



Integrated Report  
2020

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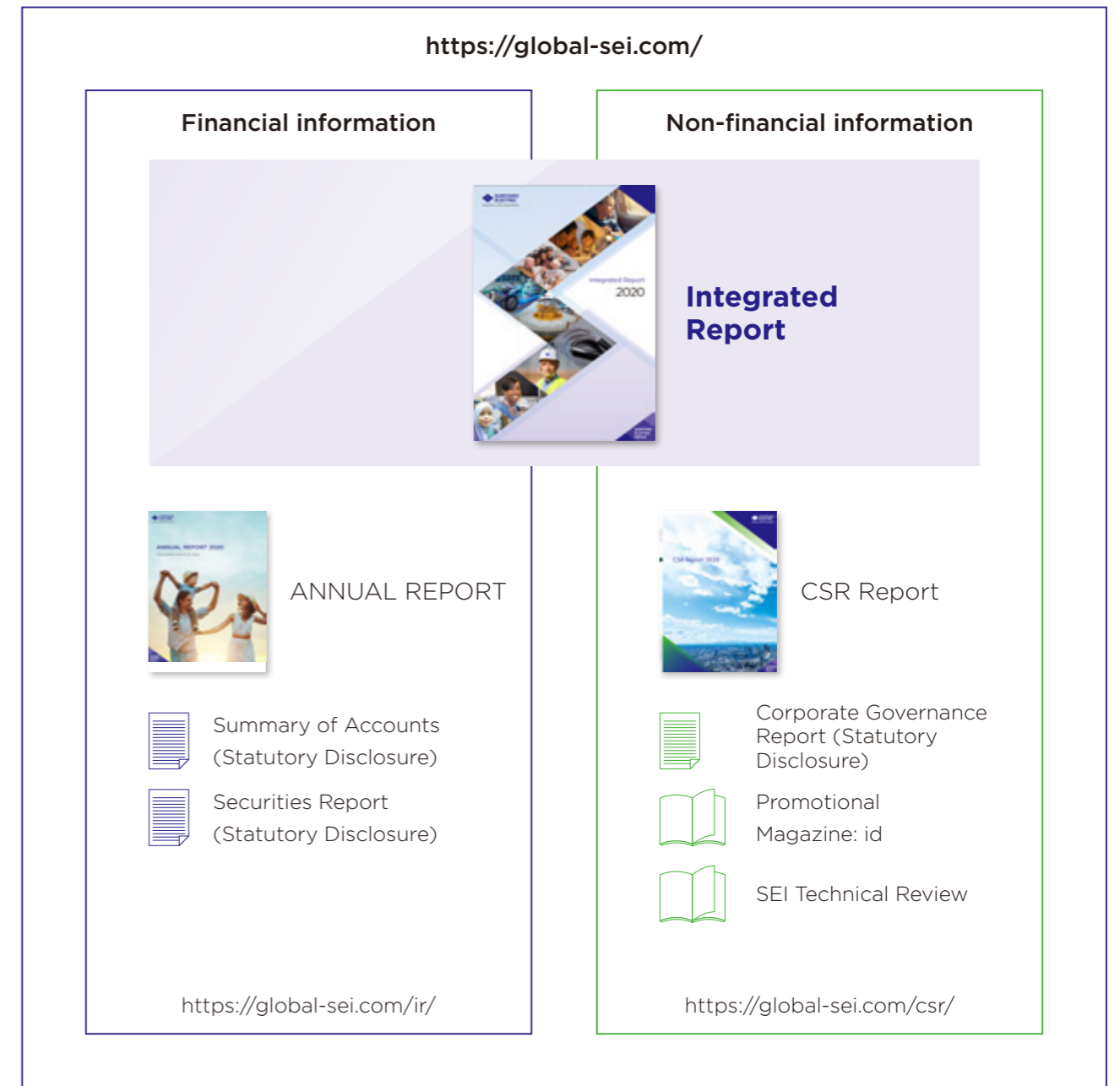
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## Framework for Disclosure of Information



### Editorial Policy

The Integrated Report (2020) is edited and published to tell our wide range of stakeholders, including customers, business partners, employees, local communities and shareholders, about how the Sumitomo Electric Group is creating value in the medium to long term. Financial and non-financial information such as our medium- to long-term growth strategies, our results and business strategies and our ESG (environmental, social and governance) initiatives are integrated in a format that clearly communicates what we are working toward. We hope this report will provide insights into the approaches the Sumitomo Electric Group is taking to continuously expand its value and the value we provide to society. As we have done in the past, we will apply the feedback and requests we receive from you and continually improve on our reports so that readers will get as much out of them as possible.

### Guidelines referred to for this report

International Integrated Reporting Framework (International Integrated Reporting Council)  
Guidance for Cooperative Value Creation (Japan's Ministry of Economy, Trade and Industry)

**Period:** Financial year 2019 (April 1, 2019 - March 31, 2020), with some exceptions

**Scope:** 2020 Sumitomo Electric Industries, Ltd. and companies in the Sumitomo Electric Group (416 group companies (383 consolidated subsidiaries and 33 equity-method companies) as of the end of March 2020)

**Published:** January 2021

### Notes on future outlooks

Plans, outlooks, strategies and other details pertaining to the future are indicated based on fixed premises deemed reasonable at the time this information is disclosed. Actual results and other outcomes may differ significantly to the outlooks stated in this report and may differ significantly as a result of various factors.

## Introduction



The Sumitomo Electric Group has maintained an unwavering basic policy of contributing to the society through fair business practices under our corporate philosophies of the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. Our company was founded in 1897. We inherited the history of Sumitomo Copper Rolling Works, producing copper plates and rods in addition to electric wires. Since then, in over 120 years we have built on our foundation of electric wires and branched into five areas of business: Automotive, Infocommunications, Electronics, Environment & Energy and Industrial Materials.

In recent years, we have seen many social issues, including worsening global warming, depletion of resources, increasingly frequent and severe disasters, and disrepair and aging of social infrastructure. With this in mind, we have established VISION 2022, our mid-term management plan, based on the society we envisioned around 2030. The plan sets out the value we aim to provide—environmental friendliness, safety and security, social comfort and vitality—in the mobility, energy and communications fields that are our main focus. The Sumitomo Spirit is about mutual prosperity and respect for the public good.\* We strive to act in line with the public good at all times and share the fruits of our work with our wide-ranging stakeholders as we continuously increase our value as a company. Our philosophy and commitment to achieving sustainable prosperity in both the society and our company is synonymous with those values and concepts as described in the SDGs (sustainable development goals) and ESG (environmental, social and governance).

COVID-19 has rapidly accelerated the changes taking place in people's lives and the conditions in which we do business. But the Sumitomo Electric Group has always responded strongly and flexibly to each change that has taken place in society, and has continued to achieve steady growth. We will continue striving to reach our ideal future state, a "Glorious Excellent Company," † drawing on the strengths we have built since we were first established—connectivity and transmission technologies, our manufacturing excellence and our employees who embody the Sumitomo Spirit. We will mobilize the entire the Sumitomo Electric Group to carry out initiatives to solve the variety of social issues the world is facing and improve our value as a company.

**Masayoshi Matsumoto,** Chairman & CEO

**Osamu Inoue,** President & COO

**Sumitomo Electric Industries, Ltd.**

\* This phrase represents the principle that Sumitomo's business must benefit not only Sumitomo but also the nation and society in general, and everyone in Sumitomo is required to focus not only on making money but always conduct business in harmony with public interests.

