

## BUSINESS REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

June 3, 2020  
Sumitomo Electric Industries, Ltd.

On June 3, 2020, Sumitomo Electric Industries, Ltd. (the “Company”) has sent a notice convening the 150th Ordinary General Meeting of Shareholders (the “Notice”) to its shareholders on record as of March 31, 2020. This document only provides translations of information contained in the Japanese original text of the Notice (business report and consolidated financial statements) and of the notes to consolidated financial statements (the “Notes”) disclosed on the internet in relation to the Convocation Notice of the 150th Ordinary General Meeting of Shareholders, solely for the purpose of identifying the items of information contained in the Notice and the Notes for reference. The Company does not represent or warrant that the information provided on this document (the “Information”) constitutes a summary of the Notice and the Notes or provides a complete and accurate record of the material information in the Notice and the Notes. No warranty is given to any user of the Information as to its accuracy or completeness or timeliness. In the event of a dispute or difference as to meaning or intent of the Information and the Japanese original text of the Notice and the Notes, the Japanese original text of the Notice and the Notes shall prevail. In order to accurately and completely understand the information contained in the Notice and the Notes, it is necessary to read the complete Japanese original text thereof. The shareholders of the Company are therefore requested to refer to the complete text of the Notice. The original Japanese text of the Notice and the Notes should be available on our Japanese website (<https://sei.co.jp/ir/meeting/>).

Neither the provision of the Information nor any part of the Information shall be deemed to be an offer to purchase or sell, or a solicitation of an offer to purchase or sell, any securities, nor shall it be deemed a recommendation for or an endorsement of investment by the Company. Neither the Company nor any of its Directors, officers, employees, agents, affiliates and assigns shall be liable to any person for any losses, damages, costs or expenses of whatever nature arising out of, or in any way related to, any errors to, delays in, ambiguities of, omissions from or alterations to, the Information or for any reliance by such person on any part of the Information.

**BUSINESS REPORT**  
**(from April 1, 2019 to March 31, 2020)**

**1. Matters Concerning Current Status of Corporate Group**

**(1) Progression of Business and its Results**

The world economy generally maintained its moderate expansion trend until the third quarter due to, e.g., a steady economic recovery in the U.S. However, since January this year, COVID-19 became a worldwide pandemic; and economic activities sharply declined. Regarding the Japanese economy as well, although personal consumption recovered in the first half due to improvement of, e.g., the employment environment, nevertheless due to the consumption tax rate increase in October last year, consumer expenditure began to decline. In addition, in the fourth quarter, due to, e.g., COVID-19, the Japanese economy turned out to be more severe.

The business environment for the Group was very severe due to, e.g., a decrease in production of automobiles and sales of smartphones, a decline in the price of optical fiber cables, a stronger yen, and a fall in the price of copper, as well as a sudden slowdown of economic activities due to COVID-19 in the fourth quarter. In this environment, regarding the consolidated financial settlement for this fiscal year, net sales decreased from the preceding fiscal year to 3,107,027 million yen (preceding fiscal year: 3,177,985 million yen, -2.2%). Operating income amounted to no more than 127,216 million yen (preceding fiscal year: 166,260 million yen, -23.5%), despite our best efforts in global cost reductions, due to, e.g., a decrease in sales, an increase in depreciation and amortization expenses for the future, price reduction, and an increase in cost for the launch of production of some products in the Automotive segment, as well as deterioration in profitability associated with a sudden decrease in production due to the expansion of COVID-19. Ordinary income was 130,498 million yen (preceding fiscal year: 188,649 million yen, -30.8%), and the profit attributable to owners of the parent was 72,720 million yen (preceding fiscal year: 118,063 million yen, -38.4%), each of which resulted in the amount below the amount in the preceding fiscal year.

The following section is a report giving an outline of each segment.

**(i) The Automotive Segment**

Despite proactively proceeding with marketing for wiring harnesses and car electronic components, because of a considerable decline in demand due to COVID-19 in the fourth quarter, net sales decreased by 25,796 million yen (1.5%) to 1,683,630 million yen. Operating income decreased by 16,456 million yen to 68,213 million yen due to, e.g., in addition to a price reduction and an increase in depreciation and amortization expenses for the future, an increase in cost for the launch of production of some products, a stronger yen, as well as deterioration in profitability associated with a sudden decrease in production due to the expansion of COVID-19.

**(ii) The Infocommunications Segment**

Net sales increased by 8,981 million yen (4.3%) to 217,401 million yen due to an increase in demand for products such as optical/electronic devices and access network equipment. Operating income increased by 1,437 million yen to 17,835 million yen due to

absorption of the price reduction in optical fiber cables by an increase in sales and cost reductions due to productivity improvement.

(iii) The Electronics Segment

Net sales increased by 23,237 million yen (10.2%) to 252,170 million yen despite a decrease in demand for FPCs (flexible printed circuits) for mobile devices on the one hand, as a result of making TECHNO ASSOCIE Co., Ltd. a subsidiary of the Company in this fiscal year on the other hand. Operating income decreased by 6,480 million yen to 536 million yen, due to a decrease in sales of FPCs for mobile devices and a decline in demand due to COVID-19 in the fourth quarter.

(iv) The Environment and Energy Segment

Net sales decreased by 47,243 million yen (6.2%) to 712,543 million yen, due to the fall in the price of copper, in addition to a decrease in large projects of power cables and charged beam equipment and the processing of Nissin Electric Co., Ltd. in the transitional period of shipping. Operating income decreased by 2,948 million yen to 27,114 million yen due to the decrease in sales.

(v) The Industrial Materials Segment and Others

Due to a reduction in demand for cemented carbide tools, diamond and CBN tools, sintered powder metal parts for automobiles, semiconductors heat-spreader materials, net sales decreased by 26,474 million yen (7.4%) to 331,350 million yen. Operating income decreased by 14,768 million yen to 13,425 million yen, due to deterioration in profitability associated with a decrease in the operation rate of factories.

**Net Sales and Operating Income Breakdown by Segment**

Segment	Preceding Fiscal Year		This Fiscal Year	
	Net Sales	Operating Income	Net Sales	Operating Income
	millions of yen	millions of yen	millions of yen	millions of yen
Automotive	1,709,426	84,669	1,683,630	68,213
Infocommunications	208,420	16,398	217,401	17,835
Electronics	228,933	7,016	252,170	536
Environment and Energy	759,786	30,062	712,543	27,114
Industrial Materials and Others	357,824	28,193	331,350	13,425
Elimination of Intersegment Transactions, etc.	(86,404)	(78)	(90,067)	93
Total	millions of yen 3,177,985	millions of yen 166,260	millions of yen 3,107,027	millions of yen 127,216

**(2) Conditions of Capital Expenditure**

The total amount of capital expenditure for this fiscal year was 208.8 billion yen. The following list shows the breakdown of capital expenditure by segment.

Segment	Amount of Capital Expenditure (billions of yen)	Main Content of Capital Expenditure
Automotive	111.5	Increased production of and rationalization investment in wiring harnesses and anti-vibration rubbers
Infocommunications	24.0	Increased production of and rationalization investment in optical/wireless devices and optical fiber cables
Electronics	17.4	Increased production of and rationalization investment in electronic wires and FPCs
Environment and Energy	27.9	Increased production of and rationalization investment in magnet wires and power system equipment
Industrial Materials and Others	28.0	Increased production of and rationalization investment in cemented carbide tools and sintered powder metal parts

### (3) Fund-raising

The Group raised funds through the issuance of corporate bonds of 30.0 billion yen and long-term loans of 14.5 billion yen and through other means. The purpose of such fund-raising was allocation to repayment of long-term borrowings and equipment funds, etc.

### (4) Key Issues Requiring Attention

Regarding the economic situation hereafter, there is concern that the sluggish economic situation will be prolonged due to protraction and aggravation of COVID-19, and the trade policy in the U.S. and China and political and geopolitical risks such as the situation in the Middle East also remain grounds for concern; therefore, the outlook is expected to remain unclear.

In these circumstances, in order to overcome the unprecedented difficulty and return to a growth trajectory again, the Group intends to do its utmost to maintain and ensure employees' health and safety and the supply chain, and strive for further improvement of the basics of the manufacturing industry, "S" (Safety), "E" (Environment), "Q" (Quality), "C" (Cost), "D" (Delivery), and "D" (Development), and to implement "business structural reform for profitability improvement" and "workstyle reform for productivity improvement." By doing so, we intend to establish a strong corporate structure that can tolerate any environment and endeavor to achieve "VISION 2022", the mid-term management plan ending in 2022, on which we are working with a concept of "Contributing to a better society by leveraging our expertise in connectivity and transmission technologies through concerted efforts of the entire group" aiming to become a "Glorious Excellent Company." In particular, we are pursuing the following strategies in each of our business segments.

In the Automotive segment, with regard to a reduction in global automotive demand due to COVID-19, the Group anticipates a future demand recovery and will adjust production capacity flexibly and strive for further cost reduction activities intensively, and proceed to rebuild a lean corporate structure. For the realization of a mega supplier, having wiring harnesses as its core, the Group will create new products related to so-called CASE\* such

\*CASE: A term that represents an automotive industry trend and combines the initials of "Connected," "Autonomous," "Shared," and "Electric."

as products designed for electric vehicles including high-voltage wiring harnesses, electronic components corresponding to electronic control of automobiles and connectors for high-speed communication, and expedite the use of more aluminum for harnesses corresponding to the needs of weight reduction; moreover, it will strive to further expand its market share for overseas customers. Sumitomo Riko Company Limited will continuously work on global marketing and a recovery of profitability by improving productivity and cost reductions in the field of automotive anti-vibration rubbers and hoses, and it is also focusing on developing new products for the next-generation vehicles.

In the Infocommunications segment, we will ensure to respond to demand for optical/electronic devices and optical fiber cables due to an increase of communication data volume and the market launch of a fifth-generation mobile communications system, and strive to develop and market high-performance products that respond to market needs, such as extra low loss optical fibers for submarine cables, products related to data centers such as ultra-high-fiber-count optical fiber cables and optical wiring equipment, 4K compatible video distribution, and access network equipment related to 10G-EPON (optical fiber shared type 10 Gigabit network). In addition, we will proceed with further cost reductions including optical fiber cables regarding which price competition is intensifying.

