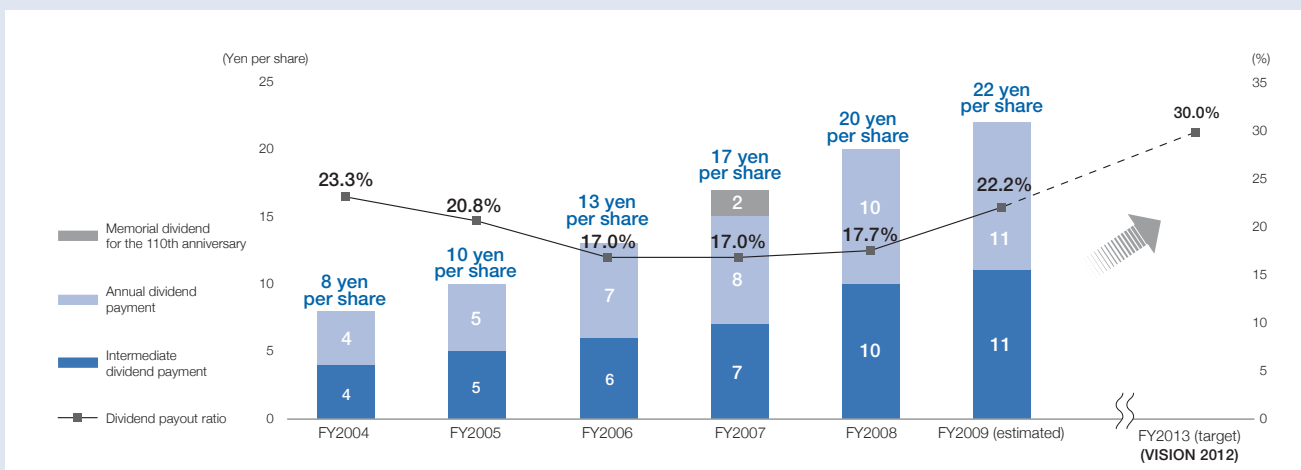
I would like to explain these new themes in greater detail. In the development of a profit-oriented growth portfolio, we consider all five segments to be indispensable, and our basic stance is to improve our performance in all five segments. Under our current earnings structure, the automotive segment accounts for approximately half of total operating income. By fiscal 2013, we aim to create a balanced portfolio, primarily by raising the contribution of the Information & Communications and Electronics segments. This would better enable the Company to disperse risk and achieve steady growth.

Regarding the bolstering of our business structure based on the full implementation of

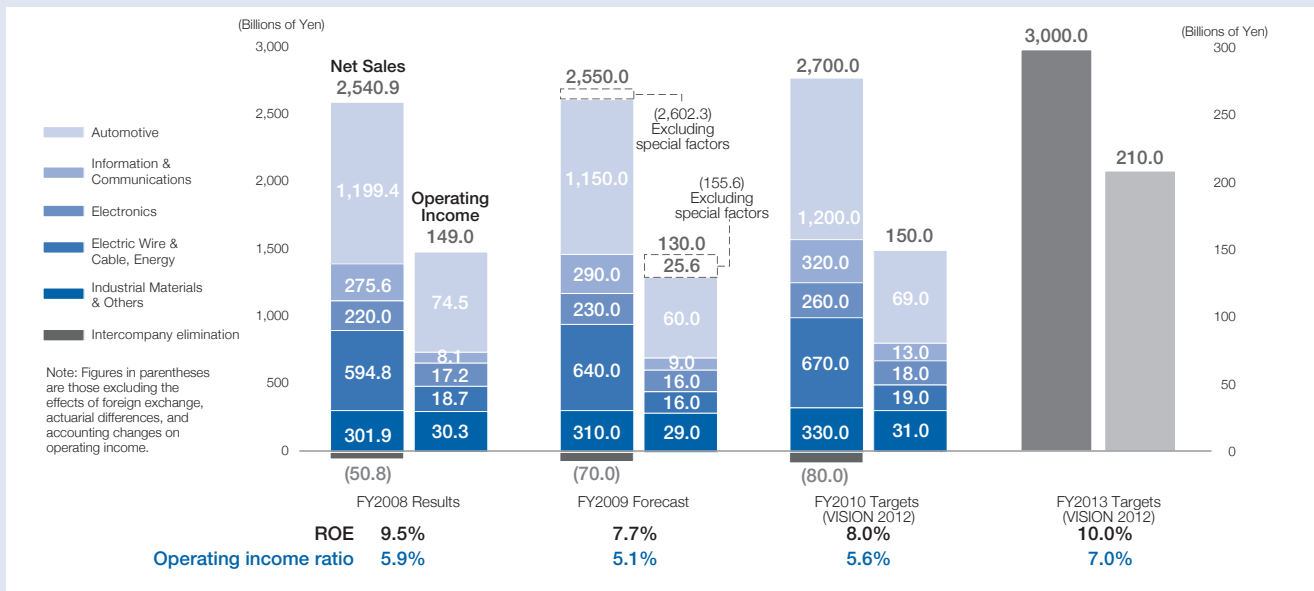
capital and financial strategies, we indeed need to raise our profile in expanding overseas markets. We recognize the need to strengthen our financial position and make it resistant to a higher level of risk. With the cash flow generated by business operations, we intend to increase both investment from a long-term perspective and shareholder return. Simultaneously, though, a portion of retained earnings will be used to reduce our interest-bearing debt balance. Through such moves, we aim to strengthen our financial position.

The third theme is the optimization of Group management worldwide. Decision-making with regard to daily business operations and management is handled primarily by the individual business segments, such as the Automotive segment or the Electronics segment. With an eye toward optimizing management of the Sumitomo Electric Group as a whole, we will work to strengthen our control of overall Group activities, with the key priority of creating a more

Dividend Amount and Dividend Payout Ratio



Overview of FY 2009 Forecast and FY2013 Targets



solid profit structure. As a short-term measure, we are focusing on reorganizing our subsidiaries and operating bases, and making our proprietary technology available to all Group members worldwide. Long-term measures include the cultivation of staff capable of carrying out the Company's strategies from a global perspective, putting greater priority on the establishment of a global corporate brand. In this way, we intend to further strengthen the Company's business structure by improving our asset portfolio and developing more highly qualified human resources.

In line with these core policies, each segment will be responsible for the formulation and implementation of growth strategies.

Q.3 What is the outlook for fiscal 2009, as the first year of VISION 2012?

A.3 The outlook of the global economy remains uncertain amid growing concern over an inflationary trend in the U.S. economy arising from the protracted subprime mortgage loan crisis. In Europe and Asia, thanks to the strong demand from the newly emerging economies, the impact is expected to be limited. However, there are concerns regarding the repercussions of a sluggish U.S. economy. Japan's economy is also expected to decelerate, given the yen's recent appreciation, high oil prices and soaring material costs.

Against the backdrop of this challenging operating environment, we will draw up various strategies in line with the aforementioned core policies, and work to implement them steadily.

Our forecast for the current term is sales of

¥2,550 billion, operating income of ¥130 billion, ordinary profit of ¥150 billion, and net income of ¥78 billion on a consolidated basis. Sales will remain on par with the previous year's level, and declines are expected in both operating income and ordinary profit. Excluding one-time factors, however, we forecast a year-on-year increase both for revenues and earnings on a real-term basis. Extraordinary one-time factors include an increased actuarial loss under pension accounts resulting from the drop in stock prices, and the impact of changes in depreciation method to include a shortened depreciation period. The impact of the stronger yen is also a contributing factor.

Q.4 Please discuss the role of R&D and plant and equipment investment in VISION 2012

A.4 To ensure the growth of our diversified corporate group as a whole, it will also be crucial to develop new products in areas unrelated to existing operations. We are already conducting basic research looking ahead ten or twenty years into the future. In our VISION 2012 management plan, we have set an R&D target for the proportion of sales of new products to total sales by the Group of 30% by fiscal 2013. To achieve this goal, we must therefore fully leverage the core proprietary technologies of the existing five business segments and expand into new business fields. Three main development themes targeted for the cultivation of new core businesses are the environment and resource conservation,

life sciences, and reliable and safe ubiquitous networks. Our R&D will continue to be based on an accurate grasp of customer needs, enabling the Group to sustain its growth indefinitely into the future.

Under VISION 2012, we intend to invest ¥1 trillion over the next five years, to be split between plant and equipment investment and R&D. We plan to spend a total of ¥600 billion on plant and equipment. Basically, we will focus investment in our core businesses, and aggressively pursue overseas investment to raise our global presence. As for R&D expenses, we intend to invest a total of ¥400 billion. With regard to our existing businesses, we will place a priority on the development of innovative materials and the achievement of product modularization to raise our competitiveness. As mentioned above, we will also undertake product development with the aim of creating new core businesses, and will make aggressive efforts to expand into new business fields under VISION 2012.



Growth strategy according to five business segments

Automotive

- Capture a 25% share of global wiring harness market.
- Streamline operations and reduce overall costs.
- Develop new products and technologies (small-size & lightweight, environment-conscious, networking, etc.).

Information & Communications

- Enhance price competitiveness and reduce costs.
- Capture overseas demands for FTTH-related products and expand the business globally (in the U.S., Europe, China and other Asian countries).
- Increase market share for photonic products by achieving enhancement in terms of product quality, cost, delivery and development.
- Develop networking equipment for NGN and expand product range from broadband access products (e.g. GE-PON equipment) to application service equipment and home network appliances.

Electronics

- Focus on products in growth business areas (mobile phones, liquid crystal displays, next-generation optical disc players, etc.) and expand their sales.
- Strengthen global sales and production structure.
- Increase sales of high value-added products and reduce costs for mainstay products.
- Develop new technologies and launch new products.

Electric Wire & Cable, Energy

- Further pursue structural reform in growth areas and accelerate cost reduction.
- Capture active demands in overseas markets such as China and other Asian countries and the Middle East.
- Develop more products for the automobile and electronics industries.
- Explore new business opportunities in the fields of energy/resource conservation and environmental protection.

Industrial Materials & Others

- Accelerate global business growth.
- Strengthen core technologies (material and product development, processing, etc.) and pursue uniqueness.
- Develop more products for the automobile and electronics industries.
- Secure stable supply of raw materials such as tungsten.