† The SEI Group's vision for the future. "Glorious" represents our qualitative aims, which we will achieve by holding firm to the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles in everything we do, while "Excellent" represents our quantitative aims, which we will achieve by consistently meeting the targets we have set out in mid-term management plans such as VISION 2022.

## The Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles

### The Sumitomo Spirit

The Sumitomo Spirit grew out of the guiding principles set down in his later years by the founding father of the House of Sumitomo, Masatomo Sumitomo (1585 - 1652), in Monjuin Shiigaki (the Aphorisms of Monjuin, which describes how a merchant should conduct his business). The Sumitomo Spirit has been passed down and elaborated through the history of Sumitomo, which mainly operated copper business. The essence of the Spirit was distilled in the "Business Principles" codified in 1891. Also integrated into the Sumitomo Spirit are other beliefs and principles behind business decisions, and remarks made by Sumitomo managers, which have been handed down through generations. The pioneering ideas of the Sumitomo Spirit, which also reflect today's concepts of compliance and CSR, along with the SDGs and ESG, have been steadfastly inherited as a commonly held asset of Sumitomo Group companies.



Figure of Masatomo Sumitomo (Monjuin) (Sumitomo Historical Archives)

### Banji-nissei

(do your sincere best in not only business but also every aspect of your life)

Consisting of five articles, Monjuin Shiigaki contains ideas reflecting the unstable social conditions of Kyoto in the 17th century, when it was written. The preamble admonishes us to pay attention to any matters including business and work wholeheartedly on everything. This precept, *Banji-nissei*, has been passed down continuously, by way of hoping that each one of us in Sumitomo does not focus only on making money but also on improving one's personality and developing one's character. This lofty document urges us to persist in sincere and careful effort and to cultivate good character.

The Sumitomo Electric Group positions *Banji-nissei* as the key phrase representing the Sumitomo Spirit.



Monjuin Shiigaki (the Aphorisms of Monjuin) (Sumitomo Historical Archives)

#### Business Principles

**Article 1** Sumitomo shall achieve prosperity based on solid foundation by placing prime importance on integrity and sound management in the conduct of its business.

**Article 2** Sumitomo's business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

#### Shinyo-kakujitsu

"placing importance on integrity and sound management"

The Business Principles Article 1 emphasizes the importance of integrity; that is, being worthy of the trust of others.

#### Fusu-furi

"always acting with integrity in pursuit of business"

In its first part, Article 2 speaks of the importance of working proactively, pursuing profit by quickly and appropriately responding to changes in society and not being content with the status quo. At the same time, Article 2 emphasizes the importance of harmonizing business gains with the public interest and scorns reckless or careless actions in pursuit of easy gain. While furi means easy, temporary or short-term gain, the term also implies unfair profit obtained through dishonest means.

### Traditional Beliefs and Principles

#### Attaching Importance to Technology

Sumitomo's original copper business centered on the nanban-buki (foreign-style) refining technique, which at the time comprised the leading edge of smelting technology. The business policy of valuing technology and tackling the development of new technology has been a driving force in the evolution of Sumitomo business from the very beginning.

#### Respect for Human Resources

Sumitomo's history is accentuated with events that demonstrate the great value that is attached to opinions of those working in the field. Over the years, Sumitomo has established a corporate culture in which frank discussions are cherished and human resources are given the utmost importance. Sumitomo has always considered that people make the enterprise and attached importance to human resources. This tradition has coexisted with

the commitment among Sumitomo personnel to character cultivation.

#### Long-Range Planning

This principle is derived from Sumitomo's original experience in copper mine management which requires long-term, continuous consideration. Business development with a future-looking, long-term view, complemented by a wider perspective to ensure national and social interests, is one of the factors that have made Sumitomo distinctive.

#### Mutual Prosperity, Respect for the Public Good

This phrase represents the principle that Sumitomo's business must benefit not only Sumitomo but also the nation and society in general, and everyone in Sumitomo is required to focus not only on making money but always conduct business in harmony with public interests. Also demonstrated by its more than century-long efforts to solve environmental problems in the Besshi Copper Mine, this spirit has always remained unchanged at Sumitomo.

## The Sumitomo Electric Group Corporate Principles

On the occasion of Sumitomo Electric's centennial celebration in 1997, the Sumitomo Electric Group defined the Sumitomo Electric Group Corporate Principles as a new management philosophy based on the Sumitomo Spirit. The Corporate Principles underscore our basic policy of commitment to our important stakeholders—our clients, shareholders, society, the environment and our employees—and rededicate the Group to the importance of compliance and trust.

#### Each company of the Sumitomo Electric Group shall

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

## Our Businesses and the Trajectory of Our Growth

The Sumitomo Electric Group was founded as a manufacturer of electric wires and cables, but in the 1950s, we decided to diversify our business to accurately grasp changes in the world and respond to them. Since then, we have used our technology for manufacturing electric wires and cables as a base to develop revolutionary new products and technologies, such as cemented carbide tools, sintered powder metal products, optical fibers and compound semiconductors. We now have five major global business segments: Automotive, Electronics, Environment & Energy, Infocommunications and Industrial Materials.