In the Electronics segment, with regard to FPCs, we will continuously strive for a recovery of profitability through optimization of global production organization and productivity improvement, and we will focus on marketing for automobiles and development of new products such as being thin and compatible with high frequency. Other than the above, we will proceed with strengthening global marketing and production capacity of leads (tab leads) used for battery terminals of electric vehicles and strive to continue capturing various needs for irradiation tubes. In addition, we will strive for prompt realization of business synergies with TECHNO ASSOCIE Co., Ltd., which we made our subsidiary by means of a tender offer in September last year.

In the Environment and Energy segment, with regard to power cables, we will ensure that we secure new large-scale projects overseas, domestic renewable energy projects, and the demand in renewal of facilities, and strive for further cost reductions and profitability improvement. In addition, with regard to flat magnet wires for motors used in electric vehicles, we will proceed with strengthening global production capacity corresponding to an increase in demand. Furthermore, we will strive to expand domestic and international orders, while taking advantage of the Group's integrated capabilities, including Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd.

In the Industrial Materials segment, with regard to the cemented carbide tools, in addition to the main automobiles, we will globally strengthen marketability in the field of construction machinery, agricultural machinery, and electronics and will proceed with marketing by injecting new products such as tools for the machining of difficult-to-cut materials into the aircraft and medical care fields. We will work to further strengthen marketing and cost competitiveness of sintered powder metal parts by leveraging the production base that is developing globally, and continue to focus on the strengthening of the production organization and marketing for tensioning materials for prestressed concrete and precision spring steel wires. In addition, with regard to a reduction in demand due to COVID-19, we will promote operational improvements, such as thorough productivity improvement, integration and consolidation of bases, and retraining of employees (reinforced human resource training) in order to further strengthen the business structure on this occasion.

In research and development activities, we will make efforts to create new businesses and products that are original and excel in profitability. This includes the prompt commercialization of magnesium alloy products, water-treatment systems, superconducting products, SiC (silicon carbide) power semiconductor devices, redox flow batteries, concentrator photovoltaic systems and so on, and we will continuously strive for development of next-generation products that support the current five business segments and development of new manufacturing methods. Also, taking a long-term perspective, we will

focus on developing new products in response to society's needs, including strengthening the development organization of on-board equipment that is compatible with automated driving and electric vehicles and searching for new materials with new functions by utilizing outside knowledge through collaboration with academia, industry, government, and so on; as well as working proactively for production innovation by utilizing AI\* and IoT\* at manufacturing sites.

Ultimately, we believe that compliance with laws and regulations and maintaining corporate ethics constitute the foundation of the Company's management, and that they are the absolute basis to continue and develop as a corporation. From now on, under the principles of the Sumitomo Spirit, which values doing your sincere best, not only in business but also in every aspect of your life, placing importance on integrity, and not acting rashly or carelessly in pursuit of immoral business, we will make all efforts to ensure that all corporate activities are conducted fairly and honestly and can be trusted by society. In addition, we consider that the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles share common core values with the SDGs (Sustainable Development Goals); the Group aims to provide various values in order to realize "A safe and secure society," "A green society" and "A comfortable and viable society" through concerted efforts.

We would like to ask our shareholders for your further understanding and support in the future.

\* AI: Stands for Artificial Intelligence.

\* IoT: Stands for the Internet of Things, various things, not limited to information communication devices including PCs and smartphones, being connected to a network such as the Internet.

## (5) Trend of Assets and Profits or Losses

### (i) Trend of Assets and Profit or Losses of Corporate Group (Consolidated)

Entry \ Year	FY2015	FY2016	FY2017	FY2018	FY2019 (this fiscal year)
Net Sales (millions of yen)	2,933,089	2,814,483	3,082,247	3,177,985	3,107,027
Operating Income (millions of yen)	143,476	150,503	173,139	166,260	127,216
Ordinary Income (millions of yen)	165,658	173,872	195,010	188,649	130,498
Profit Attributable to Owners of the Parent (millions of yen)	91,001	107,562	120,328	118,063	72,720
Earnings per Share (yen)	114.73	137.61	154.29	151.38	93.24
Net Assets (millions of yen)	1,561,289	1,628,615	1,764,086	1,776,313	1,766,830
Total Assets (millions of yen)	2,742,848	2,907,292	2,999,903	3,053,263	3,084,517

(Notes)

1. Earnings per share is computed based on the weighted average number of shares of common stock outstanding during each period.

2. We have adopted “Leases” (IFRS 16) from the beginning of FY2019 in overseas consolidated subsidiaries excluding the U.S.
3. With respect to FY2016, although demand for products such as automotive wiring harnesses, optical fiber cables, and optical/wireless devices had been mainly steady overseas, due to the fall in demand for FPCs for mobile devices, a stronger yen, and the fall in the price of copper, net sales decreased from the preceding fiscal year. However, as a result of proceeding with global cost reductions and developing and marketing new products, operating income, ordinary income, and the profit attributable to owners of the parent increased from the preceding fiscal year.
4. With respect to FY2018, the decrease in production of automobiles in China and Europe has become prominent since the second half of FY2018, and despite the worldwide underperformance of smartphone sales and a fade in demand in some parts of the cemented carbide tools markets, the first half generally showed steady growth. Therefore, net sales increased from the preceding fiscal year. However, due to price reductions in the automobile industry and factors that increase costs such as additional duties between the U.S. and China, in addition to an increase in research and development costs for the future, operating income, ordinary income, and the profit attributable to owners of the parent decreased from the preceding fiscal year.
5. With respect to FY2019, please see “(1) Progression of Business and its Results” above.

(ii) Trend of Assets and Profits or Losses of the Company

Year Entry	FY2015	FY2016	FY2017	FY2018	FY2019 (this fiscal year)
Net Sales (millions of yen)	928,976	901,892	1,084,165	1,142,621	1,149,030
Operating Income (millions of yen)	(1,414)	(924)	12,714	16,921	3,882
Ordinary Income (millions of yen)	44,392	49,367	65,523	65,847	48,625
Profit for the year (millions of yen)	22,390	42,737	61,357	71,147	42,442
Earnings per Share (yen)	28.22	54.66	78.65	91.20	54.41
Net Assets (millions of yen)	707,504	707,105	739,165	783,028	772,037
Total Assets (millions of yen)	1,220,413	1,237,498	1,288,934	1,351,028	1,331,126

(Notes)

Earnings per share is computed based on the weighted average number of shares of common stock outstanding during each period.

**(6) Content of Main Businesses (as of March 31, 2020)**

The Group conducts manufacturing and sales of the following products, as well as construction design and execution.

Segment	Main products and others
Automotive	Wiring harnesses, anti-vibration rubbers/automotive hoses, car electronic components and network system products such as traffic control

Segment	Main products and others
Infocommunications	Optical fiber cables, telecommunication cables and equipment, fusion splicers, optical/wireless devices such as optical transceiver modules/wireless communication devices, compound semiconductors, access network equipment (GE-PON/set-top box/CATV-related products, etc.)
Electronics	Electronic wires, electric beam irradiation products, flexible printed circuits, fluorine resin products, fasteners, metal parts, chemical products
Environment and Energy	Electric conductors, power transmission wires/cables/equipment, magnet wires, air cushions for railroad vehicles, power system equipment such as substation equipment/control system, charged beam equipment and processing, electrical/power supply work and engineering, porous metals, metal materials for electronic parts
Industrial Materials and Others	Tensioning materials for prestressed concrete, precision spring steel wires, steel tire cord, cemented carbide tools, diamond and CBN tools, laser optics, sintered powder metal parts, semiconductors heat-spreader materials

**(7) Main Offices and Factories (as of March 31, 2020)**

(i) The Company

Head Office	Osaka City
Offices	Osaka, Tokyo, Chubu District Office (Nagoya City), Okinawa Branch Office (Naha City), Kyushu Branch Office (Fukuoka City), Shikoku Sales Office (Takamatsu City), Chugoku Branch Office (Hiroshima City), Hokuriku Sales Office (Toyama City), Hitachi Branch Office (Hitachi City, Ibaraki Prefecture), Tohoku Branch Office (Sendai City), Hokkaido Branch Office (Sapporo City)
Factories	Osaka Works (Osaka City), Itami Works (Itami City, Hyogo Prefecture), Yokohama Works (Yokohama City), Ibaraki Works (Hitachi City, Ibaraki Prefecture)

(ii) Subsidiaries

(Domestic)

Company Name	Location
Sumitomo Wiring Systems, Ltd.	Yokkaichi City, Mie Prefecture
Sumitomo Electric Device Innovations, Inc.	Yokohama City
Sumitomo Riko Company Limited	Nagoya City
Sumitomo Electric Hardmetal Corp.	Itami City, Hyogo Prefecture
Nissin Electric Co., Ltd.	Kyoto City
J-Power Systems Corporation	Hitachi City, Ibaraki Prefecture
Sumitomo Densetsu Co., Ltd.	Osaka City
TECHNO ASSOCIE Co., Ltd.	Osaka City
Hokkaido Sumiden Precision Co, Ltd.	Naie, Sorachi Subprefecture, Hokkaido
Sumitomo Electric Sintered Alloy, Ltd.	Takahashi City, Okayama Prefecture
Sumitomo Electric Wintec, Inc.	Koka City, Shiga Prefecture
Sumiden Shoji Co., Ltd.	Osaka City



(Overseas)

Company Name	Location
Sumitomo Electric Wiring Systems, Inc.	U.S.A.
Sumitomo Electric Lightwave Corp.	U.S.A.
Sumidenso do Brasil Industrias Eletricas Ltda.	Brazil
Sumitomo Electric Wiring Systems (Europe) Limited	U.K.
Sumitomo Electric Bordnetze SE	Germany
SEWS-CABIND S.p.A.	Italy
PT. Sumiden Serasi Wire Products	Indonesia
PT. Karya Sumiden Indonesia	Indonesia
PT. Sumi Indo Kabel Tbk.	Indonesia
SEI Thai Electric Conductor Co., Ltd.	Thailand
Sumitomo Electric Interconnect Products (Shenzhen), Ltd.	China
Sumidenso Mediatech Suzhou Co., Ltd.	China
Sumitomo Electric Interconnect Products (Suzhou), Ltd.	China
Huizhou Zhurun Wiring Systems Co., Ltd.	China
Sumitomo Electric Interconnect Products (Hong Kong), Ltd.	Hong Kong
SEI Electronic Components (Vietnam), Ltd.	Vietnam
Sumidenso Vietnam Co., Ltd.	Vietnam
Sumi Philippines Wiring Systems Corporation	Philippines

(iii) Affiliated Companies

Company Name	Location
Sumitomo Rubber Industries, Ltd.	Kobe City

**(8) Employee Situation (as of March 31, 2020)**

(i) Employee Situation of Corporate Group

Segment	Number of Employees	Increase from March 31, 2019
Automotive	225,935	11,590
Infocommunications	6,703	(68)
Electronics	21,220	(775)
Environment and Energy	14,613	554
Industrial Materials and Others	15,439	(187)
Total	283,910	11,114

(Note) "Number of Employees" means the number of actual employees on duty (i.e., the number of employees dispatched to non-consolidated companies is not included, but the number of those dispatched from non-consolidated companies is included).