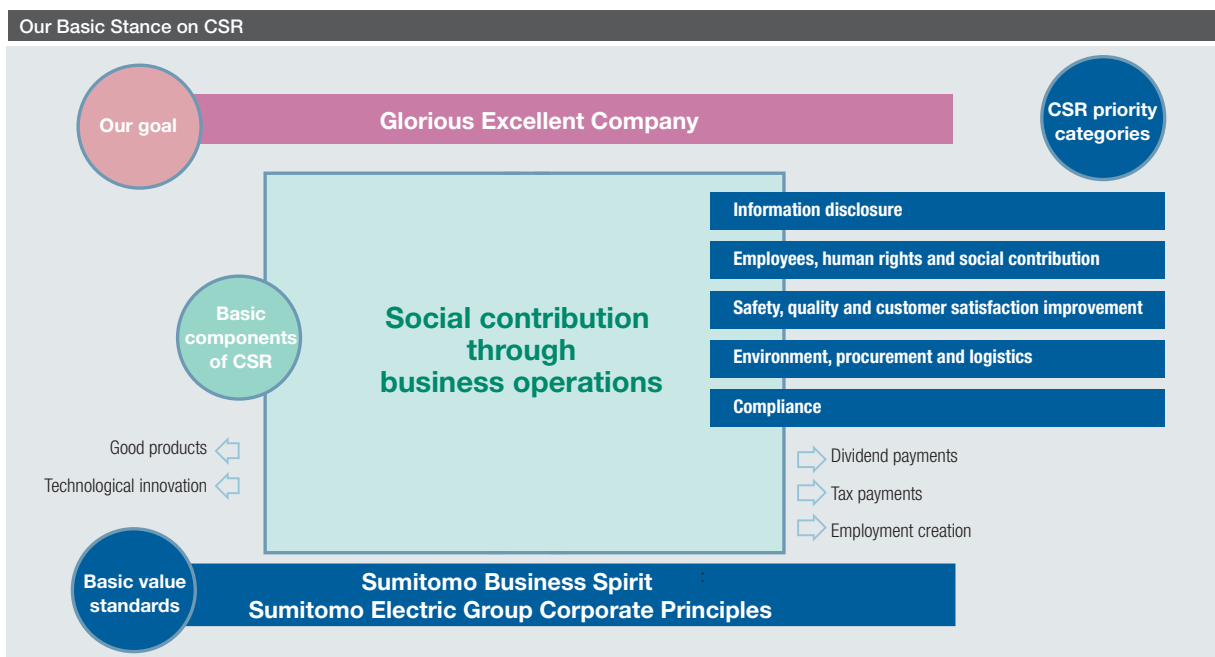
We vigorously conduct CSR activities by addressing priority issues while sharing a clear vision.

Sumitomo Electric Group CSR Basic Policy

The Sumitomo Business Spirit, which gives top priority to social credibility and corporate ethics, is deeply instilled into the Sumitomo Electric Group.

The Sumitomo Business Spirit, as well as the Sumitomo Electric Group Corporate Principles, established on the occasion of Sumitomo Electric's centennial celebration (1997), both serve 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 these Spirit and Principles.

Moreover, we have established our five CSR priority categories, which are indispensable in conducting business operations. These are: compliance; environment, procurement and logistics; safety, quality and customer satisfaction improvement; employees, human rights and social contribution; and information disclosure. We believe that each Sumitomo Electric department and the Sumitomo Electric Group companies should autonomously address and achieve individual CSR challenges and goals in the above categories, while establishing favorable relations with local communities. In so doing, we will 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.



Our CSR Activities

Sumitomo Electric Group places top management priority on measures to help prevent environmental degradation on a global scale. Accordingly, in our companywide Action Eco-21 campaign, we have set down targets for the reduction of greenhouse gas emissions, and for helping conserve natural resources through the increased use of recycling and other methods. With effect from 2008 we commenced our Eco-Life action plan, under which we aim to reduce emissions of greenhouse gases at our employees' homes through the adoption of the Household Eco-Account Book program.

We are also providing support to our employees in achieving a good work-life balance. In 2007 we expanded our child-care systems and extended the periods of child-care leave and shorter working hours. In April 2008 a day-care center was opened at our Yokohama Works and Osaka Works for our employees' children, and we adopted a rehiring system for former employees who had left us to take care of their family members. These initiatives are part of our ongoing program for the creation of a productive and employee-friendly workplace.

In 2007 we drew up the Sumitomo Electric Group Basic Policies on Social Contributions, which sets out our aim of becoming a Glorious Excellent Company, and we are continuing to make proactive social contributions consistent with this goal.

Sumitomo Electric Group CSR Report 2007

For further details of the Group's CSR activities, please access our website at:

http://www.sei.co.jp/csr_e/

The 2008 edition of the CSR Report is scheduled for publication in October.

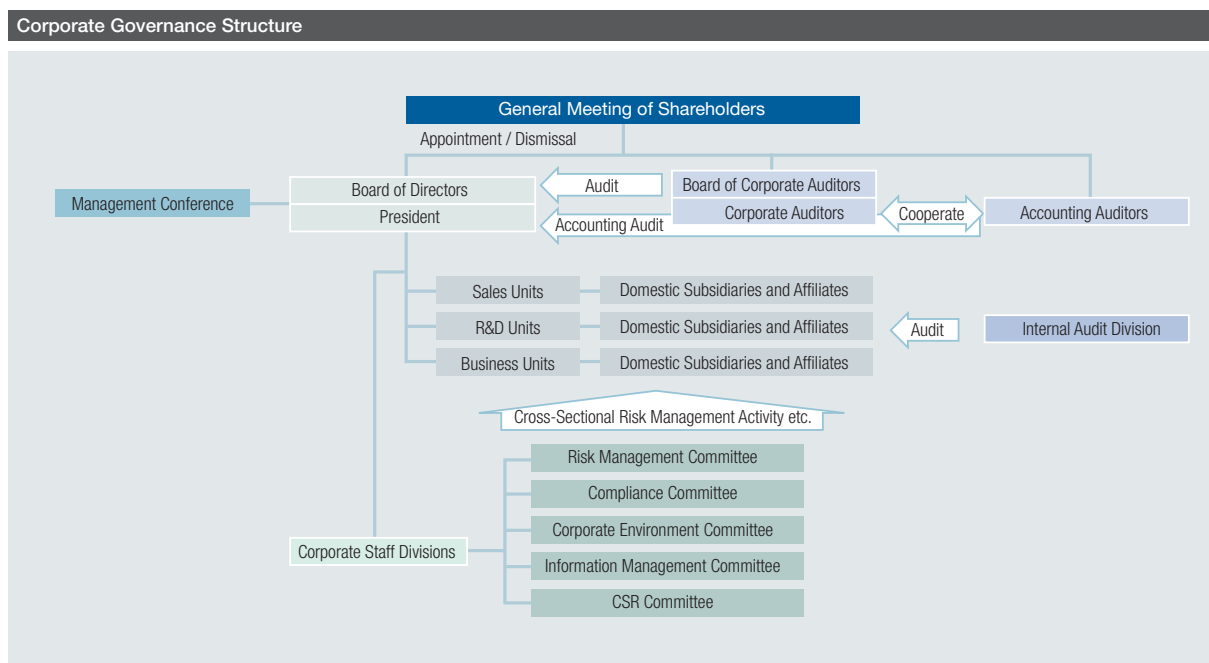


Corporate Governance

Our Basic Philosophy on Corporate Governance

In line with the Sumitomo Business Spirit and the Sumitomo Electric Group Corporate Principles, we are committed to making a positive contribution to society through the pursuit of ethical business activities. In order to continue adhering to these basic principles while developing our businesses and raising enterprise value, we are working to improve overall management efficiency and speed, and to ensure the legality and appropriateness of our business decisions and activities. We will further strengthen our management oversight system to increase monitoring capabilities and enhance the remedial function. In June 2003 Sumitomo Electric adopted an Executive Officer System along with a Business Unit System. The implementation of these systems has enabled the Board of Directors to realize faster decision-making thanks to the smaller number of Board members, has improved its supervisory functions, and has clarified the scope of authority and responsibilities of individual business units, thereby helping create a flexible system of business execution.

The Executive Officers have been selected not only from among the business executives of Sumitomo Electric, but also from among the business managers of Sumitomo Electric Group companies, so as to reinforce group administration. Initiatives to be implemented by the Group as a whole, such as those involving common corporate principles, compliance management, and risk management, are overseen from a Groupwide perspective by Sumitomo Electric's Corporate Staff Group and also by the administrative departments of the business units responsible for the administration of Group member companies.



Compliance

We believe that complying with laws and regulations and maintaining corporate ethics comprise the backbone of our management; these matters are our social duties as a corporation, and form the absolute basis for the Company's continued existence and development. In recognition of this, we have developed the compliance system.

Compliance Committee

Sumitomo Electric has established the Compliance Committee, chaired by the President, as an organization that promotes measures necessary to develop and further strengthen the compliance system. The Committee engages in various activities, including preparing and distributing the Sumitomo Electric Employee Compliance Manual, and organizing compliance training programs. In addition, the Committee identifies and analyzes group-wide compliance risks and monitors the compliance activities implemented by each department and division. For group companies in Japan and overseas, Sumitomo Electric also provides support in establishing their own compliance systems, based on the outcome of the Company's compliance initiatives.

Initiatives to Disseminate Compliance Awareness

Our philosophies and code of conduct, stipulated in the Sumitomo Business Spirit, the Sumitomo Electric Group Corporate Principles and the Sumitomo Electric Group Charter of Corporate Behavior, form the basis of the Sumitomo Electric Group's compliance system. We are working to disseminate compliance awareness by various means, by for example holding a variety of training programs and citing comments made and actions taken by top management.

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 as of the end of the fiscal period under review.

Political and economic situations, demand fluctuation

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 America, the rest of Asia and Europe. 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 consumer spending 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 marketing 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 which 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 or acts of terrorism, etc.

Natural disasters

Having sustained significant damage mainly at its Itami Works in the Great Hanshin-Awaji Earthquake of 1995, the Group has earthquake and other disaster measures

in place. However, the Group may suffer significant earthquake damage as some of its manufacturing facilities are located in the areas most likely be affected if earthquakes were to hit the Tokai and Tonankai/Nankai regions.

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, 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 in 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, the euro and other currencies.

The Group carries out its manufacturing and marketing activities in countries all over the world (overseas sales accounted for 40.6% of net sales in the reporting period). 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 can adversely affect its business performance and the financial position of the Group.

Raw materials procurement

The Group produces a large number of items that use copper as main component, including electrical cables. 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 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.

Valuation losses on securities held for business purposes

The Group holds shares in its trading partners with the purpose of ensuring stable supplies of raw materials and resilient business relations with customers. Because 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 the Group 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 manufacturer-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



Toshihide Kimura
Senior Managing Director



Hiroyuki Takenaka
Senior Managing Director



Akira Nishimura
Managing Director



Atsushi Yano
Managing Director



Yuji Hamasaki
Managing Director



Shigeru Tanaka
Managing Director



Katsuhide Kurasaka
Managing Director



Shigeru Noda
Managing Director



Hideaki Obata
Managing Director



Osamu Inoue
Managing Director



Hideaki Inayama
Managing Director



Kazuo Hiramatsu
Director (Outside Director)

President and CEO

Masayoshi Matsumoto

Senior Managing Directors

Toshihide Kimura
Hiroyuki Takenaka

Managing Directors

Akira Nishimura
Atsushi Yano
Yuji Hamasaki
Shigeru Tanaka
Katsuhide Kurasaka
Shigeru Noda
Hideaki Obata
Osamu Inoue
Hideaki Inayama

Director (Outside Director)

Kazuo Hiramatsu

Corporate Auditors

Shintaro Mitake
Yoshio Ebihara
Takashi Kakimi
Ichiro Kobayashi
Mitsuhiro Ishibashi

Managing Executive Officers

Mitsuo Nishida
Shousuke Hongo
Osamu Hashimoto
Hideyuki Shigi
Hirokazu Sugawara
Masato Isobe
Yuzo Tokumaru
Akito Kubo
Kazuyoshi Hasegawa
Seizo Takamuku

Executive Officers

Haruo Saen
Masamichi Yokogawa
Hisashi Takada
Fumiyoshi Kawai
Yasuyoshi Saegusa
Masahiro Shibata
Hisato Shinguu
Yoshihiro Minato
Makoto Tani

(As of June 2008)

Financial Section 2008

Five-Year Financial Data and Indexes

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the five years in the period ended March 31, 2008