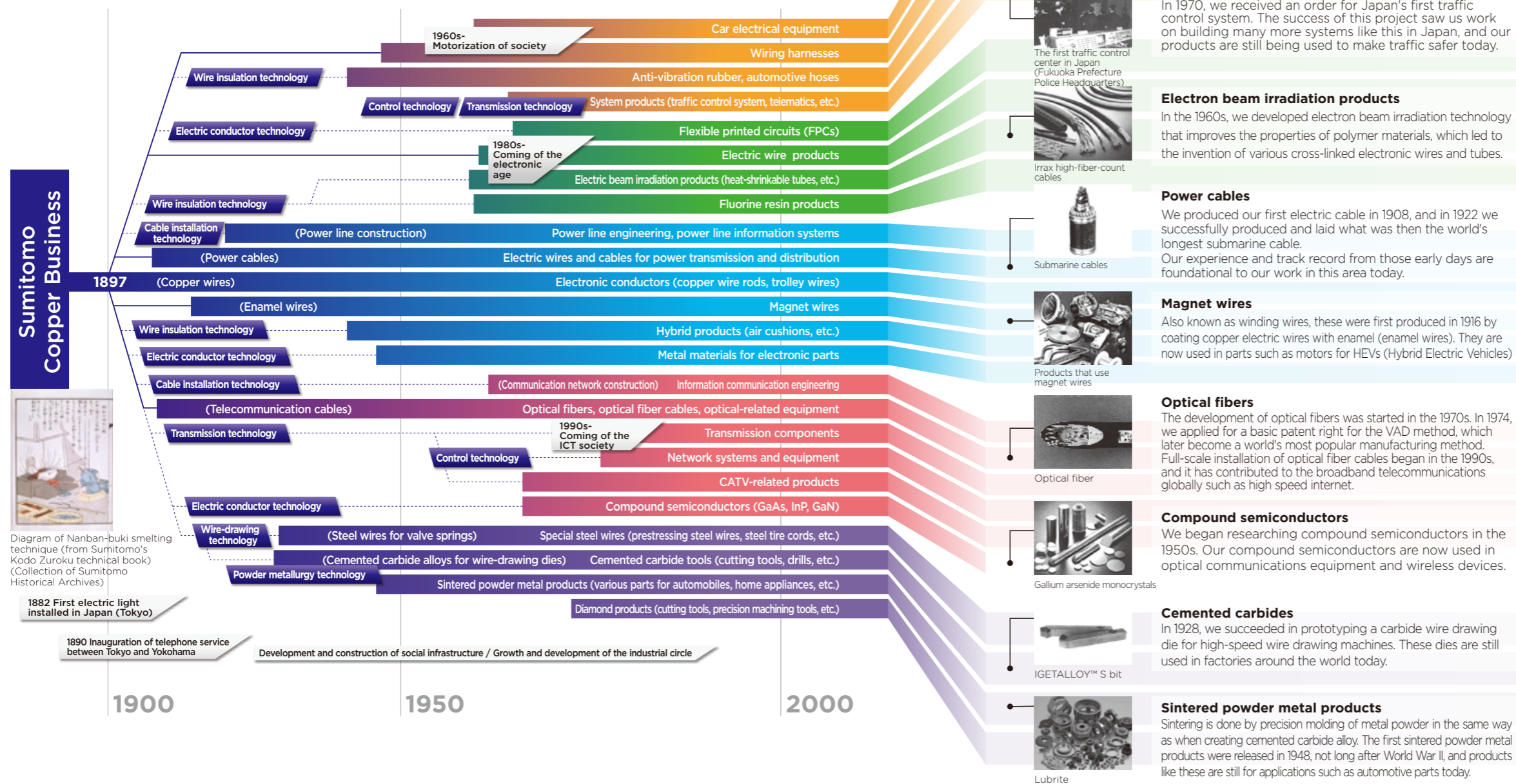


Diagram of Nanban-buki smelting technique (from Sumitomo's Kodo Zuroku technical book) (Collection of Sumitomo Historical Archives)

Future direction of our five business segments

### Automotive

Contributing to accelerating improvement delivered by CASE\* and to the evolution of mobility

\*A term for the trends in the automotive industry; an acronym for Connected, Autonomous, Shared and Electric

### Electronics

Supporting further evolution of mobile devices, automobiles and aircraft

### Environment & Energy

Building next-generation energy systems for the widespread use of renewable energy

### Infocommunications

Endeavoring to realize high-speed, high-capacity telecommunications that meet the challenge of the increasing data traffic volume

### Industrial Materials

Contributing to the growth of industries and social infrastructure by developing and supplying high-functionality materials

### Relevance to society

The Sumitomo Spirit is summarized by the motto "Mutual Prosperity, Respect for the Public Good" - the belief that Sumitomo's business must benefit not only Sumitomo but also the nation and society in general, and everyone in Sumitomo must focus not only on making money but also always conduct business in harmony with public interests.

1897-1945

#### Early years and World War II

- In 1897, Our forerunner, Sumitomo Copper Rolling Works, was founded. In our early years, we produced copper plates and rods in addition to copper wires.
- From the 1900s, we contributed to the widespread adoption of electricity, telegrams and telephones by supplying electric wires.
- In 1931, we began producing powder metal products (IGETALLOY). This has helped to improve productivity and decrease machining costs in a variety of customers' machining work.

1946s-1960s

#### Post-war rebuilding and economic boom

- After World War II, we implemented science-based management throughout the company. We won the Deming Application Prize in 1962.
- In 1949, we began selling wiring harnesses for automobiles, a core product today and one that contributed to motorization throughout society.
- From the 1950s, we diversified our business as it became apparent that being overly dependent on our electric wire business would leave us with no prospects for future growth.

1970s-1990s

#### Steady growth and the bursting of the bubble

- Our efforts to diversify paid off with the establishment of our compound semiconductor business in 1970. We contributed to the growth of the information society through products such as optical fibers, which were widely adopted by communications companies in 1982. We also began supplying traffic control systems, which has contributed to safer societies.
- In 1982, we succeeded in producing the world's largest synthetic single crystal diamond (1.2 carats), contributing to the popularization of diamond as an industrial material.

2000s-present


#### The last 20 years

- We are globally expanding our five business segments, bringing the world products that meet social needs.  
**You can read about some of our current products on the next page.**
- We have contributed to reducing CO<sub>2</sub> emissions by developing and supplying automotive parts and energy products that have been part of the popularization of electric vehicles and renewable energy.  
**You can read about our main products and services that are solving environmental and social issues on p.72-73.**
- We are developing a wide range of products that will provide value in the form of a low environmental footprint, safety, comfort and social growth to improve people's lives.  
**You can read about our vision of how people will live in future on p.30-31.**


# Sumitomo Electric's Connectivity and Transmission Technologies in Society

You can't always see them, but the Sumitomo Electric Group's products are keeping our daily lives running.


**Redox flow batteries**  
Our safe, high-capacity, long-life storage batteries contribute to the popularization of renewable energy.




**Overhead conductors**  
Electricity is supplied around the world through our high-capacity, low-loss electric wires. These are used even in areas with harsh conditions such as strong winds and heavy snow.



**High-voltage submarine cables**  
These cables connect remote islands to the mainland, and countries to each other, to provide a stable power supply.




**Broadband network systems and devices**  
We play a central role in new communications and broadcasting services, such as cable modems in Wi-Fi routers, which create a more seamless information society.



**Wireless devices**  
We are developing electronic devices that provide more possibilities for communication in the age of 5G\* and IoT\*\*.




**Gateways**  
Gateways act as intermediaries to exchange information between electronic control units (ECUs) that control various functions, thus further accelerating the informatization of vehicles.




**High-durability prestressing strands**  
Contributing to enhanced durability of concrete structures and reduced environmental burden, for sustainable social infrastructure.



**POREFLON™ modules**  
This proprietary water treatment technology is helping to solve water shortages worldwide.




**Optical fiber cables**  
We are the first in the world to develop ultra-high-fiber-count cables, essential for high-speed broadband networks that contribute to convenient and comfortable daily life.




\* The 5th generation in communication systems  
\*\* Internet of Things

**Flexible printed circuits (FPC)**  
These small circuits are contributing to the development of more compact digital devices, such as smartphones and tablets, with more advanced functions.




**Traffic control systems and driving safety support systems (DSSS)**  
These systems use information to connect people, automobiles and society, helping to relieve traffic congestion and build a safer mobility society.




**Cutting tools**  
These tools are used in production and machining sites around the world for a variety of cutting work such as cutting, planing and drilling of metal.



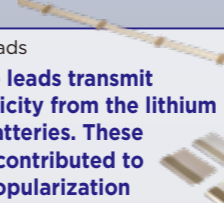
**Sintered parts**  
These high-precision parts are used in a variety of areas that are essential in our daily lives, including automobiles and home appliances.



**Aluminum wiring harnesses**  
These wiring harnesses use a lightweight aluminum alloy instead of copper, which offers environmental benefits such as improved fuel efficiency and copper conservation.



**Tab leads**  
These leads transmit electricity from the lithium ion batteries. These have contributed to the popularization of electric vehicles.