(ii) Employee Situation of the Company

Number of Employees	Increase from March 31, 2019	Average age	Average Length of Service (Years)
6,020	643	41.9	17.2

(Note) "Number of Employees" does not include the 5,690 employees of the Company who are dispatched to companies other than the Company.

**(9) Status of Important Subsidiaries and Affiliates (as of March 31, 2020)**

Company Name	Capital	Shareholding	Main Business
Sumitomo Wiring Systems, Ltd.	JPY 20,042 Million	% 100.00	Manufacture, processing and sales of automotive wiring harnesses, connectors
Sumitomo Electric Device Innovations, Inc.	JPY 15,000 Million	100.00	Development, manufacture and sales of optical transceiver, optical/wireless devices composed of compound semiconductors, and their application
Sumitomo Riko Company Limited	JPY 12,145 Million	50.67 (1.14)	Manufacture and sales of anti-vibration rubbers, hoses and resin products
Sumitomo Electric Hardmetal Corp.	JPY 11,900 Million	100.00	Manufacture and sales of cemented carbide tools, diamond and CBN tools, etc.
Nissin Electric Co., Ltd.	JPY 10,253 Million	51.00	Manufacture and sales of substation equipment, plant control system, photovoltaic system, etc.
J-Power Systems Corporation	JPY 8,000 Million	100.00	Manufacture and sales of power transmission wires/cables
Sumitomo Densetsu Co., Ltd.	JPY 6,440 Million	50.17 (0.14)	Design, installation and supervision of power transmission lines, indoor wiring cables and communications system works
TECHNO ASSOCIE Co., Ltd.	JPY 5,001 Million	47.39 (0.00)	Sales of screws, non-ferrous metal products, etc.
※ Hokkaido Sumiden Precision Co, Ltd.	JPY 4,350 Million	100 (100.00)	Manufacture and sales of cemented carbide and raw metal powder
Sumitomo Electric Sintered Alloy, Ltd.	JPY 3,004 Million	100.00	Manufacture and sales of sintered powder metal parts
Sumitomo Electric Wintec, Inc.	JPY 3,000 Million	100.00	Manufacture and sales of magnet wires
※ Sumiden Shoji Co., Ltd	JPY 931 Million	95.23	Sales of wire cables, etc.
Sumitomo Electric Wiring Systems, Inc. <U.S.A.>	USD 243,920 Thousand	100.00 (40.00)	Manufacture and sales of automotive wiring harnesses and connectors
Sumitomo Electric Lightwave Corp. <U.S.A.>	USD 54,780 Thousand	100.00 (100.00)	Manufacture and sales of optical cables, etc., and sales of fusion splicers, etc.

Company Name	Capital	Shareholding	Main Business
Sumidense do Brasil Industrias Eletricas Ltda. <Brazil>	BRL 232,921 Thousand	% 100.00 (60.71)	Manufacture and sales of automotive wiring harnesses
Sumitomo Electric Wiring Systems (Europe) Limited <U.K.>	EUR 93,950 Thousand	100.00 (40.00)	Manufacture and sales of automotive wiring harnesses and connectors
Sumitomo Electric Bordnetze SE <Germany>	EUR 2,046 Thousand	100.00 (40.00)	Manufacture and sales of automotive wiring harnesses
SEWS-CABIND S.p.A. <Italy>	EUR 30,000 Thousand	100.00 (40.00)	Manufacture and sales of automotive wiring harnesses
PT. Sumiden Serasi Wire Products <Indonesia>	USD 51,000 Thousand	100.00 (0.00)	Manufacture and sales of tensioning materials for prestressed concrete, precision spring steel wires, and steel cord for tire reinforcement
PT. Karya Sumiden Indonesia <Indonesia>	USD 44,109 Thousand	100.00 (4.49)	Manufacture and sales of wire rods
PT. Sumi Indo Kabel Tbk. <Indonesia>	USD 52,431 Thousand	92.40 (0.21)	Manufacture and sales of wire cables
SEI Thai Electric Conductor Co., Ltd. <Thailand>	THB 2,010 Million	100.00 (0.00)	Manufacture and sales of wire rods, aluminum wire rods and bars, automotive aluminum wires
Sumitomo Electric Interconnect Products (Shenzhen), Ltd. <China>	RMB 623,483 Thousand	100.00 (100.00)	Manufacture and sales of electronic wires, flexible printed circuits
Sumidense Mediatech Suzhou Co., Ltd. <China>	RMB 347,585 Thousand	100.00 (100.00)	Manufacture and sales of automotive wiring harnesses
Sumitomo Electric Interconnect Products (Suzhou), Ltd. <China>	RMB 338,299 Thousand	100.00	Manufacture and sales of electronic wires
Huizhou Zhurun Wiring Systems Co., Ltd. <China>	RMB 288,020 Thousand	87.86 (87.86)	Manufacture and sales of automotive wiring harnesses
Sumitomo Electric Interconnect Products (Hong Kong), Ltd. <Hong Kong>	HKD 648,000 Thousand	100.00	Sales of electronic wires, flexible printed circuits

Company Name	Capital	Shareholding	Main Business
SEI Electronic Components (Vietnam), Ltd. <Vietnam>	USD 100,000 Thousand	% 100.00	Manufacture and sales of flexible printed circuits
Sumidenseo Vietnam Co., Ltd. < Vietnam>	USD 35,000 Thousand	100.00 (100.00)	Manufacture and sales of automotive wiring harnesses
※ Sumi Philippines Wiring Systems Corporation < Philippines>	USD 60,000 Thousand	100.00 (100.00)	Manufacture and sales of automotive wiring harnesses and electric wires
Sumitomo Rubber Industries, Ltd.	JPY 42,658 Million	28.91 (0.06)	Manufacture and sales of automotive tires, etc.

(Notes)

1. The figures in parentheses under “Shareholding” indicate the shareholding of the Company’s subsidiaries.
2. A company marked with “※” under “Company Name” is a company added to the list starting this fiscal year.

#### (10) Important Corporate Restructuring, etc.

- (i) As of April 1, 2019, the Company merged with Sumitomo (SEI) Steel Wire Corp. by absorption.
- (ii) By means of a tender offer of ordinary shares of TECHNO ASSOCIE Co., Ltd. that has been conducted from August 22 to September 19, 2019, the Company made TECHNO ASSOCIE Co., Ltd. its subsidiary as of September 27, 2019.

#### (11) Major Lenders (as of March 31, 2020)

Lenders	Balance of Borrowings
	millions of yen
Sumitomo Mitsui Banking Corporation	81,164
Mizuho Bank, Ltd.	61,839
MUFG Bank, Ltd.	54,791
The Norinchukin Bank	47,997
Sumitomo Mitsui Trust Bank, Limited	43,143
Development Bank of Japan Inc.	21,000

(Notes)

1. The balance of borrowings above includes the borrowings from the overseas subsidiaries of each financial institution.
2. In addition to what is set forth in the table above, there is a syndicated loan which amounts to 120,916 million yen.

#### (12) Other Important Matters Concerning Current Status of Corporate Group

The Company is in negotiations with some automakers for compensation regarding violation of antitrust law in the Automotive segment.

## 2. Information Concerning Shares (as of March 31, 2020)

### (1) Total Number of Authorized Shares

3,000,000,000 shares

### (2) Total Number of Issued Shares

793,940,571 shares (compared with the end of preceding fiscal year: no increase or decrease)

### (3) Number of Shares for One Unit of Shares

100 shares

### (4) Number of Shareholders

61,346 persons (compared with the end of preceding fiscal year: increase of 1,462 persons)

### (5) Largest Shareholders (top 10 shareholders)

Name of the Shareholder	Number of Shares Held	Shareholding Percentage
	in thousands of shares	%
The Master Trust Bank of Japan, Ltd. (trust account)	70,619	9.05
Japan Trustee Services Bank, Ltd. (trust account)	56,455	7.24
Nippon Life Insurance Company	24,703	3.17
JP MORGAN CHASE BANK 385151	17,641	2.26
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	16,891	2.17
SUMITOMO LIFE INSURANCE COMPANY	15,556	1.99
Japan Trustee Services Bank, Ltd. (trust account 5)	15,054	1.93
Japan Trustee Services Bank, Ltd. (trust account 7)	12,618	1.62
The Master Trust Bank of Japan, Ltd. (trust account J)	12,590	1.61
Japan Trustee Services Bank, Ltd. (trust account 4)	12,273	1.57
	in thousands of shares	%
Total	254,405	32.61

#### (Notes)

1. SUMITOMO LIFE INSURANCE COMPANY, in addition to what is set forth in the table above, has established a trust for retirement benefits holding 8,000 thousand shares (a 1.03% shareholding) in the Company, and has retained the authority to give instructions to exercise voting rights.
2. NEC Corporation holds 6,914 thousand shares in the Company. Also, NEC Corporation has established a trust for retirement benefits holding 6,900 thousand shares (a 1.77% shareholding as combined with the above NEC Corporation's holding) in the Company, and has retained the authority to give instructions to exercise voting rights.
3. Shareholding percentages have been calculated after deducting from the total number of issued shares the 13,859,702 of its own shares that the Company holds.