	Millions of yen					Thousands of U.S. dollars
	2008	2007	2006	2005	2004	2008
For the Year:						
Net sales	¥2,540,858	¥2,384,395	¥2,007,134	¥1,740,198	¥1,542,402	\$25,360,395
Cost of sales	2,102,375	1,979,737	1,645,805	1,426,241	1,271,741	20,983,880
Selling, general and administrative expenses...	289,487	275,913	255,834	232,528	222,458	2,889,381
Operating income	148,996	128,745	105,495	81,429	48,203	1,487,134
Income before income taxes and minority interests.....	166,612	144,550	108,279	90,130	66,254	1,662,960
Net income	87,804	76,029	58,346	36,540	25,635	876,375
Capital expenditures	134,421	128,568	132,707	108,988	92,542	1,341,661
Depreciation and amortization	106,892	99,802	87,151	80,005	82,519	1,066,893
R&D expenses.....	72,271	68,373	64,427	56,480	55,276	721,339
At Year-End:						
Total assets	2,194,882	2,126,405	1,991,048	1,735,814	1,700,764	21,907,196
Working capital.....	387,088	386,791	339,271	354,241	334,692	3,863,539
Total interest-bearing liabilities.....	415,473	456,399	452,808	414,655	426,172	4,146,851
Total net assets*	1,128,235	1,052,989	811,121	690,872	655,553	11,260,954
				Yen		U.S. dollars
Per Share Data:						
Net income:						
Basic	¥ 112.74	¥ 100.22	¥ 76.43	¥ 48.01	¥ 34.29	\$ 1.125
Diluted	107.71	95.40	72.72	46.04	32.88	1.075
Cash dividends.....	20.00	17.00	13.00	10.00	8.00	0.200
Shareholders' equity per share	1,226.56	1,170.54	1,068.73	911.24	888.06	12.242
Weighted average number of shares outstanding (in thousands).....	778,785	758,606	757,929	752,764	737,836	
Number of employees (at year-end)	153,725	133,853	124,650	104,398	87,415	
Financial Indexes:						
R&D expenses / net sales (%).....	2.8	2.9	3.2	3.2	3.6	
Net income / net sales (%).....	3.5	3.2	2.9	2.1	1.7	
Return on equity (%).....	9.5	8.9	7.8	5.4	4.0	
Current ratio (Times)	1.5	1.6	1.6	1.7	1.7	
Shareholders' equity ratio (%)	44.1	41.8	40.7	39.8	38.5	
Total assets turnover (Times)	1.2	1.2	1.1	1.0	0.9	
Inventory turnover (Times).....	8.7	9.5	9.2	8.7	7.8	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥100.19 to U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2008.

*See Note 8.

Management's Discussion and Analysis

Results of Operations

In fiscal 2008, ended March 31, 2008, the Japanese economy continued to grow gradually over the year due to the expansion of exports and capital investments in the private sector, in spite of adverse factors such as yen's appreciation against other currencies, the decline of prices at stock markets and continuing high prices of crude oil at the end of the year. As for the world economy, in the United States, there appeared strong concern of economic downturn due to the spreading effect of subprime loan crisis on real business at the end of the year. On the other hand, in Europe and newly developing countries, most notably China, the economies continued to show steady growth around the year.

As for the Sumitomo Electric Group's business environment, demand overall maintained favorable growth in spite of the decline of product prices as a result of intensifying international competition and the unfavorable effect of the raw material prices remaining higher than ever.

In this business environment, the Group worked to effect improvements in its structure. The Group has also continued to minimize costs, improve its quality level, develop new products, and innovate technologies to meet the intensifying domestic and international competition and the change of market demand.

As a result, in the reporting period (the fiscal year ended March 2008) net sales increased 6.6% year-on-year, to ¥2,540.9 billion; operating income rose 15.7%, to ¥149.0 billion; and net income was up by 15.5%, at ¥87.8 billion. All these figures were the highest ever recorded.

Business Segment Information

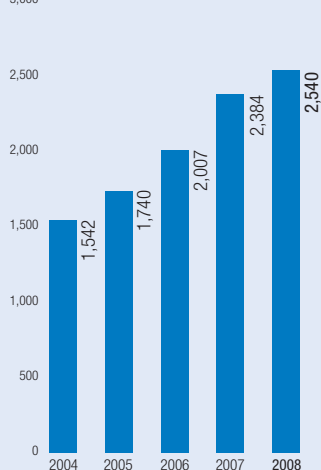
In the Automotive segment, in spite of a decrease in sales by the transfer of automotive brake business, sales for the reporting period rose 9.4% year-on-year, to ¥1,199.4 billion, and operating income increased 28.4% to ¥74.5 billion reflecting the expanded sales of wiring harnesses due to the strong sales in the global automotive market. Sales of anti-vibration rubber products also rose due to an increase in demand and the expansion of production in North America and China. The operating income margin rose 0.9 of a percentage point, to 6.2%.

In the Information & Communications segment, despite an increase in demand for optical devices, sales decreased 17.3% to ¥275.6 billion and operating income fell 35.4% to ¥8.1 billion in the reporting period, due to a decrease in demand for access network equipment and a decrease in sales as a result of sales of shares of NETMARKS, Inc. and its exclusion from consolidation. The operating income margin was down by 0.8 of a percentage point from the previous year at 3.0%.

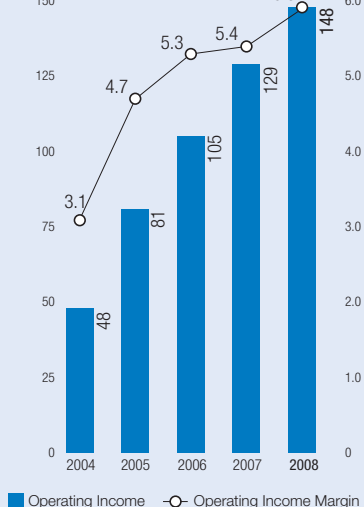
In the Electronics segment, sales fell 1.4% to ¥220.0 billion and operating income decreased 14.0% to ¥17.2 billion, due to a decline in sales prices and a decrease in demand for ultra-thin coaxial cables and compound semiconductors despite an increase in demand for FPCs used for mobile phones. The operating income margin was down by 1.1 percentage points, at 7.8%.

In the Electric Wire & Cable, Energy segment, sales rose 18.5% to ¥594.8 billion, and operating income increased by ¥6.8 billion to ¥18.7 billion, due to higher sales prices caused

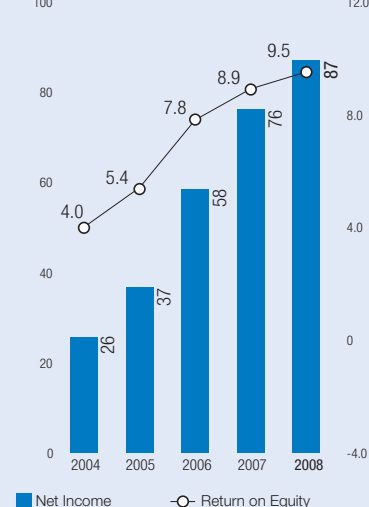
Net Sales
(Billions of yen)



Operating Income and Operating Income Margin
(Billions of yen) (%)



Net Income and Return on Equity
(Billions of yen) (%)



by the soaring prices of copper and the result of the inclusion of Nissin Electric Co., Ltd. in consolidation effective the second half of the year. The operating income margin rose 0.7 of a percentage point to 3.1%.

In the Industrial Materials & Others segment, sales were up 2.2% at ¥301.9 billion and operating income rose 16.2% to ¥30.3 billion, due to an increase in demand for special steel wires, hard materials and sintered parts. The operating income margin rose 1.2 percentage points to 10.0%.

Performance by Geographical Segment

In Japan, sales rose 4.0% year-on-year, to ¥1,884.2 billion, and operating income increased 3.7% to ¥93.0 billion, due to the steady demands. The operating income margin fell 0.1 of a percentage point to 4.9%.

In the Americas, sales rose 6.1% to ¥341.3 billion and operating income was up 20.8% to ¥13.3 billion. The operating income margin rose 0.5 of a percentage point to 3.9%.

In Asia, sales and operating income increased by 19.6% to ¥567.1 billion, and by 54.7% to ¥33.1 billion, respectively. The operating income margin was up by 1.3 percentage points at 5.8%.

In Europe and other regions, sales posted year-on-year growth of 17.5% to reach ¥265.6 billion. Operating income came to ¥9.4 billion, up 49.0% from the previous year, and the operating income margin rose 0.8 of a percentage point to 3.6%. The presentation of the other regions than Japan, Americas and Asia has been changed from “Others” to “Europe and Others” reflecting an increase of sales in Europe.

Overseas Sales

Overseas sales increased 14.6% to ¥1,032.2 billion, and the ratio to net sales rose 2.8 percentage points to 40.6%. Sales in the Americas amounted to ¥332.2 billion, or 13.1% of net sales; sales in Asia totaled ¥416.8 billion, or 16.4% of net sales; and sales in Europe and other regions came to ¥283.2 billion, or 11.1% of net sales. The presentation of the other regions than Japan, Americas and Asia has been changed from “Others” to “Europe and Others” reflecting an increase of sales in Europe.

Cash Flows

The term-end balance of cash and cash equivalents increased by ¥21.3 billion, or 16.3%, compared with the previous term-end, to stand at ¥151.8 billion.

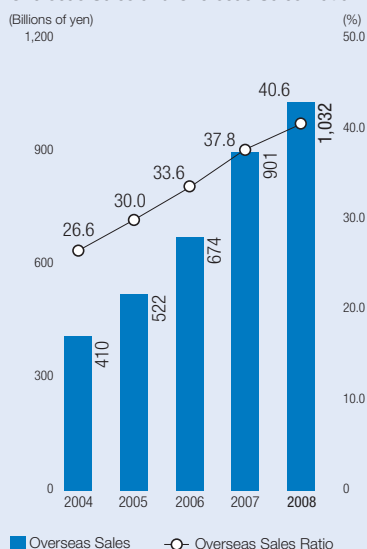
Net cash provided by operating activities increased ¥73.6 billion to ¥204.6 billion. This is primarily attributable to ¥166.6 billion in income before income taxes and minority interests.

Net cash used in investing activities decreased by ¥4.8 billion to ¥126.4 billion. Expenditures for purchase of property, plant and equipment decreased to ¥120.5 billion (down ¥0.9 billion year-on-year).

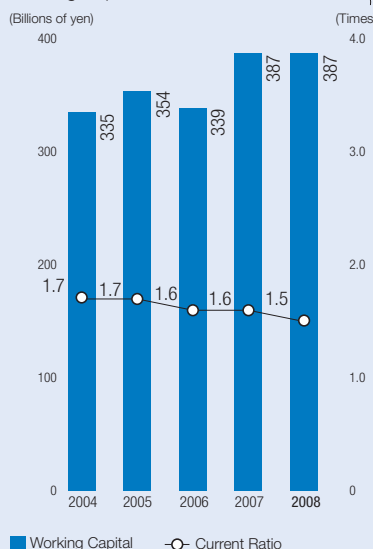
Free cash flow, cash flows provided from operating activities and investing activities (combined), posted a positive figure in the amount of ¥78.2 billion. This constituted a considerable improvement from the negative figure of ¥196 million for the previous term.

Net cash used in financing activities came to ¥56.0 billion, compared with ¥16.6 billion provided by financing activities in the previous year. This is primarily attributable to repayment of debt and payment of dividend.