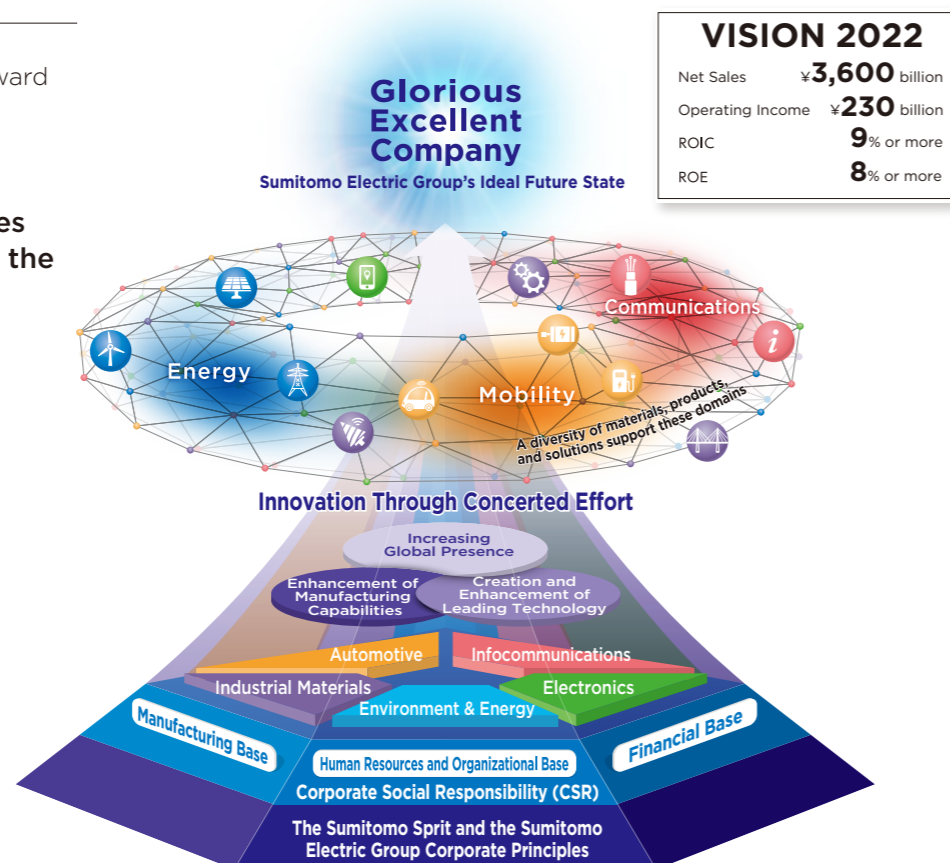
## Mid-term Management Plan: VISION 2022

### What do we mean by “Glorious Excellent Company”?

The Sumitomo Electric Group strives to be a “Glorious Excellent Company.” “Glorious” indicates our ideals and qualitative aims, namely, the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, while “Excellent” indicates our quantitative aims in the form of the outstanding results we work toward. Our mid-term management plans provide a specific road map to achieve this vision, with figures to work toward.

### VISION 2022 Concept

The concept that we will work toward until 2022 is “contributing to a better society by leveraging our expertise in connectivity and transmission technologies through concerted efforts of the entire group.”



### Overall strategies

We are continuing and building on the growth strategies we have employed thus far, extending them into our current businesses focused on mobility, energy and communications. Major changes in fields such as automobiles, energy and communications have created new business opportunities, and we are innovating through concerted effort between departments and organizations to create new innovations that will solve social issues and improve our value as a company in the medium to long term.

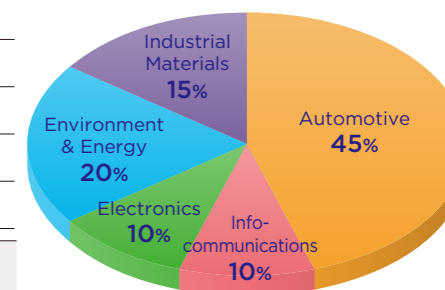
- ▶ Positioning the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles as core values, we are acting on our responsibility to help create a better society through our business activities.
- ▶ We are aiming to achieve net sales of ¥3.6 trillion and operating income of ¥230 billion in FY2022. This will mark another step toward our vision of being a Glorious Excellent Company.
- ▶ We have set three priority initiatives: “Enhancement of Manufacturing Capabilities,” “Increasing Global Presence” and “Creation and Enhancement of Leading Technology.”
- ▶ We are refining our Three Bases—Human Resources and Organization, Manufacturing and Finance—and working to enhance and expand our five current business segments. We are also drawing on the collective strengths of the SEI Group and working on new innovations to achieve further growth.

### Targets

	FY2017 Result	FY2020 Interim Target	FY2022 Target
Net Sales	3,082	3,400	3,600
Operating Income	173.1	200	230
Operating Margin Ratio	5.6%	5.9%	6.4%
ROIC	7.9%	8.5% or more	9% or more
ROE	8.1%	8% or more	8% or more
<b>Capital Investment (5-year cumulative amount)</b>	950		<b>R&amp;D Expenditures (5-year cumulative amount)</b>
			600

### Business portfolio in our ideal future state

(based on operating income)

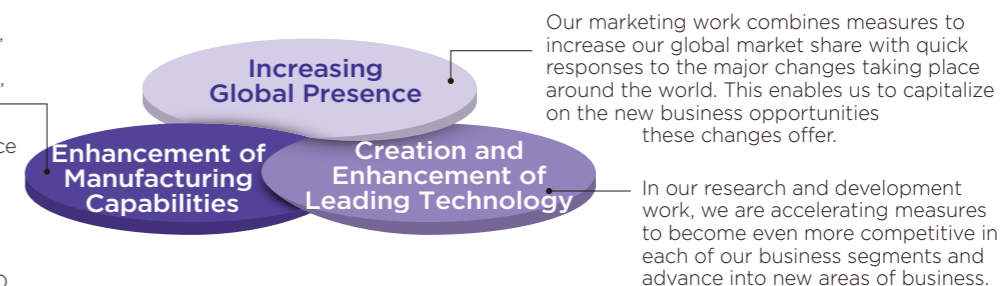


While growing the overall operating income we aim to achieve a balanced portfolio.

### Our Priorities

As a manufacturing company, our core priorities are safety, the environment, quality, cost, delivery and development (SEQCDD\*). In addition to strengthening our performance in these areas, our Manufacturing Management & Engineering Unit is rolling out cross-sectional measures throughout the company to support our work on SEQCDD.

\* Safety, Environment, Quality, Cost, Delivery, and Research & Development. The Sumitomo Electric Group's policy is to place these at the forefront in everything we do.



### The Three Bases

- Manufacturing Base** Keeping our production framework safe, clean, steady and reliable, improving on all of these metrics and investing in the personnel who will help us to do this
- Human Resources and Organization Base** Implementing our Global Human Resource Management Policy (p. 42)
- Financial Base** Pursuing an even safer and firmer financial footing (keeping our shareholders' equity ratio at 50% and increasing our dividend payout ratio to about 40%)

### ESG and Deepening CSR Commitment

- Environment**
  - Pursuing measures to combat causes of global warming
  - Strengthening our response towards resource saving (reducing waste emissions and promoting recycling)
  - Increasing the availability of eco-friendly products (water treatment products, sales expansion of light-weight wiring harnesses)
- Social**
  - Promotion of Diversity Management (gender-parity and equal-opportunity employment, etc.)
  - Strengthening the development of human resources (enhancement of group and global training opportunities)
  - Diversification of employment formats and facilitation of sound management practices
  - CSR procurement
  - Social contribution activities (SEI Group CSR Foundation, contribution to sports/culture development)
- Governance**
  - Strengthening of governance