### 3. Matters Related to Officers of the Company

#### (1) Name, etc. of Directors and Audit & Supervisory Board Members (as of March 31, 2020)

Name	Position and Areas of Responsibility	Important Concurrent Post
※Masayoshi Matsumoto	Chairman of the Board of Directors	Chairman, Kansai Economic Federation
※Osamu Inoue	President	
※Mitsuo Nishida	Executive Vice President General Manager, Manufacturing Management & Engineering Unit General Manager, Automotive Business Unit	Chairman of Board of Directors, Sumitomo Wiring Systems, Ltd. Chairman of the Board, Sumitomo Electric Wiring Systems, Inc. Joint Representative Director, Kyungshin Co., Ltd.
※Nozomi Ushijima	Executive Vice President General Manager, Advanced Materials Business Unit Electronics Group (Fine Polymer Division, Water Processing Division)	Director, Sumitomo Electric Hardmetal Corp. Director, Sumitomo Electric Sintered Alloy, Ltd.
※Yoshitomo Kasui	Senior Managing Director Deputy General Manager, Manufacturing Management & Engineering Unit (Safety & Environment) Corporate Staff Group (Compliance & Risk Management, Administration, Tokyo Administration, Human Resources, Human Resources Development, Corporate Planning, Internal Auditing, Security Trade Control)	
Akira Nishimura	Senior Managing Director General Manager, Infocommunications Business Unit Electronics Group (Electronic Wire Division)	Director, MIRAIT Technologies Corporation Chairman, Sumitomo Electric Lightwave Corp.

Name	Position and Areas of Responsibility	Important Concurrent Post
Hideo Hato	Senior Managing Director General Manager, New Business Development Unit Deputy General Manager, Automotive Business Unit (Systems & Electronics Division) Corporate Staff Group (Legal, Public Relations, Intellectual Property, Security Trade Control) Environment and Energy Group (Energy System Division)	
Junji Itoh	Managing Director General Manager, R&D Unit	
Masaki Shirayama	Managing Director General Manager, Electric Wire & Cable, Energy Business	
○Nobuyuki Kobayashi	Managing Director Corporate Staff Group (Accounting, Finance, Information Systems, Procurement, Logistics Management)	Director, Sumitomo Rubber Industries, Ltd.
Hiroshi Sato	Director	Advisor, Kobe Steel, Ltd. President & Representative Director, The Kobe International House Inc.
Michihiro Tsuchiya	Director	Director, RaQualia Pharma Inc.
Christina Ahmadjian	Director	Professor, Graduate School of Business Administration, Hitotsubashi University Director, Japan Exchange Group, Inc. Director, Mitsubishi Heavy Industries, Ltd. Director, Asahi Group Holdings, Ltd.

Name	Position and Areas of Responsibility	Important Concurrent Post
Satoru Ogura	Audit & Supervisory Board Member (full-time)	
Akira Hayashi	Audit & Supervisory Board Member (full-time)	
Katsuaki Watanabe	Audit & Supervisory Board Member	Director, Kyushu Financial Group, Inc.
Michiko Uehara	Audit & Supervisory Board Member	Attorney at law Audit & Supervisory Board Member, The Japan Wool Textile Co., Ltd
Ikuo Yoshikawa	Audit & Supervisory Board Member	Certified public accountant Audit & Supervisory Board Member, Konishi Co., Ltd.

(Notes)

1. Directors marked with “※” are Representative Directors.
2. Mr. Nobuyuki Kobayashi marked with “○” was newly appointed as a Director at the 149th General Meeting of the Shareholders held on June 21, 2019.
3. Among the Directors above, Mr. Hiroshi Sato, Mr. Michihiro Tsuchiya and Ms. Christina Ahmadjian are not only Outside Directors under Article 2, Item 15 of the Companies Act, but also Independent Officers under the rules of Tokyo Stock Exchange, Inc., etc.
4. Among the Audit & Supervisory Board Members above, Mr. Katsuaki Watanabe, Ms. Michiko Uehara and Mr. Ikuo Yoshikawa are not only Outside Audit & Supervisory Board Members under Article 2, Item 16 of the Companies Act, but also Independent Officers under the rules of Tokyo Stock Exchange, Inc., etc.
5. Mr. Akira Hayashi, an Audit & Supervisory Board Member, having years of experience in the Accounting and Finance Division of the Company, has a distinguished level of knowledge of finance and accounting.  
Mr. Ikuo Yoshikawa, an Audit & Supervisory Board Member, qualified as a certified public accountant, has a distinguished level of knowledge of finance and accounting.
6. As of June 21, 2019, Mr. Makoto Tani (Senior Managing Director) resigned from his director position due to voluntary resignation.  
The position in parentheses is as of his resignation.
7. Transfer of positions and areas of responsibility of Directors after the last day of this fiscal year is as follows:



Name	Position after the change	Position before the change	Date of change
Yoshitomo Kasui	Senior Managing Director Deputy General Manager, Manufacturing Management & Engineering Unit (Safety & Environment) Corporate Staff Group (Compliance & Risk Management, Administration, Tokyo Administration, Secretary, Human Resources, Human Resources Development, Corporate Planning, Internal Auditing, Security Trade Control)	Senior Managing Director Deputy General Manager, Manufacturing Management & Engineering Unit (Safety & Environment) Corporate Staff Group (Compliance & Risk Management, Administration, Tokyo Administration, Human Resources, Human Resources Development, Corporate Planning, Internal Auditing, Security Trade Control)	As of April 1, 2020
Akira Nishimura	Senior Managing Director General Manager, Infocommunications Business Unit Electronics Group (Flexible Printed Circuits Division, Electronic Wire Division)	Senior Managing Director General Manager, Infocommunications Business Unit Electronics Group (Electronic Wire Division)	As of April 1, 2020

**(2) Remuneration, etc. of Directors and Audit & Supervisory Board Members**

(i) Total Amounts of Remuneration, etc. of Directors and Audit & Supervisory Board Members

Position	Number of Officers	Amount
Directors	14	797,700,000 yen
Audit & Supervisory Board Members	5	116,100,000 yen

(Notes)

- The number of officers above includes one Director who resigned as of June 21, 2019.
- The amount of remuneration for Directors shown above includes the amount of a bonus payment of 150 million yen if a resolution regarding the payment of a bonus to the Directors is adopted as proposed at the 150th General Meeting of the Shareholders.

(ii) Policy for Determining Remuneration, etc.

Remuneration for Directors is composed of monthly remuneration and bonus.

Regarding monthly remuneration, a monthly remuneration table for each post is set based on each post's role and degree of responsibility as well as on the extent of their contribution to the Company's performance, after ensuring the objectivity of the standards of remuneration by utilizing third party analysis of officers' remuneration covering corporations similar to the Company in areas such as the business contents and scale. The amount in the table adopted for each person is determined upon consideration of the Director's role, degree of responsibility, scale, complexity and difficulty of the area of which the Director is in charge as well as on the extent of their contribution to the Company's performance also with a mid- and long-term perspective. The total amount of monthly remuneration for Directors is determined within the framework of the remuneration amount resolved at the shareholders' meeting.

The Directors' bonuses shall be performance-based bonuses, and their total amount is subject to the annual shareholders' meeting resolution and determined based on the Company's performance of each fiscal year, particularly, items such as profit indices and dividend levels, after ensuring the objectivity of the standards of remuneration by utilizing third party analysis of officers' remuneration covering corporations similar to the Company in areas such as the business contents and scale. The allocation for each Director is determined in consideration of a mid- and long-term perspective and based on the Director's post, degree of responsibility, achievement of main goals, and their contribution to the Company's performance of each fiscal year. The Company does not pay bonuses to Outside Directors from the viewpoint of ensuring independence.

Directors' monthly remuneration and bonuses are discussed at the Compensation Advisory Committee from an objective perspective and reported to the Board of Directors, and the Board of Directors will consider this and discuss and determine the approach regarding Directors' monthly remuneration and bonuses. In addition, the Board of Directors will determine, in addition to the total amount of bonuses of each fiscal year, agenda items of the shareholders' meeting if it reconsiders the cap on the total amount of monthly remuneration.

Remuneration for Audit & Supervisory Board Members is determined through discussion among Audit & Supervisory Board Members within the framework of the remuneration amount resolved at the shareholders' meeting.

### **(3) Matters Concerning Outside Officers**

- (i) Relationships Between the Company and Important Companies, etc. at Which Positions are Concurrently Held by Officers of the Company (Concurrent Positions as Executives or Outside Officers, etc. at Other Companies, etc.)

Position	Name	Company, etc. at which Positions are Concurrently Held by Officers of the Company and Content	Relationship
Director	Hiroshi Sato	President & Representative Director, The Kobe International House Inc.	No particular relationship.
	Michihiro Tsuchiya	Outside Director, RaQualia Pharma Inc.	No particular relationship.

Position	Name	Company, etc. at which Positions are Concurrently Held by Officers of the Company and Content	Relationship
Director	Christina Ahmadjian	Professor, Graduate School of Business Administration, Hitotsubashi University	No particular relationship.
		Outside Director, Japan Exchange Group, Inc.	No particular relationship.
		Outside Director, Mitsubishi Heavy Industries, Ltd.	No particular relationship.
		Outside Director, Asahi Group Holdings, Ltd.	No particular relationship.
Audit & Supervisory Board Members	Katsuaki Watanabe	Outside Director, Kyushu Financial Group, Inc.	No particular relationship.
	Michiko Uehara	Outside Audit & Supervisory Board Member, The Japan Wool Textile Co., Ltd	No particular relationship.
	Ikuo Yoshikawa	Outside Audit & Supervisory Board Member, Konishi Co., Ltd.	No particular relationship.

(Note) The information under the heading “Company, etc. at which Positions are Concurrently Held by Officers of the Company and Content” is as of March 31, 2020.

(ii) Main Activity Status

Position	Name	Main Activity Status
Director	Hiroshi Sato	He attended all 13 Board of Directors meetings held this fiscal year. He makes statements, as necessary, on corporate management in general, based on his rich experience and his extensive knowledge as a manager of a corporation with wide ranging business areas, such as involving materials like iron and steel, machines and energy. Furthermore, regarding compliance, he reviews and expresses opinions on internal control systems and specific measures, responding to changes in global regulations, etc. and misconduct by other companies, on a routine basis. Particularly, he is making statements on the improvement and enhancement of the competition law compliance system for the entire group and how to ensure its effectiveness, with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.