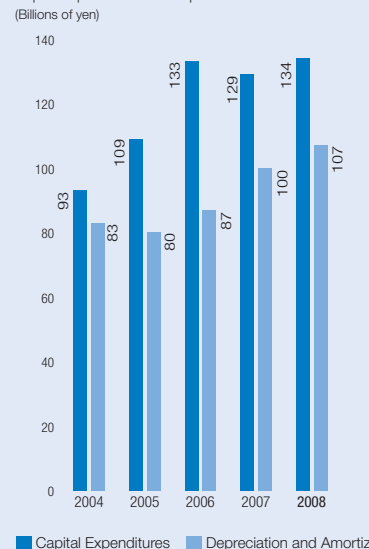
Overseas Sales and Overseas Sales Ratio



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, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
ASSETS			
Current Assets:			
Cash and time deposits (Note 3)	¥ 137,948	¥ 109,941	\$ 1,376,864
Securities (Note 4)	15,001	20,600	149,725
Receivables (Note 10):			
Trade notes and accounts	580,487	547,295	5,793,862
Other	33,835	31,583	337,708
Allowance for doubtful receivables	(2,927)	(4,232)	(29,214)
	611,395	574,646	6,102,356
Inventories (Note 6)	311,983	271,234	3,113,913
Deferred income taxes (Note 11)	35,699	34,048	356,313
Other current assets	21,792	22,230	217,507
Total current assets	1,133,818	1,032,699	11,316,678
Property, Plant and Equipment (Note 7):			
Land	83,228	69,107	830,702
Buildings and structures	441,289	410,941	4,404,521
Machinery and equipment	1,097,714	1,049,419	10,956,323
Construction in progress	19,383	13,998	193,462
	1,641,614	1,543,465	16,385,008
Accumulated depreciation	(1,071,230)	(1,001,412)	(10,691,985)
Net property, plant and equipment	570,384	542,053	5,693,023
Investments and Other Assets:			
Investments in and loans to unconsolidated subsidiaries and affiliates	186,352	182,879	1,859,986
Investment securities (Notes 4 and 7)	210,630	285,092	2,102,306
Deferred income taxes (Note 11)	17,257	16,390	172,243
Other	76,441	67,292	762,960
Total investments and other assets	490,680	551,653	4,897,495
Total assets	¥2,194,882	¥2,126,405	\$21,907,196

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
LIABILITIES			
Current Liabilities:			
Short-term borrowings (Note 7).....	¥ 133,041	¥ 137,682	\$ 1,327,887
Current portion of long-term debt (Note 7)	87,723	29,669	875,566
Notes and accounts payable:			
Trade (Note 10).....	336,847	301,440	3,362,082
Construction.....	28,650	30,405	285,957
Accrued expenses	84,548	77,378	843,877
Accrued income taxes	23,421	21,546	233,766
Other current liabilities (Note 11).....	52,500	47,788	524,004
Total current liabilities	746,730	645,908	7,453,139
Long-Term Liabilities:			
Long-term debt (Note 7)	194,709	289,048	1,943,397
Accrued pension and severance costs (Note 12).....	27,115	23,381	270,636
Deferred income taxes (Note 11).....	80,220	98,015	800,679
Other long-term liabilities.....	17,873	17,064	178,391
Total long-term liabilities	319,917	427,508	3,193,103
Total liabilities	1,066,647	1,073,416	10,646,242
Contingent Liabilities (Note 13)			
NET ASSETS (Note 8)			
Shareholders' Equity:			
Common stock;			
Authorized—3,000,000 thousand shares in 2008 and 2007			
Issued—789,502 thousand shares in 2008			
759,293 thousand shares in 2007	96,914	96,784	967,302
Capital surplus	168,197	117,491	1,678,780
Retained earnings	616,834	543,451	6,156,642
Treasury stock, at cost; 684 thousand shares in 2008 and			
679 thousand shares in 2007	(600)	(591)	(5,988)
Total shareholders' equity.....	881,345	757,135	8,796,736
Valuation and Translation Adjustments:			
Net unrealized holding gains on available-for-sale securities	70,408	117,178	702,745
Deferred gains and losses on hedges.....	(237)	243	(2,365)
Land revaluation.....	(1,422)	(1,422)	(14,193)
Foreign currency translation adjustments	17,435	14,854	174,019
Total valuation and translation adjustments	86,184	130,853	860,206
Share Warrants	31	24	309
Minority Interests	160,675	164,977	1,603,703
Total net assets.....	1,128,235	1,052,989	11,260,954
Total liabilities and net assets	¥2,194,882	¥2,126,405	\$21,907,196

Consolidated Statements of Income

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Net Sales (Note 10)	¥2,540,858	¥2,384,395	\$25,360,395
Cost of Sales (Note 10).....	2,102,375	1,979,737	20,983,880
Gross profit	438,483	404,658	4,376,515
Selling, General and Administrative Expenses	289,487	275,913	2,889,381
Operating income	148,996	128,745	1,487,134
Other Income (Expenses):			
Interest and dividend income	7,386	5,673	73,720
Interest expense	(9,856)	(9,198)	(98,373)
Equity in net income	19,765	19,714	197,275
Gain on sales of securities, net (Note 4).....	722	2,762	7,206
Gain on sales of property, plant and equipment.....	379	3,973	3,783
Gain on business transfers (Note 17).....	9,601	—	95,828
Loss on disposal of property, plant and equipment	(3,750)	(3,694)	(37,429)
Impairment losses of fixed assets (Note 15).....	(10,439)	(5,486)	(104,192)
Restructuring expenses for R&D (Notes 15 and 16).....	—	(2,105)	—
Other, net.....	3,808	4,166	38,008
	17,616	15,805	175,826
Income before Income Taxes and Minority Interests	166,612	144,550	1,662,960
Income Taxes (Note 11):			
Current	45,374	39,052	452,880
Deferred.....	13,488	16,289	134,624
	58,862	55,341	587,504
Minority Interests	(19,946)	(13,180)	(199,081)
Net Income	¥ 87,804	¥ 76,029	\$ 876,375
		Yen	U.S. dollars (Note 1)
Per Share of Common Stock (Note 9):			
Net income (basic)	¥112.74	¥100.22	\$1.125
Net income (diluted)	107.71	95.40	1.075
Cash dividends	20.00	17.00	0.200

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, 2008 and 2007

	Millions of yen											
	Shareholders' Equity				Valuation and Translation Adjustments							Total net assets
	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		
Balance at March 31, 2007	¥96,784	¥117,491	¥543,451	¥(591)	¥117,178	¥243	¥(1,422)	¥14,854	¥24	¥164,977	¥1,052,989	
Conversions of convertible bonds...	130	130									260	
Share exchange.....		50,285		(977)							49,308	
Disposal of treasury stock.....		291		992							1,283	
Cash dividends.....			(15,477)								(15,477)	
Net income for the year.....			87,804								87,804	
Effect arising from net increase in number of subsidiaries and affiliates for consolidation			153								153	
Purchases of treasury stock.....				(24)							(24)	
Other.....			903		(46,770)	(480)		2,581	7	(4,302)	(48,061)	
Balance at March 31, 2008	¥96,914	¥168,197	¥616,834	¥(600)	¥ 70,408	¥(237)	¥(1,422)	¥17,435	¥31	¥160,675	¥1,128,235	

	Millions of yen											
	Shareholders' Equity				Valuation and Translation Adjustments							Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Deferred gains on hedges	Land revaluation	Foreign currency translation adjustments	Share warrants	Minority interests		
Balance at March 31, 2006	¥96,774	¥117,474	¥480,281	¥(611)	¥116,926	¥ —	¥(1,411)	¥ 1,688	¥—	¥158,271	¥ 969,392	
Conversions of convertible bonds...	10	10									20	
Disposal of treasury stock.....		7		37							44	
Cash dividends.....			(10,621)								(10,621)	
Bonuses to directors.....			(455)								(455)	
Net income for the year.....			76,029								76,029	
Effect arising from net increase in number of consolidated subsidiaries			(608)								(608)	
Reversal of land revaluations.....			16				(16)				—	
Purchases of treasury stock.....				(17)							(17)	
Other.....			(1,191)		252	243	5	13,166	24	6,706	19,205	
Balance at March 31, 2007	¥96,784	¥117,491	¥543,451	¥(591)	¥117,178	¥243	¥(1,422)	¥14,854	¥24	¥164,977	¥1,052,989	

	Thousands of U.S. dollars (Note 1)											
	Shareholders' Equity				Valuation and Translation Adjustments							Total net assets
	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		
Balance at March 31, 2007	\$966,005	\$1,172,682	\$5,424,204	\$(5,899)	\$1,169,558	\$2,425	\$(14,193)	\$148,258	\$240	\$1,646,641	\$10,509,921	
Conversions of convertible bonds...	1,297	1,298									2,595	
Share exchange.....		501,896		(9,750)							492,146	
Disposal of treasury stock.....		2,904		9,901							12,805	
Cash dividends.....			(154,476)								(154,476)	
Net income for the year.....			876,375								876,375	
Effect arising from net increase in number of subsidiaries and affiliates for consolidation			1,527								1,527	
Purchases of treasury stock.....				(240)							(240)	
Other.....			9,012		(466,813)	(4,790)		25,761	69	(42,938)	(479,699)	
Balance at March 31, 2008	\$967,302	\$1,678,780	\$6,156,642	\$(5,988)	\$ 702,745	\$(2,365)	\$(14,193)	\$174,019	\$309	\$1,603,703	\$11,260,954	

The accompanying notes to consolidated financial statements are an integral part of these statements (see Note 8).

Consolidated Statements of Cash Flows

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥166,612	¥144,550	\$1,662,960
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	106,682	99,530	1,064,797
Impairment losses of fixed assets	10,439	5,890	104,192
Interest and dividend income	(7,386)	(5,673)	(73,720)
Interest expense	9,856	9,198	98,373
Equity in net income	(19,765)	(19,714)	(197,275)
Gain on sales of property, plant and equipment	(379)	(3,973)	(3,783)
Gain on sales of securities, net	(722)	(2,762)	(7,206)
Gain on business transfers	(9,601)	—	(95,828)
Decrease in accrued pension and severance costs	(7,348)	(5,525)	(73,341)
Loss on disposal of property, plant and equipment	3,750	3,694	37,429
Increase in trade notes and accounts receivable.....	(11,467)	(55,252)	(114,452)
Increase in inventories	(19,897)	(31,277)	(198,592)
Increase in trade notes and accounts payable	15,021	20,654	149,925
Other, net	10,959	6,157	109,382
Subtotal	246,754	165,497	2,462,861
Interest and dividend received	11,476	12,783	114,543
Interest paid	(9,828)	(8,614)	(98,094)
Income taxes paid	(43,790)	(38,669)	(437,070)
Net cash provided by operating activities	204,612	130,997	2,042,240
Cash Flows from Investing Activities:			
Expenditures for purchase of property, plant and equipment.....	(120,524)	(121,376)	(1,202,954)
Proceeds from sales of property, plant and equipment	2,969	10,756	29,633
Expenditures for purchase of securities.....	(12,492)	(17,927)	(124,683)
Proceeds from sales and redemption of securities	1,051	3,962	10,490
Proceeds from business transfer	18,883	—	188,472
Expenditures for acquisition of shares of newly consolidated subsidiaries	(11,833)	—	(118,106)
Other, net	(4,468)	(6,608)	(44,595)
Net cash used in investing activities	(126,414)	(131,193)	(1,261,743)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term borrowings	(11,394)	44,421	(113,724)
Proceeds from long-term debt.....	2,100	29,647	20,960
Repayment of long-term debt.....	(29,969)	(76,794)	(299,121)
Proceeds from issuance of stock to minority shareholders.....	98	15	978
Sale of treasury stock	1,635	44	16,319
Purchase of treasury stock	(21)	(16)	(210)
Cash dividends paid	(15,477)	(10,621)	(154,476)
Cash dividends paid to minority shareholders	(2,908)	(3,236)	(29,025)
Other, net	(10)	(9)	(100)
Net cash used in financing activities	(55,946)	(16,549)	(558,399)
Effect of Exchange Rate Changes on Cash and Cash Equivalents ...	(3,480)	1,027	(34,734)
Net Increase (Decrease) in Cash and Cash Equivalents.....	18,772	(15,718)	187,364
Cash and Cash Equivalents at Beginning of Year	130,521	144,614	1,302,735
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	2,920	1,625	29,145
Cash and Cash Equivalents of Deconsolidated Subsidiaries	(435)	—	(4,342)
Cash and Cash Equivalents at End of Year (Note 3).....	¥151,778	¥130,521	\$1,514,902

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, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Electric Industries, Ltd. (the “Company”) and its consolidated domestic 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, which took effect on September 30, 2007 replacing the Japanese Securities and Exchange Law, 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 consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. 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, 2008, which was ¥100.19 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.