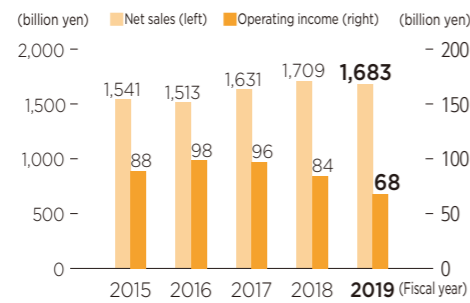
# At a Glance

## Consolidated results (for period ending March 2020)

Net sales: **¥3,107.0** billion

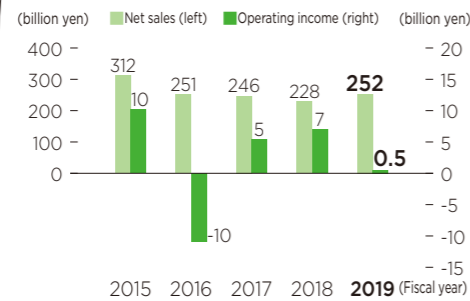
Operating income: **¥127.2** billion

### Net sales and operating income over the years

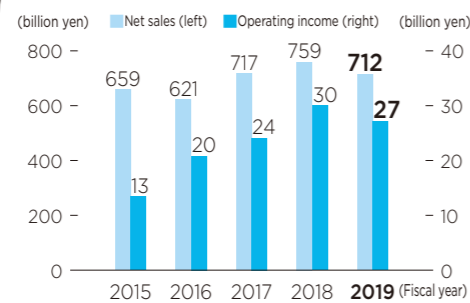


### Overview of business

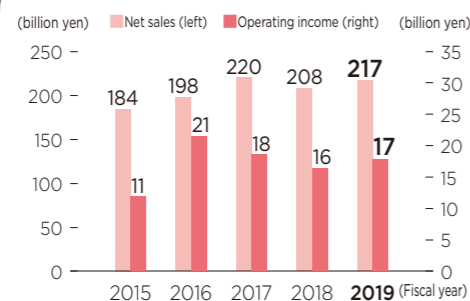
Despite active efforts to expand our sales of wiring harnesses and electric automobile parts, COVID-19 caused a significant drop in demand in the fourth quarter. Our final net sales figure was ¥1,683.6 billion, a decrease of ¥25.8 billion (1.5%). Operating income was ¥68.2 billion a decrease of ¥16.5 billion. Factors that led to this decrease include price decreases, and forward-looking increases in depreciation. Cost increases and the strong yen were an issue when commencing production of some products, and COVID-19 caused a rapid drop in production, making this business less profitable.



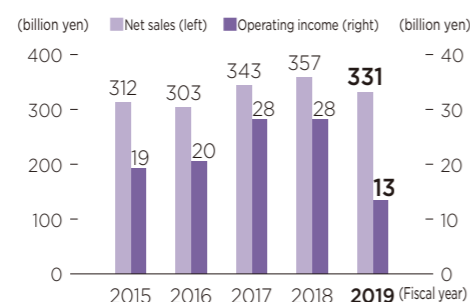
Net sales for our electronics business were ¥252.2 billion an increase of ¥23.2 billion (10.2%). This increase was the result of our acquisition of TECHNO ASSOCIE Co., Ltd. as a subsidiary during that consolidated financial year, which offset decreases caused by drop in demand for flexible printed circuits (FPC) for mobile phones, where we were no longer profitable. Operating income was ¥536 million a decrease of ¥6.5 billion due to the decrease in net sales of FPCs for mobile phones, price decreases due to intense competition and the impact of COVID-19 during the fourth quarter.



Despite an increase in domestic sales of power cables and construction project revenue from Sumitomo Densetsu Co., Ltd., net sales decreased by ¥47.2 billion (6.2%) to ¥712.5 billion due to decreases in revenue from large-scale power cable projects overseas and beam and vacuum equipment from Nissin Electric Co., Ltd. during the off-peak season, along with a decrease in copper prices. This decrease in net sales caused operating income to decrease by ¥2.9 billion to ¥27.1 billion.



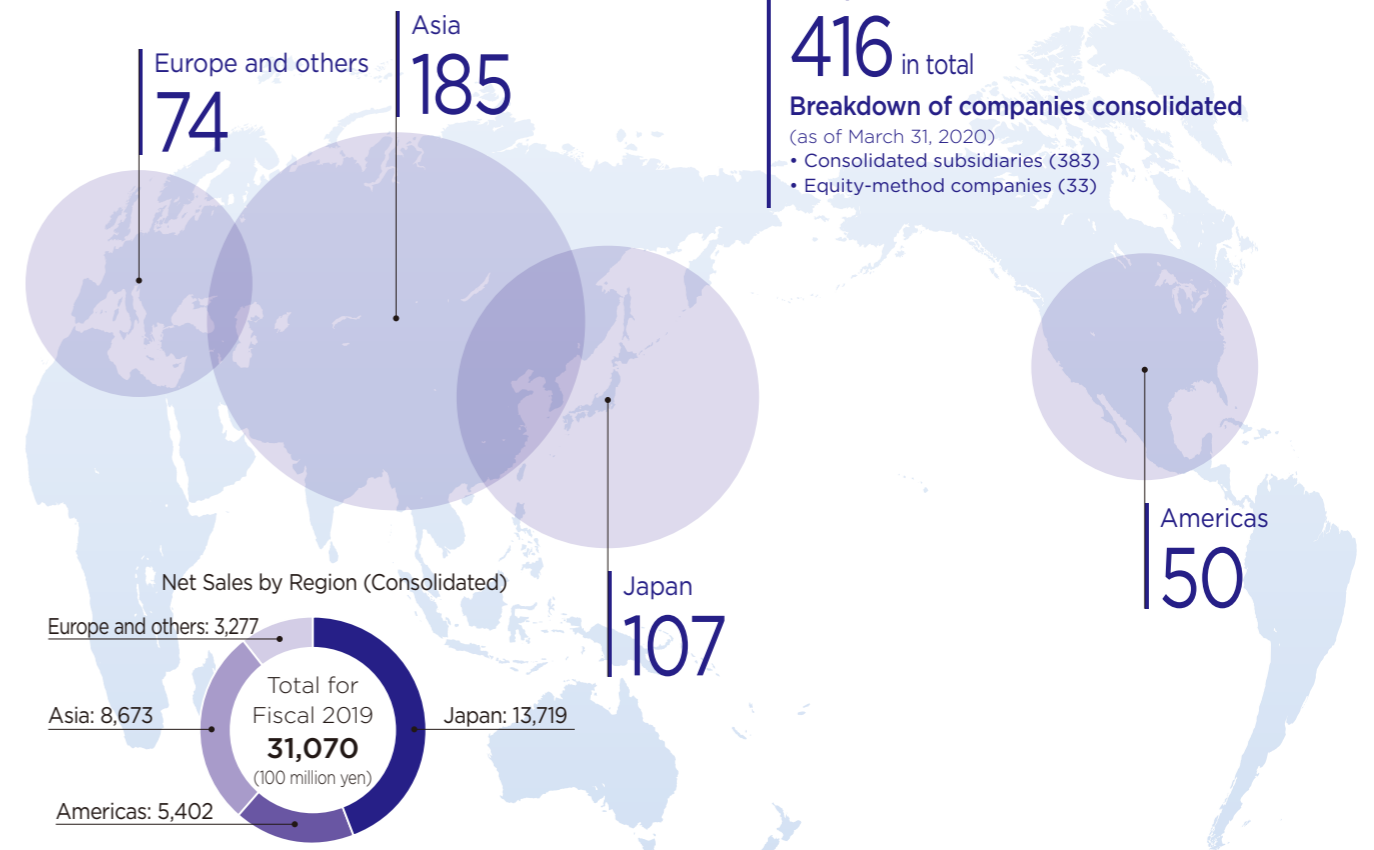
Net sales of GaN devices for cellular phone base stations and products for data centers increased by ¥9.0 billion (4.3%) to ¥217.4 billion due to greater demand for access network devices. Operating income increased by ¥1.4 billion to ¥17.8 billion due to the increase in net sales and improvements in productivity that decreased costs, enabling us to absorb the decrease in optical fiber cable prices.