Position	Name	Main Activity Status
Director	Michihiro Tsuchiya	<p>He attended 12 out of 13 Board of Directors meetings held this fiscal year. He makes statements, as necessary, on corporate management in general, based on his rich experience and his extensive knowledge as a manager of a corporation developing global business activities. Furthermore, regarding compliance, he reviews and expresses opinions on internal control systems and specific measures, responding to changes in global regulations, etc. and misconduct by other companies, on a routine basis. Particularly, he is making statements on the improvement and enhancement of the competition law compliance system for the entire group and how to ensure its effectiveness, with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.</p>
Director	Christina Ahmadjian	<p>She attended 12 out of 13 Board of Directors meetings held this fiscal year. She makes statements, as necessary, on corporate management in general, based on her extensive knowledge as a professor of a university whose main research fields are corporate management and corporate governance and global perspective. Furthermore, regarding compliance, she reviews and expresses opinions on internal control systems and specific measures, responding to changes in global regulations, etc. and misconduct by other companies, on a routine basis. Particularly, she is making statements on the improvement and enhancement of the competition law compliance system for the entire group and how to ensure its effectiveness, with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.</p>
Audit & Supervisory Board Members	Katsuaki Watanabe	<p>He attended all 13 Board of Directors meetings and all 16 Audit &amp; Supervisory Board meetings held this fiscal year. He makes statements, as necessary, mainly on methods for viable business management for the whole group, and statements on measures responding to changes in global regulations, etc., misconduct by other companies, and points for attention, etc. concerning corporate governance, based on his rich experience in and extensive knowledge of corporate management in general, acquired by engaging in management of corporations developing global operations. Furthermore, regarding compliance, he reviews and expresses opinions on internal control systems and specific measures in cooperation with other Audit &amp; Supervisory Board Members, on a routine basis. Particularly, he is making statements on the improvement and enhancement of the competition law compliance system for the entire group and its thoroughness and organization with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.</p>

Position	Name	Main Activity Status
Audit & Supervisory Board Members	Michiko Uehara	She attended all 13 Board of Directors meetings and all 16 Audit & Supervisory Board meetings held this fiscal year. She makes statements, as necessary, mainly on business management, including risk management, measures responding to changes in global regulations and misconduct by other companies, and points for attention, etc. concerning corporate governance, based on her expertise and experience as an attorney at law and great insight into risk and crisis management, etc., including compliance by corporations. Furthermore, regarding compliance, she reviews and expresses opinions on internal control systems and specific measures in cooperation with other Audit & Supervisory Board Members, on a routine basis. Particularly, she is making statements on the improvement and enhancement of the competition law compliance system for the entire group and its thoroughness and organization with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.
	Ikuo Yoshikawa	He attended 12 out of 13 Board of Directors meetings and all 16 Audit & Supervisory Board meetings held this fiscal year. He makes statements, as necessary, mainly on business management, including risk management, measures responding to changes in global regulations, etc. and misconduct by other companies, and points for attention, etc. concerning corporate governance, based on his expertise and experience as a certified public accountant and his extensive knowledge as a professor of a university whose main research field is accountancy. Furthermore, regarding compliance, he reviews and expresses opinions on internal control systems and specific measures in cooperation with other Audit & Supervisory Board Members, on a routine basis. Particularly, he is making statements on the improvement and enhancement of the competition law compliance system for the entire group and its thoroughness and organization with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.

(iii) Outline of Contents of Limited Liability Contract

The Company has entered into limited liability contracts with all of the Outside Directors and the Outside Audit & Supervisory Board Members in accordance with the provisions of the Articles of Incorporation. An outline of the contents of the limited liability contracts is as follows:

With respect to the liability under Article 423, Paragraph 1 of the Companies Act, the Outside Director or the Outside Audit & Supervisory Board Member shall assume liability for damages limited to the higher amount of either 10 million yen or the minimum liability amount

under Article 425, Paragraph 1 of the Act, if he was without knowledge and not grossly negligent in conducting his duties.

(iv) Total Amount of Remuneration, etc.

Three Directors and three Audit & Supervisory Board Members: 108,000,000 yen

**4. Matters Regarding Accounting Auditor**

**(1) Name of Accounting Auditor**

KPMG AZSA LLC

**(2) Amount of Remuneration, etc. to Accounting Auditor**

(i)	Amount of remuneration, etc. to be paid by the Company	166 million yen
(ii)	Total amount of money and other financial benefits to be paid by the Company and its subsidiaries	895 million yen

(Notes)

1. As a result of examining items such as the details of the audit plans for this fiscal year, the audit results of the previous fiscal year, and the basis for calculating estimates on which remuneration is based, the Audit & Supervisory Board determined that the remuneration amount of the Accounting Auditor was appropriate. Therefore, the Audit & Supervisory Board gave consent regarding Article 399, Paragraph 1 of the Companies Act.
2. Under the audit contract concluded between the Company and the Accounting Auditor, the amount of remuneration, etc. for audits as per the Companies Act and the amount of remuneration, etc. for audits as per the Financial Instruments and Exchange Act are not and cannot practically be separated. Therefore, the total of these amounts is shown in (i) above.
3. The Company pays to the Accounting Auditor compensation for services (i.e., guidance and advice related to formulation of accounting standards of the group, etc.), other than the services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act.
4. Among the important subsidiaries of the Company specified in “1.(9) Status of Important Subsidiaries and Affiliates”, overseas subsidiaries are subject to audits (limited to the types of audit set forth in the Companies Act or the Financial Instruments and Exchange Act and their foreign equivalents) by certified public accountants or audit firms (including persons with qualifications in foreign countries that are equivalent to these qualifications) other than the Accounting Auditor of the Company.

**(3) Policy for Determination of Dismissal or Non-Reappointment of Accounting Auditor**

It is the Company’s policy that if any of the Items of Article 340, Paragraph 1 of the Companies Act applies to the Accounting Auditor, the Company will dismiss the Accounting Auditor. In addition, in any other circumstances where it is reasonably suspected that the Accounting Auditor cannot ensure fairness in implementing its duties and, therefore, it is deemed inappropriate for the Accounting Auditor to continue auditing, the Company will either dismiss or refuse to reappoint the Accounting Auditor, depending on the circumstances.

**5. Content of Resolutions Regarding Development of Systems Necessary to Ensure the Propriety of Operations and Outline of the Operational Status of the Systems**

In accordance with Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, the Company, at its Board of Directors meeting, adopted a resolution concerning development of systems necessary to ensure the propriety of operations of a stock company (basic policies regarding establishment of an internal control system), with the following content. In addition, the operational status of the systems is outlined as follows.

**I. Content of Resolutions Regarding the Basic Policies to Establish the Internal Control Systems**

**(1) Systems for Preservation and Management of Information Related to the Execution of Duties by Directors**

The Company shall produce and keep the minutes of Board of Directors meetings, and shall record and appropriately manage information regarding the execution of duties and making of decisions by Directors, such as an internal document for drafting proposals and making internal approvals, as set forth in the internal rules of information management, the internal rules of document handling and the internal rules of papers preservation.

**(2) Internal Rules and Other Systems for Managing Risk of Loss**

Regarding major cross-Group risks such as those related to disaster, quality, safety, environment, credit extension and export and import trade controls, risk management shall be conducted by each department or division. Each department or division shall assess the risks pertaining to implementation of the business it controls pursuant to the responsive measures and accident examples and preventative measures which are shared within the Group either by the Corporate Staff Group which is responsible for each risk or by the committees hosted by Directors, etc. (meaning the "Executive Directors or Executive Officers"; hereinafter the same) who are in charge of the Corporate Staff Group.

Regarding pressing issues such as cyber security that deals with the increase and sophistication of cyber-attacks, bribery prevention which is increasingly important in conjunction with global business development, management of confidential information and personal information, and legal, labor and tax issues, the Company intends to develop systems and reinforce its commitments through cooperation among relevant departments and divisions under the initiative of the Risk Management Committee.

Further, regarding risks peculiar to a specific department or division, the relevant department or division shall decrease risks by, as deemed necessary, obtaining the assistance of the Corporate Staff Group having expertise and external experts.

The Risk Management Committee shall exercise control over these activities pursuant to the internal rules of risk management, and shall monitor them in cooperation with the Audit & Supervisory Board Members, the Internal Auditing Department and the Corporate Staff Group which is responsible for each risk.

Further, if any material risk becomes evident and countermeasures urgently need to be taken, the Risk Management Steering Committee shall, among other things, assess the severity of the crisis and establish a task force.

### **(3) Systems for Ensuring the Efficiency of the Execution of Duties by Directors**

In order to ensure efficient and appropriate execution of duties by Directors, etc. and administrative members the Company shall set forth, in the job classification system and the internal rules of operations, (i) the department or division in charge, (ii) the authority vested in each role, and (iii) the operations governed by each organization.

Further, the Company shall adopt the Executive Officer System and the Business Unit System, and develop a system in which each Business Unit, the Sales & Marketing Unit and the R&D Unit will do business flexibly under the supervision of each General Manager of the Unit depending on environmental changes and customer demands.

Further, regarding the operational results, etc. of each Business Unit, the Company will develop a mid-term plan and an annual plan designed to achieve the mid-term plan, and adopt a system under which the Accounting and Finance Department and the Director in charge of accounting and finance shall track and analyze the progress toward achievement on a monthly basis, and shall report the results to the Management Conference and the Board of Directors in order to examine what measures might need to be taken.

The Company shall promote the use of video conference and computer and communication network systems, aiming to efficiently gather, analyze, utilize and share management information.

### **(4) Systems for Ensuring that the Execution of Duties by Directors and Employees Is Compliant with Laws and the Articles of Incorporation**

The Company shall endeavor to spread the Charter of Corporate Behavior, which elaborates the Sumitomo Spirit and the Corporate Philosophy, and the Code of Conduct, which provides the Group's common rules on compliance. Further, the Company shall thoroughly implement the principle that compliance with laws and maintenance of corporate ethics constitute the foundation of management, through the statements and behavior of the top management.

The Compliance Committee chaired by the President shall, among other things, do the following: identify and analyze cross-Group compliance risks; produce and revise the Code of Conduct; plan and perform training; investigate the cause of violations and formulate proposed measures to prevent their reoccurrence; disseminate and have the above items thoroughly implemented within the Group; and conduct monitoring of the compliance promotion activities.

Meanwhile, each department and division shall identify and analyze compliance risks, including risks peculiar to the department or division, and take measures to prevent them; whereas the Compliance Committee, the Legal Department, the Audit & Supervisory Board Members and the Internal Auditing Department shall conduct their monitoring, in cooperation with one another.

Regarding compliance with domestic and foreign competition laws, the Company shall continuously provide education regarding competition laws in order to eradicate any cartel or bid-rigging activities, including suspicious activities, within the Group. Further, under the Compliance Committee, the Compliance & Risk Management Office shall monitor the status of operation of, and compliance with, a set of rules and regulations to ensure compliance with competition laws and, further, plan and implement any other competition compliance measures, in cooperation with the respective dedicated organization of each Unit or the Competition Law Compliance Officer.