The balance sheet date of one domestic and all foreign consolidated subsidiaries except one is December 31 in fiscal 2008, whereas that of two domestic and all foreign consolidated subsidiaries was December 31 in fiscal 2007. Any significant differences in intercompany accounts and transactions during the period from the day after the consolidated subsidiaries’ balance sheet dates through March 31 have been adjusted, if necessary.

b) Translation of Foreign Currencies

All assets, liabilities, revenues and expenses of overseas subsidiaries and affiliates are translated into Japanese yen at the current exchange rate of the respective fiscal year end, and shareholders’ equity 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 a quoted market value are stated at the fair market 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 a quoted market value 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 and loans to unconsolidated subsidiaries and affiliates and investment securities.

In fiscal 2008, in accordance with the practical guidance for

accounting standard for financial instruments (the Accounting Committee Report No. 14 issued by the JICPA amended on July 4, 2007), the Company and its domestic consolidated subsidiaries have changed the account used for the presentation of negotiable certificates of deposit from “Cash and time deposits” to “Securities”.

Certain prior year amounts have been reclassified to conform to the current year presentation.

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 borrowings, interest rate swap contracts hedging interest on borrowings 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 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 interest rate swap contract is used as hedges and meet 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

Finished goods and work in process are stated at average cost. Principal raw materials are stated at the lower of last-in, first-out cost or market. Other raw materials and supplies are stated at moving average cost.

h) Property, Plant and Equipment

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

In fiscal 2008, in accordance with the Japanese Corporate Tax Law (the “Tax Law”) revised in 2007, the Company and its domestic consolidated subsidiaries have adopted the new method of depreciation based on the revised Tax Law for the tangible fixed assets acquired on or after April 1, 2007. Compared with the previous method, the effect of this change was to decrease operating income and income before income taxes and minority interests by ¥2,086 million (US\$20,820 thousand), respectively.

In fiscal 2008, in accordance with the revised Tax Law, for the tangible fixed assets acquired on or before March 31, 2007, the Company and its domestic consolidated subsidiaries have started to depreciate the remaining balance of the assets over a five year period using straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the Tax Law before revision. Compared with the previous method, the effect of this change was to decrease operating income by ¥2,493 million (US\$24,883 thousand) and income before income taxes and minority interests by ¥2,502 million (US\$24,973 thousand).

i) Land Revaluation

Pursuant to the “Law Concerning Land Revaluation”, a domestic consolidated subsidiary revaluated land used in business activities on March 31, 2002. The net unrealized losses in value of the subsidiary’s land, net of related income taxes and minority interests, are recorded as “Land revaluation” in net assets based upon a real estate tax value.

j) Revenue Recognition

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

For significant long-term and large-scale construction contracts, revenue is recorded on the percentage-of-completion

method. The completed-contract method is used for all other contracts. In applying the completed-contract method, during the construction period, accumulated costs of the contracts are included in inventories and advances from customers received on the related contracts are included in other current liabilities.

k) Research and Development

Expenses related to research and development activities are charged to income as incurred and totaled ¥72,271 million (US\$721,339 thousand) and ¥68,373 million for the years ended March 31, 2008 and 2007, respectively.

l) 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 some subsidiaries have prepaid retirement allowance plans. Some overseas subsidiaries have defined benefit plans.

In October 2006, the Company transferred a portion of its lump-sum retirement plan to a defined contribution pension plan and a retirement benefit prepayment plan. As a result of this transfer, a profit of ¥799 million was recognized in other income for the year ended March 31, 2007.

In March 2007, a consolidated subsidiary withdrew a part of assets of its employees' retirement benefit trust. As a result of this withdrawal, a profit of ¥956 million was recognized in other income.

m) 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. Valuation allowances are provided to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

n) Leases

Finance leases which do not transfer ownership or do not have bargain purchase option provisions are accounted for in the same manner as operating leases. Certain foreign subsidiaries account for such leases as purchase and sale transactions.

o) 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.

p) 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.

In fiscal 2007, the Company and its domestic consolidated subsidiaries adopted the Accounting Standard for Directors' Bonus ("ASBJ Statement No. 4" issued by the Accounting Standards Board of Japan on November 29, 2005), and expensed the bonuses to directors for the accounting period in which such bonuses were accrued. The effect of this change was not material on the consolidated statements of income.

q) 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.

r) 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.

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, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and time deposits	¥137,948	¥109,941	\$1,376,864
Securities (excluding held-to-maturity debt securities)	14,000	20,600	139,735
Deposits placed with banks with a maturity of over three months	(170)	(20)	(1,697)
Cash and cash equivalents	¥151,778	¥130,521	\$1,514,902

The following are the significant non-cash transactions in fiscal 2008. Sumitomo Wiring Systems, Ltd., one of the Company's consolidated subsidiaries, became a wholly-owned subsidiary of the Company as a result of share exchange. Consequently, capital surplus increased by ¥50,285 million (US\$501,896 thousand).

In fiscal 2007, the Company and its consolidated subsidiaries did not have any significant non-cash transactions.

4. SECURITIES

The carrying amounts of securities in current assets and investment securities at March 31, 2008 and 2007 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Securities in current assets:			
Available-for-sale securities	¥14,000	¥20,600	\$139,735
Held-to-maturity debt securities	1,001	—	9,990
	¥15,001	¥20,600	\$149,725
Investment securities:			
Available-for-sale securities:			
Marketable securities	¥189,431	¥263,750	\$1,890,718
Non-marketable securities	20,690	19,841	206,508
Held-to-maturity debt securities	509	1,501	5,080
	¥210,630	¥285,092	\$2,102,306

Available-for-sale securities with quoted market values, included in investment securities, at March 31, 2008 and 2007 are as follows:

Millions of yen				
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
2008				
Equity securities	¥41,839	¥150,532	¥(2,940)	¥189,431
Other	—	—	—	—
	¥41,839	¥150,532	¥(2,940)	¥189,431
Millions of yen				
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
2007				
Equity securities	¥37,838	¥227,152	¥(1,240)	¥263,750
Other	—	—	—	—
	¥37,838	¥227,152	¥(1,240)	¥263,750
Thousands of U.S. dollars				
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Market value)
2008				
Equity securities	\$417,597	\$1,502,465	\$(29,344)	\$1,890,718
Other	—	—	—	—
	\$417,597	\$1,502,465	\$(29,344)	\$1,890,718

Proceeds from sales of available-for-sale securities were ¥1,051 million (US\$10,491 thousand) and ¥3,962 million for the years ended March 31, 2008 and 2007, respectively. The gross realized gains and losses on those sales were ¥801 million (US\$7,995 thousand) and ¥79 million (US\$789 thousand), respectively, for the year ended March 31, 2008. The net realized gains on sales were ¥2,762 million for the year ended March 31, 2007.

5. 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 of borrowings and other debts, 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 counter-parties 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.

The following is a summary of only the derivative contracts which do not meet the Japanese GAAP criteria for hedge accounting. The net changes in market value are recorded in the consolidated statements of income for the years ended March 31, 2008 and 2007.

	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Recognized gain (loss)
Interest rate swap contracts	¥ 5,000	¥ (94)	¥(94)	¥ 5,000	¥ (26)	¥ (26)	\$ 49,905	\$ (938)	\$(938)
Foreign currency forward exchange contracts:									
Buy	532	507	(25)	25	26	0	5,310	5,060	(250)
Sell	315	311	4	—	—	—	3,144	3,104	40
Foreign currency swap contracts	6,503	75	75	11,500	(133)	(133)	64,907	749	749
Foreign currency and interest rate swap contracts ...	—	—	—	4,298	118	118	—	—	—
	¥12,350	¥799	¥(40)	¥20,823	¥ (15)	¥ (41)	\$123,266	\$7,975	\$(399)

6. INVENTORIES

Inventories at March 31, 2008 and 2007 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished goods	¥ 86,993	¥ 79,845	\$ 868,280
Work in process	127,607	107,026	1,273,650
Raw materials and supplies	97,383	84,363	971,983
	¥311,983	¥271,234	\$3,113,913

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2008 and 2007 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unsecured	¥122,791	¥121,922	\$1,225,581
Secured	10,250	15,760	102,306
	¥133,041	¥137,682	\$1,327,887

Average year end interest rates were approximately 3.2% and 2.9% in 2008 and 2007, respectively. The Company and its consolidated subsidiaries have had no difficulty in renewing such notes upon maturity.

Long-term debt at March 31, 2008 and 2007 consists of the following:

	Conversion price (Per share)	Millions of yen		Thousands of U.S. dollars
		2008	2007	2008
Unsecured convertible bonds:				
Interest 0.25%, payable in yen, due 2008	¥1,272.00	¥ 47,001	¥ 47,260	\$ 469,119
Interest 0.9%, payable in yen, due 2008, issued by a consolidated subsidiary	944.00	—	857	—
Unsecured bonds, payable in yen, due 2007 to 2016, interest 0.41%–2.5%		169,500	184,500	1,691,785
Secured loans from banks, insurance companies and other financial institutions, due 2008–2015, interest 1.0%–6.0%		2,237	1,632	22,327
Unsecured loans from banks, insurance companies and other financial institutions, due 2007–2023, interest 0.6%–6.8%		63,694	84,468	635,732
		282,432	318,717	2,818,963
Current portion of long-term debt		(87,723)	(29,669)	(875,566)
		¥194,709	¥289,048	\$1,943,397

The full amount of the unsecured convertible bond issued by a consolidated subsidiary was redeemed before maturity on July 20, 2007.

Substantially all of the loans from banks are made under basic agreements, customary in Japan, which provide that, with respect to all present or future liabilities to the banks, the Company and its consolidated subsidiaries shall provide collateral or a third-party guarantee at the request of any such banks, that any collateral provided under any agreement

will be applicable to all indebtedness to the banks and that lending banks have the right to offset deposits with them against any debt or obligation that becomes due and, in case of default or certain other specified events, against all debts payable to the banks.

If all convertible bonds of the Company were converted at

March 31, 2008, 36,950 thousand shares of common stock would be issuable. The conversion prices are subject to adjustment under certain conditions.