Net sales decreased by ¥26.5 billion (7.4%) to ¥331.4 billion due to a decrease in demand for products such as cemented carbide tools, diamond and CBN (cubic boron nitride) tools, sintered automotive parts and radiation boards for semiconductors. Operating income decreased by ¥14.8 billion to ¥13.4 billion due to the decrease in net sales and drop in operations at our factories, which made this business less profitable.

\* Differences between the aggregate of all segments and Total are consolidated eliminations.

### Global Business Expansion



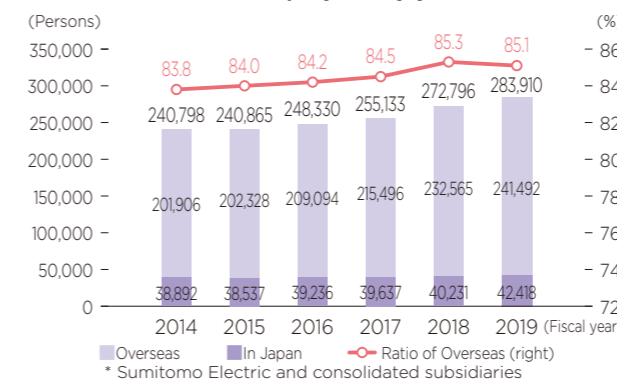
### Companies Consolidated

416 in total

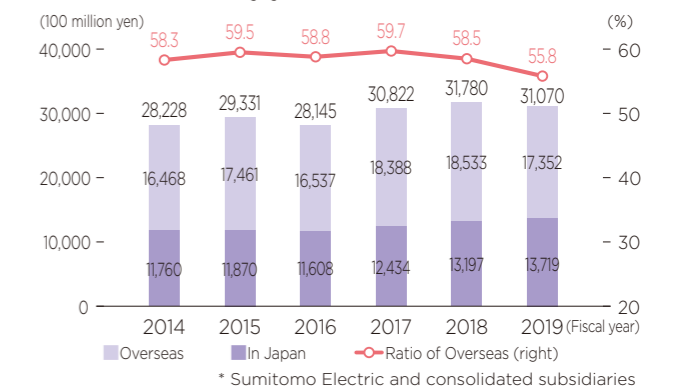
### Breakdown of companies consolidated

- (as of March 31, 2020)
- Consolidated subsidiaries (383)
- Equity-method companies (33)

### Number of employees in Japan and overseas and ratio of overseas employees by year



### Net sales in Japan and overseas and ratio of overseas sales by year



### Number of Group Employees in the World by Year

	2010	2011	2012	2013	2014	2015	2016	2017			2018			2019		
								Male	Female	Total	Male	Female	Total	Male	Female	Total
Americas	15,164	19,712	24,273	29,470	34,828	33,500	37,959	20,381	18,542	38,923	20,523	20,008	40,531	21,099	22,154	43,253
Europe/Africa	41,230	47,735	47,644	54,245	56,477	56,273	56,797	24,097	36,440	60,537	24,733	41,014	65,747	30,018	45,397	75,415
Southeast Asia	37,538	43,000	49,868	56,408	58,278	61,848	65,844	25,009	46,520	71,529	28,466	50,779	79,245	29,238	50,385	79,623
China	51,887	46,788	47,390	47,646	52,323	50,707	48,494	19,716	24,791	44,507	22,853	24,189	47,042	21,360	21,841	43,201
Japan	36,954	37,499	37,148	37,715	38,892	38,537	39,236	32,201	7,436	39,637	32,488	7,743	40,231	33,798	8,620	42,418
<b>Total</b>	<b>182,773</b>	<b>194,734</b>	<b>206,323</b>	<b>225,484</b>	<b>240,798</b>	<b>240,865</b>	<b>248,330</b>	<b>121,404</b>	<b>133,729</b>	<b>255,133</b>	<b>129,063</b>	<b>143,733</b>	<b>272,796</b>	<b>135,513</b>	<b>148,397</b>	<b>283,910</b>
<b>Ratio of overseas employees</b>	<b>79.8%</b>	<b>80.7%</b>	<b>82.0%</b>	<b>83.3%</b>	<b>83.8%</b>	<b>84.0%</b>	<b>84.2%</b>	<b>84.5%</b>			<b>85.3%</b>			<b>85.1%</b>		

\* Sumitomo Electric and consolidated subsidiaries



Message from  
Chairman & CEO



**Masayoshi Matsumoto**

Chairman & CEO  
Sumitomo Electric Industries, Ltd.

The Sumitomo Electric Group's value has been rooted in the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. We began as a producer of electric wires and cables and have used the wide range of technology we have built to help solve issues in society.

We are working toward our ideal of being a "Glorious Excellent Company", working together with a wide range of stakeholders to improve our value as a company in the medium to long term and make society better in future.

**The trajectory of Sumitomo Electric's growth**

In the past, the Sumitomo Electric Group had a comparatively closed, domestic business model. Our main trading partners were Japanese power and communications companies, for whom we developed and supplied high-quality, highly reliable electric and communication wires and cables. From the mid-1980s, regulations in Japan's power and communications markets were relaxed, and economic activities such as trade and investment became more globalized. Looking back on the last 20 years or so, we have transformed into a company that holds its own amid the free competition of the global market through strategies that encompass everything from our technology to our marketing.

As our businesses have diversified, advanced and expanded, we have adopted an organization model based on divisions and business units, enabling efficient group-wide management. This enables us to provide our expertise in technology, products and services that are needed in each area of our business while meeting the needs of our customers, trading partners and markets and using measures such as strengthening SEQCDD\* and focusing on our "two pockets"† to ensure that each business unit is engaged in improving profitability. As a manufacturer, we structure our business so that our manufacturing, business and R&D arms function independently of each other, and reorganize our business based on the situation in each new era so that there is a healthy balance of power and everyone can share their views

from equal footing. Through these methods, the Sumitomo Electric Group has expanded its business in a variety of fields, both as Sumitomo Electric itself and as a wide range of subsidiaries and affiliates, reforming the structure of our business and strengthening our framework to respond strongly and flexibly to changes in our business environment while achieving sustainable growth.

\* Safety, Environment, Quality, Cost, Delivery, and Research & Development. The Sumitomo Electric Group's policy is to place these at the forefront in everything we do.

† One "pocket", or source of profitability, is ongoing cost reductions and quality that earns our customers' trust and the other is setting prices that enable us to sufficiently recoup our costs and building the trust relationships that are needed to negotiate trade conditions with customers and get them on board. Sharpening both of these on a daily basis helps us to build a strong framework as a manufacturer.

**The Sumitomo Spirit is a fundamental value in our business**

Sumitomo Electric began as Sumitomo Copper Rolling Works in 1897, producing products such as copper wires. This means we have formally operated for around 120 years, while the original copper business that brought up Sumitomo began around 400 years ago. Under our corporate philosophies of the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, our group has maintained an unwavering basic policy of contributing to society through fair business practices. Since we were first established, we have adhered firmly to business

practices that are in harmony with society, and I think that stance has been the key to our advances and growth.