Further, the Compliance Committee shall appropriately identify the circumstances pertaining to information provided to the notification and consultation desk established within and without the Company, and shall take necessary measures.

**(5) Systems for Ensuring the Propriety of Financial Reporting**

The Company shall establish an Internal Control Committee for Financial Reporting, chaired by the President, and shall also build a promotion organization in the Corporate Staff Group. Pursuant to their policies, guidance and assistance, each department, division and subsidiary shall proceed with the development and appropriate operation of the internal control system in accordance with the Financial Instruments and Exchange Act, as well as with the assessment and audit standards and implementation standards set forth by the Financial Services Agency, in order to further enhance the Company's system for ensuring the propriety of financial reporting. The Internal Auditing Department shall assess the effectiveness of the internal control system of the whole Group for each fiscal year, and compile an internal control report to be submitted to the Financial Services Agency based on the results of such assessment and shall obtain the approval of the Internal Control Committee for Financial Reporting and the Board of Directors.

**(6) Systems for Ensuring the Propriety of the Operations Performed by the Corporate Group Comprised of the Company and the Subsidiaries**

The Company shall also endeavor to spread the Charter of Corporate Behavior, which elaborates the Sumitomo Spirit and the Corporate Philosophy, to the Group companies, aiming to share with them the principles that should be respected and complied with in the course of business operations.

Pursuant to the internal rules of affiliated companies management, the Company shall receive reports from subsidiaries or have subsidiaries consult with the Company as deemed necessary, regarding matters to be decided and accrued facts to be reported or referred to the Management Conference and the Board of Directors meeting of the Company, and certain matters related to risk management and compliance, etc.

In addition, the related persons of the governing Unit and the administrative members of the Accounting and Finance Department, among others, shall assume the offices of Directors and Audit & Supervisory Board Members of the subsidiaries in order to track their management status. Furthermore, information regarding risk management and compliance systems, etc. shall be exchanged at the conference of Audit & Supervisory Board Members of the Group, or through communication and exchanges between the Corporate Staff Group of the Company, such as the Human Resources Division, the Administration Division and the Accounting and Finance Department, on the one hand, and the relevant departments or divisions of the subsidiaries, on the other hand. In this regard, the major activities relating to risk management and compliance do not only cover the Company itself, but also its domestic and foreign subsidiaries, excluding listed companies and their subsidiaries.

Regarding major cross-Group risks, each subsidiary shall practice risk management by assessing the risks pertaining to the implementation of its business, pursuant to the responsive measures and accident examples and preventative measures shared within the Group by each department or division of the Company in charge, among others. Further, each subsidiary shall minimize risks peculiar to itself, by obtaining the assistance of the Company.

Regarding compliance risk, too, the Company has adopted a system under which each subsidiary takes measures, including those to cope with its peculiar risks, pursuant to the major compliance risks and measures to prevent their occurrence shared within the

Group by the Compliance Committee and the Legal Department of the Company, among others. With respect to the notification and consultation desk for whistle-blowing, the Company guides each subsidiary to establish its own internal consultation desk, whereas the Company also maintains the Group's common external consultation desks, both in Japan and abroad.

Under the current system, the business of each subsidiary is operated flexibly under the Business Unit System. Under this system, the business plan of each subsidiary is formulated as part of the mid-term plan and annual plan of each Unit, and the operational results of each Unit are reported to the Management Conference and the Board of Directors on a monthly basis, in order to examine measures required to be taken. Further, utilization of the Group's common infrastructure has also been promoted in regard to the utilization of computer and telecommunication systems, etc. at subsidiaries.

**(7) Matters Related to the Employees to Provide Support to the Audit & Supervisory Board Members and Matters for Ensuring their Independence from Directors and the Effectiveness of Instructions to Such Employees**

The Company shall establish the Office of Audit & Supervisory Board Members as a dedicated office to provide support to the Audit & Supervisory Board Members and shall allocate employees to such tasks (the "staff of Office of Audit & Supervisory Board Members"), some of whom shall be dedicated staff members. Personnel transfer and personnel evaluation of the staff of Office of Audit & Supervisory Board Members shall be subject to prior consultation with the Audit & Supervisory Board for their opinions, and the staff of Office of Audit & Supervisory Board Members shall follow the directions and commands of the Audit & Supervisory Board Members.

**(8) Systems for Reporting by Directors and Employees of the Company, Directors and Employees of the Subsidiaries, or Persons Who Have Received Reports therefrom to the Audit & Supervisory Board Members of the Company and Other Systems for Reporting to the Audit & Supervisory Board Members of the Company**

Audit & Supervisory Board Members shall attend various important meetings which govern the operation of the Company's whole Group, such as the Management Conference, the Risk Management Committee and the Compliance Committee. Further, the Company shall adopt a system under which the Directors, the senior managers of the departments or divisions, the presidents of the subsidiaries and others shall report to the Audit & Supervisory Board Members, as deemed necessary, regarding matters which occur within the Group such as sudden and unexpected acts violating laws or the Articles of Incorporation, or material execution of business or change to internal control system (excluding minor ones).

**(9) Systems for Ensuring That a Person Who Has Made a Report to the Audit & Supervisory Board Members Shall Not Be Unfavorably Treated on Account of Having Made Such a Report**

The Company and each subsidiary shall refrain from unfavorably treating any person who has made a report to the Audit & Supervisory Board Members as set forth in paragraph (8) above on account of having made such a report, by taking such measures as setting forth in their internal rules for whistle-blowing desk system that they shall not dismiss or otherwise unfavorably treat a person on account of such person having provided information to the staff of Office of Audit & Supervisory Board Members.

**(10) Matters Related to Policies Regarding Accounting for the Costs or Debts Incurred in Relation to Execution of Duties of the Audit & Supervisory Board Members**

For each fiscal year, a necessary budget shall be set with the approval of the Audit & Supervisory Board Members in order to account for costs or debts incurred in relation to execution of duties of the Audit & Supervisory Board Members, and a prompt response shall be made if an Audit & Supervisory Board Member requests reimbursement for costs having been prepaid or disbursed, or repayment of debts having been borne, by such Audit & Supervisory Board Member.

Further, costs incurred in the case where the Audit & Supervisory Board Members consult with external experts, such as lawyers and certified public accountants, in relation to execution of their duties shall be borne by the Company.

**(11) Other Systems for Ensuring that the Audit & Supervisory Board Members Can Conduct Audits Effectively**

The Company shall, as deemed necessary, secure opportunities for the Audit & Supervisory Board Members to interview Directors and the senior managers of the departments or divisions, and shall also periodically hold meetings for the Audit & Supervisory Board Members to exchange opinions with, among others, the Chairman of the Board of Directors, the President and the Officers in charge of the Corporate Staff Group concerning important audit matters. Furthermore, the Internal Auditing Department shall act in cooperation with the Audit & Supervisory Board Members.

**II Outline of Operational Status**

**(1) Systems for Preservation and Management of Information Related to the Execution of Duties by Directors**

The minutes of Board of Directors meetings are produced each time a meeting is held, and the originals, to which the officers who attend the meeting affix their names and seals, are kept at the Administration Division. Each department or division manages the documents and electronic data regarding the execution of duties and making of decisions by Directors, such as an internal document for drafting proposals and making internal approvals, as set forth in the internal rules of information management, the internal rules of document handling and the internal rules of papers preservation.

**(2) Internal Rules and Other Systems for Managing Risk of Loss**

Meetings of the Risk Management Committee are held at the same time as meetings of the Management Conference. Directors, etc. report matters such as the appearance of material risks in the department or division for which they are responsible, and discuss topics such as measures against those risks as necessary.

Major cross-Group risks are handled in accordance with the basic policies. Each department or division manages risk by reassessing the risks pertaining to implementation of the business it controls, following the responsive measures and accident examples and preventative measures which are shared within the Group either by the Corporate Staff Group which is responsible for each risk or by the committees hosted by Directors, etc. who are in charge of the Corporate Staff Group. Further, regarding risks unique to a specific department or division, the relevant department or division decreases risks by, as deemed necessary, obtaining the assistance of the Corporate Staff Group and external experts.

Regarding risks which are increasingly important in conjunction with global business development, the Company is arranging a system corresponding to the EU General Data Protection Regulation regarding personal information management and offering training to personal information managers appointed for each of the Group's departments or divisions and subsidiaries. Also, the Company strives to reinforce development of cyber security through cooperation among relevant departments and divisions under the initiative of the Risk Management Committee to deal with the increase and sophistication of cyber-attacks.

The Risk Management Committee and its secretariat, the Compliance & Risk Management Office, monitor these activities in cooperation with the Audit & Supervisory Board Members, the Internal Auditing Department, and the Corporate Staff Group which is responsible for each risk.

In addition, regarding the spread of COVID-19, the Company established a company-wide task force headed by the President, and it is working with the company-wide task force taking a central role, to further the implementation of measures to prevent viral infection, arrangement of responsive measures, etc. to an infectious outbreak, identification of accurate information and implementation of measures, etc. including supply chain, in order to keep the impact on operation and performance to a minimum, while prioritizing the employees' and their families' safety.

### **(3) Systems for Ensuring the Efficiency of the Execution of Duties by Directors**

In order to ensure efficient and appropriate execution of duties by Directors, etc. and administrative members, the Company defines, in the job classification system and the internal rules of operations, (i) the department or division in charge, (ii) the authority vested in each role, and (iii) the operations governed by each organization. The Company appropriately revises the contents of the system and rules as necessary.

Further, regarding the operational results, etc. of each Business Unit, the Company develops a mid-term plan and an annual plan designed to achieve the mid-term plan, and the Accounting and Finance Department and the Director in charge of accounting and finance track and analyze the progress toward achievement on a monthly basis, and report the results to the Management Conference and the Board of Directors in order to examine what measures might need to be taken.

In order to gather and analyze management information, the Company has established and utilizes an accounting system that enables prompt and efficient gathering.

### **(4) Systems for Ensuring that the Execution of Duties by Directors and Employees Is Compliant with Laws and the Articles of Incorporation**

The Company endeavors to spread the Sumitomo Spirit and the Charter of Corporate Behavior through measures such as distributing booklets explaining those ideas, and awareness about compliance by distributing the Code of Conduct and conducting training. Further, the President comments on the importance of the Sumitomo Spirit and that compliance with laws and maintenance of corporate ethics constitute the foundation of management, at opportunities to deliver messages within the Group, such as New Year's speeches and in-house newsletters, striving to spread awareness of these ideas.