The aggregate annual maturities of long-term debt outstanding at March 31, 2008 are as follows:

March 31	Millions of yen	Thousands of U.S. dollars
2009.....	¥ 87,723	\$ 875,566
2010.....	38,553	384,799
2011.....	55,954	558,479
2012.....	42,323	422,427
2013	22,908	228,646
2014 and thereafter	34,971	349,047
	<u>¥282,432</u>	<u>\$2,818,964</u>

The following assets were pledged as collateral for long-term debt, including current portion, at March 31, 2008 and 2007.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Investment securities	¥ 9,479	¥14,249	\$ 94,610
Property, plant and equipment, net of accumulated depreciation.....	4,018	4,278	40,104
	<u>¥13,497</u>	<u>¥18,527</u>	<u>\$134,714</u>

8. 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.

Certain directors of the Company, including directors already retired, have been granted share warrants to purchase the Company's common stock. The maximum number of shares to be issued or transferred upon exercise of share warrants is 6 thousand as of March 31, 2008.

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.

In the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet ("ASBJ Statement No. 5" issued by the Accounting Standards Board of Japan on December 9, 2005) and the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet ("ASBJ Guidance No. 8" issued by the Accounting Standards Board of Japan on December 9, 2005).

a) Stock Information

Changes in number of shares issued and outstanding during the years ended March 31, 2008 and 2007 are as follows:

Common stock outstanding

	Thousands of shares	
	2008	2007
Balance at beginning	759,293	759,277
Increase due to conversion of convertible bonds	204	16
Increase due to share exchange	30,005	—
Balance at end	789,502	759,293

Treasury stock outstanding

	Thousands of shares	
	2008	2007
Balance at beginning	679	710
Increase due to purchase of odd-lot stocks.....	12	9
Decrease due to exercise of stock options	(16)	(40)
Other, net	9	0
Balance at end	684	679

b) Dividend Information

Dividends paid in fiscal 2008

Resolved / Approved	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S.dollars
The shareholders' meeting on	March 31, 2007	June 28, 2007	¥7,587	\$75,726
June 27, 2007				
The board of directors on	September 30, 2007	December 3, 2007	¥7,889	\$78,740
November 5, 2007				

Dividend paid after March 31, 2008 with record date in fiscal 2008

Resolved/ Approved	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S.dollars
The shareholders' meeting on	March 31, 2008	June 27, 2008	¥7,889	\$78,740
June 26, 2008				

9. 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.

10. TRANSACTIONS WITH UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Sales to and purchases from unconsolidated subsidiaries and affiliates, related year end trade notes and accounts receivable and payable, and other receivables in current assets from those companies are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
For the years ended March 31:			
Sales.....	¥128,563	¥148,873	\$1,283,192
Purchases.....	124,110	113,689	1,238,746
As of March 31:			
Trade notes and accounts receivable	34,100	45,034	340,353
Trade notes and accounts payable.....	19,941	18,715	199,032
Other receivables in current assets.....	1,053	1,927	10,510

11. 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, 2008 and 2007.

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, 2008 and 2007:

	2008	2007
Statutory tax rate.....	40.6%	40.6%
Equity in net income	(4.8)	(5.5)
Expenses not deductible for tax purposes	0.3	0.4
Dividend income from overseas consolidated subsidiaries	4.7	4.6
Tax credits	(3.3)	(3.6)
Effect of lower tax rates for overseas consolidated subsidiaries	(7.3)	(6.4)
Valuation allowance	0.8	3.9
Intercompany profits	0.5	0.2
Undistributed earnings of overseas consolidated subsidiaries and affiliates	3.1	4.2
Other	0.7	(0.1)
Effective tax rate	35.3%	38.3%

Deferred tax assets and liabilities included in the consolidated balance sheets at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred income taxes (current assets)	¥ 35,699	¥ 34,048	\$ 356,313
Deferred income taxes (investments and other assets).....	17,257	16,390	172,243
Other current liabilities	(199)	(255)	(1,986)
Deferred income taxes (long-term liabilities)	(80,220)	(98,015)	(800,679)
	¥(27,463)	¥(47,832)	\$(274,109)

Significant components of the deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Fixed assets.....	¥ 21,331	¥ 21,187	\$ 212,906
Accrued expenses	14,865	13,413	148,368
Accrued pension and severance costs.....	11,974	8,170	119,513
Net operating loss carryforwards.....	11,278	15,015	112,566
Intercompany profits	7,831	8,202	78,162
Inventories	7,281	6,240	72,672
Investment securities.....	6,841	6,088	68,280
Accrued contributions of transfer to defined contribution plans	3,732	5,262	37,249
Allowance for doubtful receivables	1,630	2,906	16,269
Other	18,556	17,884	185,208
	105,319	104,367	1,051,193
Less—Valuation allowance	(32,445)	(31,441)	(323,835)
Total deferred tax assets.....	72,874	72,926	727,358
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	(59,871)	(91,715)	(597,574)
Undistributed earnings of overseas consolidated subsidiaries and affiliates	(18,723)	(13,220)	(186,875)
Reserve for deferred gains on sales of fixed assets	(6,672)	(6,594)	(66,593)
Excess of fair value over the book value of assets and liabilities of consolidated subsidiaries at the acquisition dates.....	(4,701)	—	(46,921)
Accelerated depreciation of overseas consolidated subsidiaries.....	(3,810)	(4,916)	(38,028)
Land revaluation.....	(745)	(745)	(7,436)
Other	(5,815)	(3,568)	(58,040)
Total deferred tax liabilities	(100,337)	(120,758)	(1,001,467)
Net deferred tax liabilities.....	¥ (27,463)	¥ (47,832)	\$ (274,109)

12. PENSION AND SEVERANCE COSTS

The following table sets forth the employee benefit obligations, plan assets and funded status of the Company and its consolidated subsidiaries at March 31, 2008 and 2007.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Benefit obligation at end of year.....	¥(261,516)	¥(241,764)	\$(2,610,201)
Fair value of plan assets at end of year	214,419	249,354	2,140,124
Funded status:			
Plan assets in excess of (less than) benefit obligation	(47,097)	7,590	(470,077)
Unrecognized actuarial differences.....	51,402	(5,761)	513,045
Unrecognized prior service cost	(3,663)	(4,789)	(36,560)
Subtotal.....	642	(2,960)	6,408
Advances to funded pension plans.....	26,018	18,799	259,687
Accrued pension and severance costs for employees in the consolidated balance sheets	¥ (25,376)	¥ (21,759)	\$ (253,279)

In addition, retirement benefits for directors and corporate auditors of certain subsidiaries of ¥1,739 million (US\$17,357 thousand) and ¥1,622 million are included in accrued

pension and severance costs as of March 31, 2008 and 2007, respectively.

Pension and severance costs of the Company and its consolidated subsidiaries consist of the following components for the years ended March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost.....	¥ 9,136	¥9,044	\$ 91,187
Interest cost	6,202	5,952	61,902
Expected return on plan assets	(3,219)	(2,805)	(32,129)
Amortization:			
Actuarial differences.....	156	188	1,557
Prior service cost	(898)	(3,172)	(8,963)
Net periodic pension and severance costs.....	¥11,377	¥9,207	\$113,554

Amortization of prior service cost was included in other income in the consolidated statements of income.

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2008 and 2007 are as follows:

	2008	2007
Method of attributing benefits to periods of service.....	Straight-line basis	Straight-line basis
Discount rates	Mainly 2.5%	Mainly 2.5%
Long-term rates of expected return on plan assets.....	0.0%–6.8%	0.0%–6.5%
Amortization period for prior service cost	Mainly 3 years	Mainly 3 years
Amortization period for actuarial differences.....	Average remaining service period or less (mainly 15 years)	Average remaining service period or less (mainly 15 years)

13. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2008, are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes receivable discounted.....	¥ 963	\$ 9,612
Notes receivable endorsed	422	4,212
Guarantees:		
Guarantees for borrowings by employees, unconsolidated subsidiaries and affiliates ...	4,856	48,468
Contingent guarantees for borrowings by unconsolidated subsidiaries and affiliates.....	5,756	57,451
Keepwell agreements and letters of awareness for borrowings by unconsolidated subsidiaries and affiliates	3,393	33,866

14. LEASES

Information related to non-capitalized finance leases, except for which the ownership of the leased assets is considered to be transferred to the lessee, and operating leases is as follows:

a) Finance Leases as Lessor

Finance leases as lessor, at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Acquisition cost	¥435	¥505	\$4,342
Accumulated depreciation...	198	185	1,976
Net book value	¥237	¥320	\$2,366

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Payments due within one year	¥ 90	¥ 99	\$ 899
Payments due after one year	196	286	1,956
	¥286	¥385	\$2,855

Lease payments received under such leases for the years ended March 31, 2008 and 2007 were ¥100 million (US\$998 thousand) and ¥99 million, respectively.

b) Finance Leases as Lessee

Information on lease obligations for non-capitalized finance leases, including finance charges, at March 31, 2008 and 2007 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Original lease obligation*	¥9,124	¥12,053	\$91,067
Payments made to date	4,544	5,737	45,354
Payments remaining*	¥4,580	¥ 6,316	\$45,713

* Including assumed future interest

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Payments due within one year	¥1,572	¥2,198	\$15,690
Payments due after one year	3,008	4,118	30,023
	¥4,580	¥6,316	\$45,713

Lease payments under such leases for the years ended March 31, 2008 and 2007 were ¥2,064 million (US\$20,601 thousand) and ¥2,683 million, respectively.

c) Operating Leases as Lessee

Lease obligations under operating leases, at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Payments due within one year	¥1,448	¥1,633	\$14,452
Payments due after one year	5,284	6,969	52,740
	¥6,732	¥8,602	\$67,192

15. IMPAIRMENT LOSSES OF FIXED ASSETS

Details of impairment losses of fixed assets for the years ended March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Machinery and equipment	¥ 2,319	¥2,158	\$ 23,146
Buildings and structures	1,531	1,176	15,281
Land	655	268	6,538
Construction in progress....	227	358	2,265
Intangible assets	5,632	40	56,213
Other	75	1,890	749
	¥10,439	¥5,890*	\$104,192

*The amount of ¥5,486 million is shown as "Impairment losses of fixed assets" and the amount of ¥404 million is included in "Restructuring expenses for R&D" (Note 16) in the consolidated statement of income for fiscal 2007.

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 ¥10,439 million (US\$104,192 thousand) and ¥5,890 million to the recoverable amounts in fiscal 2008 and 2007, respectively.

The recoverable amount is the net selling price or the value in use, which is equal to net future cash flow discounted at 6.5% in Japan. Impairment losses at overseas consolidated subsidiaries are recognized based on generally accepted accounting principles prevailing in the respective countries of domicile.

Figures of impairment losses of fixed assets for each business segment are disclosed in Note 19a).

16. RESTRUCTURING EXPENSES FOR R&D

In fiscal 2007, the Company recognized restructuring expenses for the environmental arrangement of research and development at the Osaka Works.

Details of the expenses are as follows:

	Millions of yen
Costs to remove and transfer plants and equipment.....	¥1,701
Impairment losses of fixed assets (Note 15).....	404
	¥2,105

17. GAIN ON BUSINESS TRANSFERS

Gain on business transfers for the year ended March 31, 2008 related to the transfer of the network integration business and the automotive brake business.