Our electric wires and cables, and the other products we have branched into, have been instrumental in building infrastructure that has made Japan what it is. We bring traditional Japanese business philosophies to our work, including “sanpo-yoshi” (satisfy all three sides, namely, the seller, the buyer and society) and the mindset that companies are public institutions. We believe that sharing these values with a wide range of stakeholders, including customers, trading partners, employees, local communities and shareholders, enables us to continuously increase our value as a company. Mr. Teigo Iba, the second president of Sumitomo, believed that we must not invest only in ourselves but in our country and society. This way of thinking is what shaped the philosophy of “mutual prosperity, and respect for the public good,” which we still follow today. With global warming and disasters becoming more and more serious in recent years, it is becoming more crucial than ever for companies to act in harmony with the environment. The Sumitomo Spirit is our guiding principle as we work actively to find solutions to environmental issues, such as our storage cells, which promote the use of renewable energy. Thomas Carlyle, a British thinker, asserted that the laissez-faire doctrine rooted in economic relationships should be replaced by spiritual connections between people and that morality must be restored in relations between employers and workers. The spirit of this captain of industry, who was appalled by the damage caused by the pursuit of profits above all else and was guided by love for his fellow humans, is something I think we need to embody in everything we do.

Principles in the SDGs and ESG, such as a long-term view, sustainability, corporate contribution to solving issues and working for the public good, have seen a rapid rise globally in recent years. The Sumitomo Electric Group’s corporate philosophy is well-aligned with the SDGs and ESG, and these principles are encapsulated by the Sumitomo Spirit that has been at the heart of our business since it first began around 400 years ago. We created a matrix to determine how the Sumitomo Electric Group activities can contribute to achieving the 17 SDGs, and initiatives to this end are now part of our day-to-day business. Working to achieve the SDGs is about working together as a group to serve others and contribute to society. This mindset is entrenched in our management and executives, and is reflected in how each of our companies is run, giving us a unified direction. It has been at the heart of the ongoing growth we have achieved over the years, and will continue to be part of Sumitomo Electric.

### The strengths that have driven Sumitomo Electric’s growth and advances

#### A wide range of technology from our original electrical cable business

In its early days, Sumitomo was a copper company, and we have drawn on the electric wire and cable technology we have developed to grow our business as we work together with our customers to respond flexibly to changes in what society needs. Our electric

wire and cable business has evolved from our original copper wire enterprise to power and communications cables and expanded into various fields to include automotive wiring harnesses, highly functional electric wires for information devices and printed circuit boards as society has developed further. We have actively sought to diversify our business, bringing the world revolutionary new products and technologies that evolved from our electric wire processing technology, including cemented carbide alloy, sintered powder metal products, optical fibers and compound semiconductors. Our products are wide-ranging with their own unique characteristics, but there is a commonality to every kind of technology we produce. Choose any of our products and follow its technology tree and you will be able to trace it back to the technology from our electric wire and cable business. I think that common ground is a major strength of ours.

#### Developing employees who can help to solve social problems

In 2005, we opened “SEI University”, a company university for our employees. This training system carries on our tradition of solidarity and embodies the Sumitomo Spirit. It is a place for us to share our business strategies and visions, teach employees the fundamental principles for operating in a global market and foster kinship between our employees. We are in an age where we must take the initiative to solve global issues with no easy answers, and, now more than ever, there is a need for a high level of liberal arts education. It is this that will lead us in the right direction and help us to find solutions to problems that are so far outside of what is normal and typical. So how can we equip ourselves with that education? We must train ourselves to ask the deeper questions referring to classics, while keeping in mind that the answers will not reveal themselves quickly—this is something we must continue with patience and persistence. Our employees are now more aware of Sumitomo’s roots and the Sumitomo Spirit than they were before, showing that our liberal arts approach is gradually having an effect. The effect of our strong, unique training system is undeniable.

#### What we want our employees to become.

Terumasa Nakanishi, a Professor Emeritus of Kyoto University, wrote a book on the fall of the British Empire. One thing he said that stuck with me was that the British gentlemen behind the success of the British Empire were “mavericks with solid backbone”. They would have needed to be in order to have built an empire like that. The rise and fall of a nation is dependent on its people. So it is with companies. That solid backbone calls to mind a wisdom from Mencius, who said that if you can say honestly that what you believe is correct, you will be able to move forward even if 10 million oppose you. And maverick is someone who would try to rise to the top by exploring possibilities from every angle when a normal way does not work. I tell our young employees in particular that

they must always strive to be a “maverick with solid backbone”.

These are the kind of people to whom I want to pass on Sumitomo Electric’s legacy. The famous poem Youth by Samuel Ullman says “Nobody grows old merely by a number of years. We grow old by deserting our ideals.” It is important to have ideals and passion no matter what your age. From dreams come ideals. From ideals come plans. Once you have a plan, you need to act. There is no success without action. I tell our employees that they must have a dream, but merely having one is not enough: they must work to make it come true. When you are running a business, you can use Sumitomo Electric’s resources to achieve your dreams and ideals. I want our employees to work toward their dreams and ideals, pushing themselves and setting their sights high.

### Working toward our ideal future state: a Glorious Excellent Company

The Sumitomo Electric Group aims to be a “Glorious Excellent Company.” “Glorious” represents our unchanging qualitative vision for the group. We strive to earn the trust of our stakeholders and be a company the world needs. We pour our hearts and souls into everything we do, guided by the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. “Excellent” represents quantitative measures of the corporate group we want to be: a group that generates excellent profits, accomplishes its mid-term management plan and meets its targets for metrics such as sales and operating income. It is with this ideal in mind that we are responding flexibly to major changes in the world around us, building a balanced business portfolio and working to achieve steady profits and growth. In our current mid-term management plan, we are envisioning what the world wants for society and the environment in 2030 and working to improve people’s lives by providing value in the form of a low environmental footprint, safety, comfort and social growth. I appreciate the ongoing support of all of our stakeholders.



## Message from President & COO



**Osamu Inoue**

President & COO  
Sumitomo Electric Industries, Ltd.

**The Sumitomo Electric Group is consistently working to increase its value in the mid to long term and build a better society by mobilizing our broad capabilities and providing solutions to solve a variety of social issues. We draw on a wide range of tangible and intangible assets—our connectivity and transmission technologies, the diversity of business, manufacturing expertise, employees who embody the Sumitomo Spirit and the relationship of trust that we have built with our stakeholders.**

### Current business situation and market value

Our five main areas of business are Automotive, Infocommunications, Electronics, Environment & Energy and Industrial Materials. We combine these with new business ventures to expand our business in three key areas: Mobility, Energy and Communications. In the Mobility field, we contribute to motorization of the society by supplying essential automotive parts such as wiring harnesses and sintered parts. Our traffic control systems are helping to make road transport infrastructure safer, more comfortable and more environmentally friendly, with less congestion. We contribute to enabling the modern transport and logistics networks. In the Energy field, we supply a variety of products that are essential for reliable power supplies, including various cables for power transmission and distribution networks, switches, transformers and various energy monitoring and control of systems, and batteries that are essential for broader utilization of renewable energy contributing to low-carbon energy for sustainable growth. In the Communications field, we support the backbone of today's high-speed information-based society, supplying optical fiber cables, optical connector products, semiconductor devices and other products that enable high speed, high-quality communications.