In fiscal 2019, the Compliance Committee held four meetings and, among other things, undertook the following: identified and analyzed cross-Group compliance risks; planned and performed compliance training; and conducted monitoring of the compliance promotion activities of each department or division. Regarding compliance training, it was

offered to officers, those who were promoted, and new employees of the Company, and managers of the Company and the subsidiaries.

Regarding compliance with domestic and foreign competition laws, the Company provides education regarding competition laws, within the Group, including domestic and foreign subsidiaries. Further, the Compliance & Risk Management Office monitors the status of operation of, and compliance with, a set of rules and regulations to ensure compliance with competition laws in cooperation with the respective dedicated organization of each Unit or the Competition Law Compliance Officer. In addition, the Company is establishing a new "Global Competition Law Policy" to clarify and provide within the Group specific acts of violation and points for attention, etc. regarding competition law.

Regarding prevention of bribery, the Company provides education within the Group, including domestic and foreign subsidiaries, and the manager in charge of bribery prevention in each department or division operates systems such as a pre-approval system to providing business entertainment, among others, pursuant to the internal rules on bribery prevention.

The Compliance Committee appropriately identifies the circumstances pertaining to information provided to the notification and consultation desk established by the Company and domestic and foreign subsidiaries within and without the Company (law firms and experts), and takes necessary measures.

#### **(5) Systems for Ensuring the Propriety of Financial Reporting**

Pursuant to the guidance and assistance of the Internal Control Committee for Financial Reporting and the relevant Corporate Staff Group, each department, division, and subsidiary has developed and operated the internal control system. The Internal Auditing Department assesses the effectiveness of the internal control system of the whole Group, compiles an internal control report to be submitted to the Financial Services Agency based on the results of such assessment and obtains the approval of the Internal Control Committee for Financial Reporting and the Board of Directors.

#### **(6) Systems for Ensuring the Propriety of the Operations Performed by the Corporate Group Comprised of the Company and the Subsidiaries**

The Company also endeavors to spread the Sumitomo Spirit and the Charter of Corporate Behavior to each subsidiary, aiming to share with them the principles that should be respected and complied with in the course of business operations.

Regarding specific matters pursuant to the internal rules of affiliated companies management, the responsible Unit and the relevant Corporate Staff Group of each subsidiary receive reports and consultation from the subsidiary, and as necessary, refer them to the Management Conference and the Board of Directors meeting of the Company.

The related persons of the governing Unit and the administrative members of the Accounting and Finance Department, among others, are placed as Directors or Audit & Supervisory Board Members of the subsidiaries in order to track their management status.

The business plan of each subsidiary is formulated as part of the mid-term plan and annual plan of each Unit, and the operational results of each Unit are reported to the Management Conference and the Board of Directors on a monthly basis, in order to examine measures required to be taken.

Regarding commitments to risk management and compliance systems, such information is exchanged at the conference of Audit & Supervisory Board Members of the

Group, or through meetings held by the Corporate Staff Group of the Company, such as the Human Resources Division, the Administration Division, and the Accounting and Finance Department, with the relevant departments or divisions of the subsidiaries, and guidance and support are conducted by the relevant Corporate Staff Group for each subsidiary. Also, the major activities relating to risk management and compliance do not only cover the Company itself, but also its domestic and foreign subsidiaries, excluding listed companies and their subsidiaries.

**(7) Systems for Ensuring that the Audit & Supervisory Board Members Can Conduct Audits Effectively**

The Company has established the Office of Audit & Supervisory Board Members as a dedicated office to provide support to the Audit & Supervisory Board Members and allocated employees consisting of two dedicated staff members and four members who hold posts concurrently elsewhere to such tasks (the “staff of Office of Audit & Supervisory Board Members”). The Office of Audit & Supervisory Board Members does not fall under the responsibility of any Directors, etc. in terms of the organization, and the staff of Office of Audit & Supervisory Board Members must follow the instructions of the Audit & Supervisory Board Members. Regarding personnel transfer and personnel evaluation of the staff of Office of Audit & Supervisory Board Members, the Company hears the opinions of the Audit & Supervisory Board Members.

Audit & Supervisory Board Members attend various important meetings, such as the Management Conference, the Risk Management Committee and the Compliance Committee. The Directors, etc., the senior managers of the departments or divisions, the presidents of the subsidiaries and others report to the Audit & Supervisory Board Members, as deemed necessary, regarding material matters of the contents of the various important meetings that need supplementation.

A necessary budget is set with the approval of the Audit & Supervisory Board Members in order to account for costs or debts incurred in relation to execution of duties of the Audit & Supervisory Board Members, and a prompt response is made if an Audit & Supervisory Board Member makes requests such as reimbursement for costs having been prepaid or disbursed by such Audit & Supervisory Board Member.

The Directors and the senior managers of the departments or divisions hold meetings upon request from the Audit & Supervisory Board Members and are interviewed about matters necessary for audits. In fiscal 2019, the President and the Officers in charge of the Human Resources, the Administration, and the Accounting and Finance held meetings twice with the Audit & Supervisory Board Members to report and exchange opinions concerning management policies and tasks, etc. Furthermore, the Internal Auditing Department requests that the Audit & Supervisory Board Members attend report meetings regarding the results of audit in each division, department, etc. and hears the opinions of the Audit & Supervisory Board Members. It also acts in cooperation with the Audit & Supervisory Board Members through activities such as reporting and exchanging opinions concerning annual audit plans and its results.

End

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(Note)

In this Business Report, all figures have been rounded to the nearest number as stated, except for the number of shares indicated in units of one thousand shares which have been rounded down to the nearest number as stated.

(Translation)

**Consolidated Balance Sheet**

(As of March 31, 2020)

(Millions of yen)

Accounts	Amount	Accounts	Amount
<b>(ASSETS)</b>		<b>(LIABILITIES)</b>	
<b>Current assets</b>	<b>1,577,027</b>	<b>Current liabilities</b>	<b>912,837</b>
Cash and time deposits	250,600	Trade notes and accounts payable	361,155
Trade notes and accounts receivable	670,337	Short-term debt	307,620
Securities	384	Other current liabilities	244,062
Inventories	553,586	<b>Non-current liabilities</b>	<b>404,850</b>
Other current assets	103,885	Bonds	104,851
Allowance for doubtful receivables	(1,765)	Long-term debt	173,554
		Deferred tax liabilities	31,294
		Net defined benefit liabilities	57,976
<b>Non-current assets</b>	<b>1,507,490</b>	Other non-current liabilities	37,175
<b>Property, plant and equipment</b>	<b>942,454</b>	<b>Total liabilities</b>	<b>1,317,687</b>
Buildings and structures	282,898	<b>(NET ASSETS)</b>	
Machinery and equipment	411,510	<b>Shareholders' equity</b>	<b>1,501,637</b>
Land	92,961	Common stock	99,737
Construction in progress	63,603	Capital surplus	170,881
Other	91,482	Retained earnings	1,251,778
		Treasury stock	(20,759)
<b>Intangible assets</b>	<b>37,908</b>	<b>Accumulated other comprehensive income</b>	<b>16,947</b>
		Net unrealized holding gains on available-for-sale securities	57,781
<b>Investments and other assets</b>	<b>527,128</b>	Deferred gains or losses on hedges	(493)
Investment securities	381,963	Foreign currency translation adjustments	(42,327)
Net defined benefit assets	66,234	Remeasurements of defined benefit plans	1,986
Deferred tax assets	38,162	<b>Non-controlling interests</b>	<b>248,246</b>
Other	42,028	<b>Total net assets</b>	<b>1,766,830</b>
Allowance for doubtful receivables	(1,259)	<b>Total liabilities and net assets</b>	<b>3,084,517</b>
<b>Total assets</b>	<b>3,084,517</b>		

(Note) Amounts shown in this financial statement have been rounded to the nearest million yen.

## Consolidated Statement of Income

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Accounts	Amount	
Net sales		3,107,027
Cost of sales		2,553,902
<b>Gross profit</b>		<b>553,125</b>
Selling, general and administrative expenses		425,909
<b>Operating income</b>		<b>127,216</b>
<b>Non-operating income</b>		
Interest income	1,269	
Dividend income	4,309	
Share of profit of investments accounted for using the equity method	11,771	
Other income	9,648	26,997
<b>Non-operating expenses</b>		
Interest expenses	7,434	
Other expenses	16,281	23,715
<b>Ordinary income</b>		<b>130,498</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	9,844	
Gain on return of assets from retirement benefit trust	2,627	
Gain on bargain purchase	10,395	22,866
<b>Extraordinary losses</b>		
Loss on disposal of property, plant and equipment	2,867	
Impairment loss on fixed assets	7,603	
Restructuring expenses	3,124	
Loss on step acquisitions	6,572	20,166
<b>Profit before income taxes</b>		<b>133,198</b>
Income taxes - current	37,578	
Income taxes - deferred	7,186	44,764
<b>Profit for the year</b>		<b>88,434</b>
Profit attributable to non-controlling interests		15,714
<b>Profit attributable to owners of the parent</b>		<b>72,720</b>

(Note) Amounts shown in this financial statement have been rounded to the nearest million yen.



## Consolidated Statement of Changes in Net Assets

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total share-holders' equity
Balance at beginning of current period	99,737	170,868	1,216,207	(20,749)	1,466,063
Cumulative effect of changes in accounting policy			(296)		(296)
Restated balance	99,737	170,868	1,215,911	(20,749)	1,465,767
Changes of items during the period					
Cash dividends			(37,444)		(37,444)
Profit attributable to owners of the parent for the year			72,720		72,720
Purchases of treasury stock				(10)	(10)
Disposal of treasury stock		13		0	13
Change of scope of consolidation			78		78
Change based on generally accepted accounting standards adopted by overseas subsidiaries			513		513
Net changes of items other than those in shareholders' equity					
Total changes of items during the period	—	13	35,867	(10)	35,870
Balance at end of current period	99,737	170,881	1,251,778	(20,759)	1,501,637

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gains on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	83,430	(128)	(13,927)	15,445	84,820	225,430	1,776,313
Cumulative effect of changes in accounting policy							(296)
Restated balance	83,430	(128)	(13,927)	15,445	84,820	225,430	1,776,017
Changes of items during the period							
Cash dividends							(37,444)
Profit attributable to owners of the parent for the year							72,720
Purchases of treasury stock							(10)
Disposal of treasury stock							13
Change of scope of consolidation							78
Change based on generally accepted accounting standards adopted by overseas subsidiaries				(513)	(513)		—
Net changes of items other than those in shareholders' equity	(25,649)	(365)	(28,400)	(12,946)	(67,360)	22,816	(44,544)
Total changes of items during the period	(25,649)	(365)	(28,400)	(13,459)	(67,873)	22,816	(9,187)
Balance at end of current period	57,781	(493)	(42,327)	1,986	16,947	248,246	1,766,830

(Note) Amounts shown in this financial statement have been rounded to the nearest million yen.