18. BUSINESS COMBINATION

On May 11, 2007, the Company entered into a share exchange agreement with Sumitomo Wiring Systems, Ltd. (SWS), a consolidated subsidiary of the Company, to convert SWS into a wholly-owned subsidiary. The Company executed the share exchange and issued 30,005,244 shares of common stock to the shareholders of SWS at the ratio of 1.57 shares for each share of SWS on August 1, 2007.

As the share exchange was a transaction with minority shareholders, the equity interest corresponding to the additional acquisition of shares was deducted from minority interests. The difference between the amount of additional investment and the decrease in minority interest was accounted for as goodwill.

Additional information about the acquisition of SWS's shares is as follows:

	Millions of yen	Thousands of U.S. dollars
Acquisition cost.....	¥50,515	\$504,192
Allocated share amount.....	50,285	501,896
Goodwill		
Amount.....	1,574	15,710
Amortization method.....		Straight-line method
Amortization period.....		5 years

19. SEGMENT INFORMATION

Effective April 1, 2006, the Company and its consolidated subsidiaries changed the segmentation policy from the classification based upon customers and markets to the following five classifications based upon segmentations adopted for the internal management, to clarify the description of the businesses.

a) Business Segments

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, network system products such as GE-PON, VDSL 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

Business segment information for the years ended March 31, 2008 and 2007 is as follows:

	Millions of yen						
2008	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Eliminations & Corporate	Consolidated
Sales to customers.....	¥1,196,183	¥268,688	¥208,743	¥576,029	¥291,215	¥ —	¥2,540,858
Intersegment sales	3,169	6,908	11,242	18,728	10,668	(50,715)	—
Net sales.....	¥1,199,352	¥275,596	¥219,985	¥594,757	¥301,883	¥(50,715)	¥2,540,858
Operating income.....	¥ 74,532	¥ 8,143	¥ 17,154	¥ 18,734	¥ 30,300	¥ 133	¥ 148,996
Total assets	¥ 829,119	¥231,950	¥157,835	¥475,766	¥445,644	¥ 54,568	¥2,194,882
Depreciation and amortization.....	57,556	10,006	11,447	10,163	17,720	—	106,892
Impairment losses of fixed assets	7,627	71	94	1,935	712	—	10,439
Capital expenditures.....	80,976	9,360	12,015	10,023	22,047	—	134,421

	Millions of yen						
2007	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Eliminations & Corporate	Consolidated
Sales to customers.....	¥1,093,306	¥327,846	¥205,250	¥474,716	¥283,277	¥ —	¥2,384,395
Intersegment sales	2,546	5,217	17,752	27,086	12,181	(64,782)	—
Net sales.....	¥1,095,852	¥333,063	¥223,002	¥501,802	¥295,458	¥ (64,782)	¥2,384,395
Operating income.....	¥ 58,048	¥ 12,610	¥ 19,957	¥ 11,888	¥ 26,072	¥ 170	¥ 128,745
Total assets	¥ 792,353	¥247,136	¥158,618	¥360,077	¥458,223	¥109,998	¥2,126,405
Depreciation and amortization.....	54,074	10,177	11,120	7,686	16,745	—	99,802
Impairment losses of fixed assets	1,396	151	289	1,794	1,856	—	5,486
Capital expenditures.....	73,952	12,255	14,528	8,272	19,561	—	128,568

Thousands of U.S. dollars

2008	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Eliminations & Corporate	Consolidated
Sales to customers.....	\$11,939,146	\$2,681,785	\$2,083,471	\$5,749,366	\$2,906,627	\$ —	\$25,360,395
Intersegment sales	31,630	68,949	112,207	186,925	106,478	(506,189)	—
Net sales	\$11,970,776	\$2,750,734	\$2,195,678	\$5,936,291	\$3,013,105	\$(506,189)	\$25,360,395
Operating income	\$ 743,907	\$ 81,276	\$ 171,215	\$ 186,985	\$ 302,425	\$ 1,326	\$ 1,487,134
Total assets	\$ 8,275,467	\$2,315,101	\$1,575,357	\$4,748,638	\$4,447,989	\$ 544,644	\$21,907,196
Depreciation and amortization.....	574,469	99,870	114,253	101,437	176,864	—	1,066,893
Impairment losses of fixed assets	76,125	709	938	19,313	7,106	—	104,191
Capital expenditures	808,224	93,422	119,922	100,040	220,052	—	1,341,660

1. Corporate assets included in Eliminations & Corporate of ¥140,233 million (US\$1,399,671 thousand) and ¥187,425 million at March 31, 2008 and 2007, respectively, consist mainly of cash and time deposits and investment securities owned by the Company.

2. Changes in Depreciation Method

As stated in the “Notes to Consolidated Financial Statements 2. h)”, in fiscal 2008, in accordance with the Tax Law revised in 2007, the Company and its domestic consolidated subsidiaries have adopted the new method of depreciation based on the revised Tax Law for the tangible fixed assets acquired on or after April 1, 2007. Compared with the previous method, the effect of this change was to decrease operating income by ¥1,051 million (US\$10,490 thousand) in the Automotive segment, ¥293 million (US\$2,924 thousand) in the Information & Communications segment, ¥168 million (US\$1,677 thousand) in the Electronics segment, ¥163 million (US\$1,627 thousand) in the Electric Wire & Cable, Energy segment, and ¥411 million (US\$4,102 thousand) in the Industrial Materials & Others segment in fiscal 2008.

In fiscal 2008, in accordance with the revised Tax Law, for the tangible fixed assets acquired on or before March 31, 2007, the Company and its domestic consolidated subsidiaries have started to depreciate the remaining balance of the assets over a five year period using straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the Tax Law before revision. Compared with the previous method, the effect of this change was to decrease operating income by ¥921 million (US\$9,192 thousand) in the Automotive segment, ¥444 million (US\$4,432 thousand) in the Information & Communications segment, ¥217 million (US\$2,166 thousand) in the Electronics segment, ¥281 million (US\$2,805 thousand) in the Electric Wire and Cable, Energy segment, and ¥630 million (US\$6,288 thousand) in the Industrial Materials & Others segment in fiscal 2008.

b) Geographical Segments

The operations of the Company and its consolidated subsidiaries are classified into geographical areas as follows: Japan, Americas (U.S.A. and others), Asia (China, Thailand, Indonesia and others) and Europe and Others (Germany, U.K., Italy and others). The presentation of the regions other than Japan, Americas and Asia has been changed from “Others” to “Europe and Others” reflecting an increase in sales in Europe.

Information by geographic area for the years ended March 31, 2008 and 2007 is as follows:

	Millions of yen					
2008	Japan	Americas	Asia	Europe and Others	Eliminations & Corporate	Consolidated
Sales to customers.....	¥1,572,409	¥330,956	¥374,493	¥263,000	¥ —	¥2,540,858
Intersegment sales	311,827	10,371	192,571	2,644	(517,413)	—
Net sales.....	¥1,884,236	¥341,327	¥567,064	¥265,644	¥(517,413)	¥2,540,858
Operating income.....	¥ 92,954	¥ 13,330	¥ 33,104	¥ 9,440	¥ 168	¥ 148,996
Total assets	¥1,724,268	¥179,818	¥334,039	¥165,037	¥(208,280)	¥2,194,882

Millions of yen						
2007	Japan	Americas	Asia	Others	Eliminations & Corporate	Consolidated
Sales to customers.....	¥1,539,515	¥313,735	¥307,708	¥223,437	¥ —	¥2,384,395
Intersegment sales	271,787	7,942	166,467	2,590	(448,786)	—
Net sales.....	¥1,811,302	¥321,677	¥474,175	¥226,027	¥(448,786)	¥2,384,395
Operating income	¥ 89,680	¥ 11,032	¥ 21,394	¥ 6,337	¥ 302	¥ 128,745
Total assets	¥1,677,531	¥181,204	¥268,637	¥148,980	¥(149,947)	¥2,126,405

Thousands of U.S. dollars						
2008	Japan	Americas	Asia	Europe and Others	Eliminations & Corporate	Consolidated
Sales to customers.....	\$15,694,271	\$3,303,284	\$3,737,828	\$2,625,012	\$ —	\$25,360,395
Intersegment sales	3,112,357	103,513	1,922,058	26,390	(5,164,318)	—
Net sales	\$18,806,628	\$3,406,797	\$5,659,886	\$2,651,402	\$(5,164,318)	\$25,360,395
Operating income	\$ 927,777	\$ 133,047	\$ 330,412	\$ 94,221	\$ 1,677	\$ 1,487,134
Total assets	\$17,209,981	\$1,794,770	\$3,334,055	\$1,647,240	\$(2,078,850)	\$21,907,196

Changes in Depreciation Method

As stated in the “Notes to Consolidated Financial Statements 2. h)”, in fiscal 2008, in accordance with the Tax Law revised in 2007, the Company and its domestic consolidated subsidiaries have adopted the new method of depreciation based on the revised Tax Law for the tangible fixed assets acquired on or after April 1, 2007. Compared with the previous method, the effect of this change was to decrease operating income by ¥2,086 million (US\$20,820 thousand) in Japan in fiscal 2008.

In fiscal 2008, in accordance with the revised of Tax Law, for the tangible fixed assets acquired on or before March 31, 2007, the Company and its domestic consolidated subsidiaries have started to depreciate the remaining balance of the assets over a five year period using straight-line method from the following fiscal year after the book value of the assets decreases to 5% of the acquisition costs under the method of depreciation based on the Tax Law before revision. Compared with the previous method, the effect of this change was to decrease operating income by ¥2,493 million (US\$24,883 thousand) in Japan in fiscal 2008.

c) Overseas Sales

The main countries of the geographical areas mentioned below are as follows: Americas (U.S.A. and others), Asia (China, Thailand, Indonesia and others) and Europe and Others (Germany, U.K., Italy and others). The presentation of the regions other than Japan, Americas and Asia has been changed from “Others” to “Europe and others” reflecting an increase in sales in Europe.

Overseas sales for the years ended March 31, 2008 and 2007 are as follows:

Millions of yen				
2008	Americas	Asia	Europe and Others	Total
Overseas sales	¥332,164	¥416,785	¥283,221	¥1,032,170
Consolidated net sales				¥2,540,858
Ratio of overseas sales to consolidated net sales	13.1%	16.4%	11.1%	40.6%

Millions of yen				
2007	Americas	Asia	Others	Total
Overseas sales	¥313,842	¥348,273	¥238,440	¥ 900,555
Consolidated net sales				¥2,384,395
Ratio of overseas sales to consolidated net sales	13.2%	14.6%	10.0%	37.8%

Thousands of U.S. dollars				
2008	Americas	Asia	Europe and Others	Total
Overseas sales	\$3,315,341	\$4,159,946	\$2,826,839	\$10,302,126

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Sumitomo Electric Industries, Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Electric Industries, Ltd. and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

- (1) As discussed in Note 8 to the consolidated financial statements, effective April 1, 2006, Sumitomo Electric Industries, Ltd. and consolidated domestic subsidiaries adopted new accounting standards for the presentation of net assets in the balance sheet.
- (2) As discussed in Note 19 to the consolidated financial statements, Sumitomo Electric Industries, Ltd. and consolidated subsidiaries changed its policy of business segmentation in the year ended March 31, 2007.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

Osaka, Japan
June 26, 2008

KPMG AZSA & Co.