# Notes to Consolidated Financial Statements

## 1. Basis of Consolidated Financial Statements

### 1-1. Scope of consolidation

#### (1) Consolidated subsidiaries

Consolidated subsidiaries: 383 companies

Major consolidated subsidiaries

Sumitomo Wiring Systems, Ltd., Sumitomo Electric Device Innovations, Inc., Sumitomo Riko Co., Ltd., Sumitomo Electric Hardmetal Corp. and Sumitomo Electric Wiring Systems, Inc.

30 companies including TECHNO ASSOCIE Co., Ltd., which had been an affiliate accounted for by the equity method, were newly included in the scope of consolidation as a result of acquisition of shares, establishment or increase in materiality from the fiscal year ended March 31, 2020.

And 4 companies were excluded from the scope of consolidation as a result of merger.

#### (2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries

SEI HR SERVICES, INC.

Reason for being excluded from consolidation

The unconsolidated subsidiaries are immaterial in terms of their assets, sales, profit or loss and retained earnings, and would not have significant effect on the consolidated financial statements either individually or collectively.

### 1-2. Adoption of the equity method

#### (1) Unconsolidated subsidiaries and affiliates accounted for by the equity method

Unconsolidated subsidiaries accounted for by the equity method: 1 company

Affiliates accounted for by the equity method: 32 companies

Major companies accounted for by the equity method

Sumitomo Rubber Industries, Ltd.

TECHNO ASSOCIE Co., Ltd. was excluded from the scope of the equity method as a result of becoming a consolidated subsidiary, whereas its 2 affiliates were newly included in the scope of the equity method.

#### (2) Unconsolidated subsidiaries and affiliates not accounted for by the equity method

Major companies not accounted for by the equity method

KINKIDENKI Co.

Reason for not applying the equity method

The unconsolidated subsidiaries and affiliates not accounted for by the equity method are immaterial in terms of their profit or loss and retained earnings, and would not have significant effect on the consolidated financial statements either individually or collectively.

### 1-3. Significant accounting policies

#### (1) Valuation methods for assets

##### (a) Securities

Held-to-maturity debt securities: stated at amortized cost

Available-for-sale securities

with fair values: stated at the fair value at the fiscal year end

(Unrealized gains and losses, net of related taxes and non-controlling interests, are recognized as a separate component of net assets.

Acquisition costs on sales are computed using average cost.)

without fair values: stated at average cost

##### (b) Derivatives

Derivative financial instruments are stated at fair value.

##### (c) Inventories

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

#### (2) Depreciation method of fixed assets

##### (a) Property, plant and equipment (Excluding Leased assets)

The straight-line method is applied.

##### (b) Leased assets

Leased assets related to finance leases which do not transfer ownership of the lease assets and right-of-use assets in consolidated subsidiaries that apply IFRS 16 "Leases" are depreciated by the straight-line method, assuming the lease period as the useful life and no residual value.

#### (3) Basis for allowance

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.

#### (4) Other significant accounting policies

##### (a) Basis for retirement benefits

###### ( i ) Method of attributing benefits to periods of service

When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods of service.

###### ( ii ) Method of expenses for actuarial gains and losses and past service costs

Past service cost is amortized on a straight-line basis over certain periods within the average remaining service years of employees (mainly 5 years) from the year in which it arises, or accounted for as an expense when it arises.

Actuarial gains and losses are amortized on a straight-line basis over certain periods within the average remaining service years of employees (mainly 14 years) from the year following that in which they arise. It is accounted for as an expense when it arises at some consolidated subsidiaries.

##### (b) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(c) Adoption of consolidated taxation system

The Company and its wholly owned domestic consolidated subsidiaries have adopted the consolidated taxation system.

(d) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

Regarding the transition to the group tax sharing system established by the “Act for Partial Revision of the Income Tax Act etc.,” (Act No. 8 of 2020) and its related review of the taxation system for a stand-alone entity, in accordance with the paragraph 3 of the “Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020), the amounts of the deferred tax assets and deferred tax liabilities of the company and its wholly owned domestic consolidated subsidiaries are based on the tax regulation before this revision without applying the paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018).

## 2. Changes in Accounting Policy

### (Application of IFRS16 “Lease”)

The overseas consolidated subsidiaries excluding the U.S. consolidated subsidiaries have applied IFRS16 “Lease” from the beginning of the fiscal year ended March 31, 2020.

In applying IFRS16 “Lease”, the Company has adopted the method approved as a transitional measure of recognizing the cumulative effects of applying this accounting standard on the date of initial application.

As a result, other in property, plant and equipment increased by ¥33,836 million, other current liabilities in current liabilities increased by ¥7,793 million, and other non-current liabilities in non-current liabilities increased by ¥23,774 million at the beginning of the fiscal year ended March 31, 2020. The effects on the consolidated statement of income of the fiscal year ended March 31, 2020 were immaterial.

## 3. Notes to Consolidated Balance Sheet

### 3-1. Assets pledged as collateral and liabilities secured by collateral

#### (1) Assets pledged as collateral

Property, plant and equipment	¥2,059 million
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#### (2) Liabilities secured by the above collateral

Short-term debt	¥ 431 million
Long-term debt	¥ 198 million
Total	¥ 629 million

### 3-2. Accumulated depreciation of property, plant and equipment ¥1,746,322 million

### 3-3. Guarantees

#### Debt guarantees and similar agreements

Jiaxing SEI-Futong Optical Fiber Co., Ltd.	¥2,278 million
SEI Optifrontier Vietnam, Ltd.	¥1,088 million
Daeheung SumiRiko Rubber Material (Yancheng) Co., Ltd.	¥ 789 million
Chongqing Xinminkang Co., Ltd.	¥ 482 million
Employees	¥ 193 million
Others	¥ 365 million

Total	¥5,196 million
3-4. Notes receivable discounted	¥ 30 million
Notes receivable endorsed	¥403 million
3-5. Inventories	
Merchandise and finished goods	¥184,580 million
Work in process	¥173,421 million
Raw materials and supplies	¥195,585 million
3-6. Other	
The Company is in negotiations with some automakers for damages regarding violation of competition law by it in the automotive segment.	

#### 4. Notes to Consolidated Statement of Income

(1) Gain on return of assets from retirement benefit trust in extraordinary income are gains resulting from amortization of unrecognized actuarial gains and losses related to the return of a portion of retirement benefit trust of the Company.

(2) Restructuring expenses in extraordinary losses are related to the reorganization of the business locations and the right-sizing of the number of employees in proportion to the scale of business, to make efficient production structure and to strengthen profitability of optical devices business, FPC business, sintered parts business, etc. The major details are impairment loss of ¥1,131 million and extra payment of retirement benefits of ¥1,072 million.

#### 5. Notes to Consolidated Statement of Changes in Net Assets

5-1. Type and number of shares issued and outstanding at the end of current fiscal year  
Common stock 793,940,571 shares

##### 5-2. Dividend Information

###### (1) Dividends paid

Resolution	Type of shares	Total amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Resources of dividends
Shareholders' meeting on June 21, 2019	Common stock	18,722	24.00	March 31, 2019	June 24, 2019	Retained earnings
Board of Directors on November 1, 2019	Common stock	18,722	24.00	September 30, 2019	December 2, 2019	Retained earnings

(2) Dividends of which record date was in the current fiscal year and effective date will be in the next fiscal year

Resolution	Type of shares	Total amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Resources of dividends
Shareholders' meeting on June 25, 2020	Common stock	12,481	16.00	March 31, 2020	June 26, 2020	Retained earnings

## 6. Financial Instruments

### 6-1. Qualitative Information on Financial Instruments

The Company and its consolidated subsidiaries finance investment in equipment and operating capital for business, mainly using borrowings from banks and the issuance of bonds in accordance with their cash flow planning.

Trade notes and accounts receivable are exposed to the credit risks of customers. The Company and its consolidated subsidiaries try to reduce and manage the risk according to their rules for credit control.

Operating receivables denominated in foreign currency are exposed to foreign exchange risks.

The Company and its consolidated subsidiaries hedge the risks using forward exchange contracts, etc., for the net position of foreign currency operating receivables and payables.

Securities and investment securities are mainly held to build and strengthen long-term and stable customer relationships and to facilitate business and technical customer partnerships and are exposed to market value fluctuation risks.

The main purpose of holding debt and issuing bonds is to secure financing for capital expenditure and working capital.

### 6-2. Fair Value of Financial Instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2020 are set forth in the table below.

(Millions of yen)

	Carrying amount*	Fair value*	Difference
(1) Cash and time deposits	250,600	250,600	—
(2) Trade notes and accounts receivable	670,337	670,337	—
(3) Securities	384	384	—
(4) Investment securities	281,700	261,882	△19,818
(5) Trade notes and accounts payable	(361,155)	(361,155)	—
(6) Short-term debt	(307,620)	(307,620)	—
(7) Bonds	(104,851)	(105,012)	161
(8) Long-term debt	(173,554)	(176,308)	2,754

\*Any item accounted for as a liability on the consolidated balance sheet is indicated in parentheses.

(Note) 1. Valuation approach for the fair value of financial instruments and matters related to securities and investment securities

(1) Cash and time deposits and (2) Trade notes and accounts receivable

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

(3) Securities

The carrying amount is nearly equal to the fair value because of the short maturity.

(4) Investment securities

Investment securities which have a quoted market value are stated at the fair market value.

The fair value of those which do not have a quoted market value is estimated based on the present value of future cash flows using appropriate current discount rates.

(5) Trade notes and accounts payable

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

(6) Short-term debt

The carrying amount approximates the fair value because of the short maturity of one year or less.

(7) Bonds

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

(8) Long-term debt

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

2. Unlisted Securities (the carrying amount on the consolidated balance sheet is ¥100,263 million) are not included in “(4) Investment securities,” because they do not have quoted market values and their future cash flows cannot be estimated, therefore, their fair value is hard to determine.

**7. Per Share Information**

Net assets per share	¥1,947.16
Earnings per share	¥ 93.24