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DOMESTIC WORKS

Osaka Works

Main Products: Electric conductors, power
cables, communications cables, rubber
products, systems & electronics products,
access network products

Itami Works

Main Products: Special steel wires, sintered
parts, hard materials, electronic materials,
compound semiconductors

Yokohama Works

Main Products: Optical fibers and cables,
photonics products, lightwave network
products

AUTOMOTIVE

DOMESTIC SUBSIDIARIES AND AFFILIATES

• Tokai Rubber Industries, Ltd.

Main Products: Rubber products

• Sumitomo Wiring Systems, Ltd.

Main Products: Automotive wiring harnesses

★ AutoNetworks Technologies, Ltd.

Main Service: Automotive wiring harnesses
R&D

• Sumiden Electronics, Ltd.

Main Products: Electronic components and
devices for automobiles

OVERSEAS SUBSIDIARIES AND AFFILIATES

• Sumitomo Electric Wiring Systems, Inc.

Kentucky, U.S.A.
Main Products: Automotive wiring harnesses

• K&S Wiring System, Inc.

Tennessee, U.S.A.
Main Products: Automotive wiring harnesses

• Sumitomo Electric Wiring Systems (Thailand), Ltd.

Bangkok, Thailand
Main Products: Automotive wiring harnesses

• Sumidenseo Vietnam Co., Ltd.

Hai Duong, Vietnam
Main Products: Automotive wiring harnesses

• Tianjin Jin Zhu Wiring Systems Co., Ltd.

Tianjin, China
Main Products: Automotive wiring harnesses

• Huizhou Zhurun Wiring Systems Co., Ltd.

Huizhou, China
Main Products: Automotive wiring harnesses

• Sumidenseo Mediatech Suzhou Co., Ltd.

Suzhou, China
Main Products: Automotive wiring harnesses

• Sumitomo Electric Wiring Systems (Europe) Ltd.

Staffordshire, U.K.
Main Products: Automotive wiring harnesses

• Sumitomo Electric Bordnetze GmbH

Wolfsburg, Germany
Main Products: Automotive wiring harnesses

• SEWS-CABIND S.p.A.

Collegno, Italy
Main Products: Automotive wiring harnesses

• Sumidenseo do Brasil Industrias Eletricas

Ltda.
Sao Paulo, Brazil
Main Products: Automotive wiring harnesses

95 other companies

INFORMATION & COMMUNICATIONS

DOMESTIC SUBSIDIARIES AND AFFILIATES

• Commutere Corp.

Main Service: Communications facilities
designing and installation

• Kiyohara Sumiden, Ltd.

Main Products: Optical fibers

• Toyokuni Electric Cable Co., Ltd.

Main Products: Electric wires and cables

• Sumitomo Electric Networks, Inc.

Main Products: Information and
communications equipment

OVERSEAS SUBSIDIARIES AND AFFILIATES

• Sumitomo Electric Lightwave Corp.

North Carolina, U.S.A.
Main Products: Optical fiber fusion splicers
and optical fiber cables

• ExceLight Communications, Inc.

North Carolina, U.S.A.
Main Products: Optical transmission
components

• Sumitomo Electric Optical Fiber and Cable (Shenzhen) Co., Ltd.

Shenzhen, China
Main Products: Optical fibers and cables

• Sumitomo Electric Optical Components

(Wuxi) Co., Ltd.
Wuxi, China
Main Products: Optical couplers and optical
connectors

14 other companies

ELECTRONICS

DOMESTIC SUBSIDIARIES AND AFFILIATES

• Sumitomo (SEI) Electronic Wire, Inc.

Main Products: Electric wires and electric
wire products

• Sumitomo Electric Flat Components, Inc.

Main Products: Flat cables

• Sumitomo Electric Printed Circuits, Inc.

Main Products: Flexible printed circuits

• Sumitomo Electric Fine Polymer, Inc.

Main Products: Fine polymer products

★ Sumiden Tomita Shoji Co., Ltd.

Main Products: Electronic components,
wire and systems

OVERSEAS SUBSIDIARIES AND AFFILIATES

• 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

(Vietnam), Ltd.
Bac Ninh, Vietnam
Main Products: Rollers for laser printers,
FFCs and FPCs

- Sumitomo Electric Interconnect Products (Suzhou), Ltd.
Suzhou, China

Main Products: Electronic wires for electronic and information equipment

- Suzhou Sumiden Electric Materials Co., Ltd.
Suzhou, China
- Main Products: Electronic parts

15 other companies

ELECTRIC WIRE & CABLE, ENERGY

DOMESTIC SUBSIDIARIES AND AFFILIATES

- **Nissin Electric Co., Ltd.**

Main Products: Electric-power control systems

- **Sumitomo Densetsu Co., Ltd.**

Main Service: Electric transmission lines installation

- Sumitomo Electric Wintec, Inc.

Main Products: Magnet wires and related products

- Sumitomo Electric Toyama Co., Ltd.

Main Products: Electric wires and cables and metal materials

- Sumitomo Electric Industrial Wire & Cable, Inc.

Main Products: Electric wires and cables

- SEI Hybrid Products, Inc.

Main Products: Rubber products, synthetic resin products

OVERSEAS SUBSIDIARIES AND AFFILIATES

- 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.
Wuxi, China

Main Products: Magnet wires and DG coils

52 other companies

INDUSTRIAL MATERIALS & OTHERS

DOMESTIC SUBSIDIARIES AND AFFILIATES

- Sumitomo Electric Hardmetal Corp.

Main Products: Cemented carbide 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

- Sumitomo (SEI) Steel Wire Corp.

Main Products: Special steel wires

- Sumitomo Electric Tochigi Co., Ltd.

Main Products: Steel cords

OVERSEAS SUBSIDIARIES AND AFFILIATES

- ★ Sumitomo Electric U.S.A., Inc.

New York, U.S.A.
Regional headquarter

- ★ Sumitomo Electric Finance U.S.A., Inc.

New York, U.S.A.
Finance company

- ★ SEI IT Holding (USA), Inc.

New York, U.S.A.
Holding company

- ★ SEUSA Holding, Inc.

New York, U.S.A.
Holding company

- ★ Sumitomo Electric Carbide, Inc.

Illinois, U.S.A.
Main Products: Cemented carbide tools

- ★ Sumitomo Electric Esc, Inc.

North Carolina, U.S.A.
Holding company

- Sumitomo Electric Hardmetal

Manufacturing (Thailand), Ltd.
Samutprakarn, Thailand
Main Products: Cemented carbide tools

- P.T. Sumiden Serasi Wire Products

Java Barat, Indonesia
Main Products: Special steel wires

- ★ Sumitomo Electric Asia, Ltd.

Hong Kong, China
Regional Headquarter

- ★ Sumitomo Electric Europe Ltd.

London, U.K.
Regional Headquarter

- ★ Sumitomo Electric Finance U.K. Ltd.

London, U.K.
Finance company

- ★ Sumitomo Electric Hartmetall GmbH

Willich, Germany
Main Products: Cemented carbide alloys

41 other companies

SUBSIDIARIES AND AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD

DOMESTIC

- **Sumitomo Rubber Industries, Ltd.**

Main Products: Automotive tires and sporting goods

- ★ **TECHNO ASSOCIE, Ltd.**

Main Products: Threads and non-ferrous metal products sales

- ★ ADVICS CO., Ltd.

Main Products: Automotive brake systems

- Sumitomo 3M, Ltd.

Main Products: Abrasives and industrial tapes

- Eudyna Devices Inc.

Main Products: Optical and electronic devices

- J-Power Systems Corporation

Main Products: Power transmission cables and cable accessories

OVERSEAS

- Kyungshin Industrial Co., Ltd.

Incheon, South Korea
Main Products: Automotive wiring harnesses

26 other companies

Notes 1. Publicly listed companies are indicated in bold print.

2. The number of the companies is as of March 31, 2008.

- Manufacturing /

Construction & Engineering company

- ★ Sales company / Others

Company Information

Sumitomo Electric Industries, Ltd. (As of March 31, 2008)

HEAD OFFICE (OSAKA)

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

HEAD OFFICE (TOKYO)

3-12, Moto Akasaka 1-chome, Minato-ku, Tokyo 107-8468, Japan

INCORPORATED

December 1920

NUMBER OF EMPLOYEES

153,725

COMMON STOCK

Authorized: 3,000,000,000 shares
Issued: 789,501,906 shares

NUMBER OF SHAREHOLDERS

63,384

STOCK EXCHANGE LISTINGS

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

SHAREHOLDER REGISTER MANAGER

The Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, 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://www.sei.co.jp/>

PRINCIPAL SHAREHOLDERS

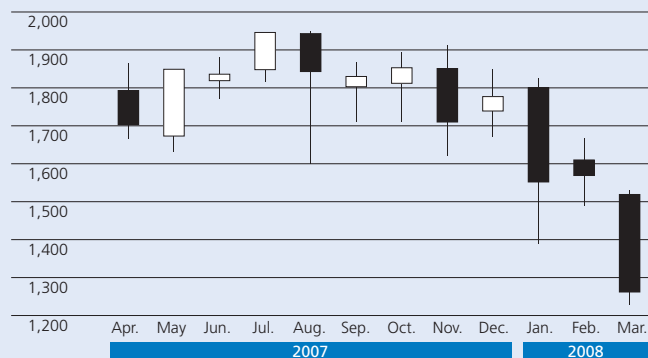
	Shareholdings (Thousands)	Outstanding voting share (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	67,799	8.59
The Master Trust Bank Japan, Ltd. (Trust Account)	62,947	7.97
Nippon Life Insurance Company	41,289	5.23
Japan Trustee Services Bank, Ltd. (Trust Account 4)	16,463	2.09
Sumitomo Life Insurance Company	15,556	1.97
The Sumitomo Trust & Banking Co., Ltd. (Trust Account B)	12,917	1.64
Sumitomo Mitsui Banking Corporation	12,551	1.59
State Street Bank and Trust Company	10,812	1.37
The Dai-ichi Mutual Life Insurance Company	9,389	1.19
Goldman Sachs International	9,234	1.17

SHARE PRICE RANGE

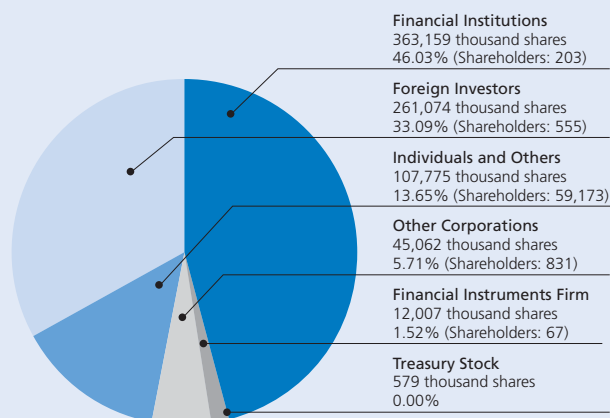
Year	Month	Yen		
		High	Low	
2007	Apr.	1,864	1,665	
	May	1,850	1,632	
	Jun.	1,881	1,772	
	Jul.	1,946	1,816	
	Aug.	1,949	1,600	
	Sep.	1,868	1,710	
	Oct.	1,895	1,711	
	Nov.	1,913	1,623	
	Dec.	1,849	1,670	
	2008	Jan.	1,826	1,390
		Feb.	1,667	1,490
		Mar.	1,529	1,227

SHARE PRICE

(Yen)



BREAKDOWN OF SHAREHOLDERS





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

Tel: +81 (6) 6220-4141

Fax: +81 (6) 6222-3380

<http://www.sei.co.jp/>