### The Sumitomo Electric Group's growth strategies

"Glorious Excellent Company" is the Sumitomo Electric Group's ideal future state. In our current mid-term management plan, VISION 2022, we seek to accomplish this by responding flexibly to major changes in the world around us and achieving stable profitability and growth. We envision how a society would be in about 2030 and outline how we could enable such society and expand our business with a balanced portfolio and provide values in the form of environmental friendliness, safety and security, and social comfort and vitality. We anticipate major changes to take place; a

"revolution" in the automotive sector (such as the expansion of "CASE"), the proliferation of renewable energy and changes in energy management such as diversification and decentralization of power sources, more widespread adoption of 5G and future generations of communications technology, and further use of AI, IoT and big data. Due to the COVID-19 these social changes are likely to materialize faster than expected. It has been two years since VISION 2022 was established, and we can see that the basic direction taken in this plan has enabled us to keep pace with the ways the world has changed. While the Sumitomo Electric Group has developed through the so called "B to B (business to business)" model, I am conscious that it is important to be always mindful of the issues of the end customers and the society ("B to B to C/S"), to accurately determine new directions and mobilize the Sumitomo Electric Group's capabilities, to be able to supply new products and services and demonstrate the solutions. The Sumitomo Electric Group has so many strengths and assets: the connectivity and transmission technologies we have developed in the 120 years we have been in business, the diversity of our business, the manufacturing excellence we have achieved through years of refinements, our wide-ranging research and development work spanning from materials to systems, our employees who embody the Sumitomo Spirit and the trust we have earned from our stakeholders. A company like ours that has worked in so many areas of business is well poised to solve a number of issues. And we welcome working with our partners within and outside the Sumitomo Electric Group to fulfill the resources and capabilities when needed. This is a great example of how we respond flexibly to challenges to build a better society, solve a variety of social issues and increase our value in the medium to long term.

## Our response to the challenges posed by COVID-19

Upon the outbreak of COVID-19, our company established a COVID-19 Response Unit, led by me as the president and COO, and built a framework to enable us to assess how COVID-19 would affect our business bases around the world and respond quickly. We used these resources to improve the way we run our manufacturing sites, strengthening the improvement activities and on-site education and training we have always carried out, and tightening up our performance in SEQCDD\*, the fundamentals of manufacturing.

\* Safety, Environment, Quality, Cost, Delivery, and Research & Development. The Sumitomo Electric Group's policy is to place these at the forefront in everything we do.

Our corporate staff departments are assessing the effects and issues that arose from "work-from-home" work styles and considering how we can redesign our operations and the way we work to improve productivity when the pandemic is over. Our business continuity plan helped us to maintain our supply chain, although we are reflecting on whether we sufficiently assessed the situation of tier-2 and tier-3 partners, and are applying what we have learned from this situation to make improvements such as expanding multiple sourcing. The greater frequency and scale of disasters in recent years has also highlighted a need to strengthen risk management around our supply chains, and it is clear that we need to conduct regular reviews of our business continuity plans. COVID-19 pandemic has further accelerated the digitalization of the business world, environmental concerns, and initiatives to increase resilience. While the Automotive segment was the most negatively impacted the Communications segment did relatively well, and it has raised us a renewed awareness of the importance of having a diversified portfolio and not

being excessively selective or focused on specific areas. We intend to make our business framework stronger to adapt to these rapid changes in the business world and steadily develop businesses and products in our five areas of business to meet various demands in future. We believe this would allow us to achieve a "V-shaped recovery" after the pandemic, and this approach is already a part of the culture of the Sumitomo Electric Group.

## The value the Sumitomo Electric Group offers

The Sumitomo Electric Group has always supplied products for social infrastructure and industrial materials in the "B to B" sphere. Take our Environment & Energy business for example. We are the only company in Japan today that supplies a full range of electric cables from ultra-high-voltage to low-voltage, and we are conscious every day of how much our customers are relying on us. Copper wire rods are the backbone of our production in this area and have been behind the building of electrical infrastructure throughout society. With a further shift to renewable energy expected to take place in future, our Environment & Energy business will have a lot to contribute. In Communications, we have been involved in the building of Japan's optical fiber network, which has transformed communications infrastructure. We see vast potential for further contribution to the building of info-communications infrastructure in future: as a supplier of optical submarine cables and relay devices with a high degree of added value, and components for transmission devices used in antennas, we will be involved in providing solutions for increasing volumes of communications data and the popularization of 5G and future generations of communications technology. We estimate that we are among the top shares of the world's market for automotive wiring harnesses. While the form of these products may change, wire harnesses are an essential product in automobiles, and we will capitalize on our economies of scale and global supply chain to make further contributions to a society where cars are commonplace. With that said, major changes are currently taking place in the automotive industry. For example, the rise of "CASE" was expected to result in an increase in ride sharing, and there was speculation that demand for new cars could decrease globally, but with the outbreak of COVID-19, some reports say that people are reluctant to travel in shared cars. OEMs are keen observers of customer trends and so should the Sumitomo Electric Group be. We keep an eye on what our customers gravitate to so that we can offer them the products and services they are looking for. In VISION 2022, the mid-term management plan that we are currently working on, we envisaged a society at about 2030 as a "smart society," where people and items are connected through networks such as infocommunications, electricity and transportation,

for coordination and optimization. One thing I think we can say for certain is that mobility, energy and communications will not be discrete areas in the society of the future. We certainly seem to be heading in that direction, and COVID-19 has seen those changes happen faster than expected. Ultimately, we will need to adapt our business based on what our customers are looking for. As the manufacturing industry becomes more service oriented, we may need to adjust the business framework of the Sumitomo Electric Group to become more solutions-based. It will no longer be enough to simply make things. We will need to think about the scope of services we can offer and what kind of value we can offer our customers, and the changes we will need to make will be all encompassing, right down to the framework of our business operations.

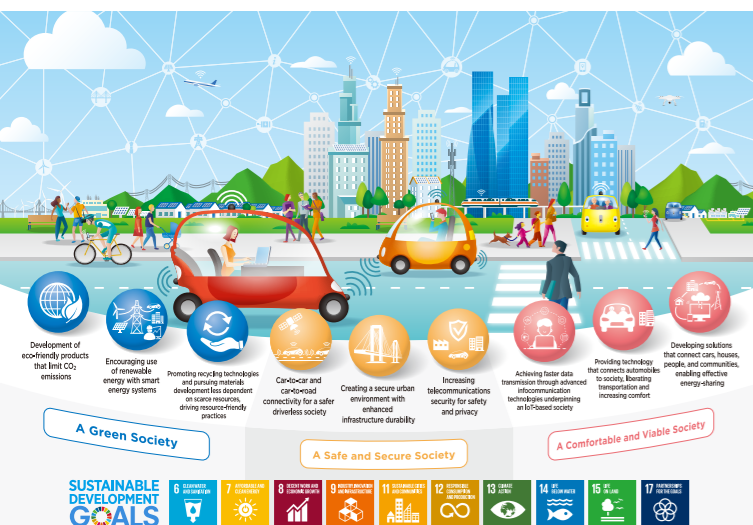
## Diversity and changes in the way we work

The Sumitomo Electric Group currently has over 280,000 employees in about 40 countries around the world. In order for Sumitomo Electric to outperform our competition around the world and grow further, it is essential that we fully mobilize our technologies, products, business models and all other resources, and our employees are the backbone of it all. It is crucial to hire diverse, high-performing employees and give them a working environment that will keep them motivated and get the best out of them. When I worked at one of our subsidiaries in Europe, there were employees of all nationalities and gender in every level of management. While manufacturing companies in general might have not attract many women, it was clear that our companies in Japan needed to be more diverse than they were. We have now taken a variety of measures here in Japan to promote diversity and improve our working conditions, including building a framework to support employees balancing work with life situations such as raising children or caring for family members, changing the format of our work, introducing and then expanding our work-from-home arrangements, supporting non-Japanese employees and hiring more employees with disabilities. In June 2020, we established a Diversity and Inclusion Department, reporting directly to the president, to accelerate these measures and entrench them further in our companies. Generally speaking, many Japanese companies have relied on a certain level of homogeneity to accelerate our growth: we hired in April, taught our employees to be generalists and sought to be a company where everyone thinks the same thing and is heading in the same direction. Going forward, excelling in competition will depend on diverse employees bringing different strengths to the table. I want to encourage every employee to become an expert in at least one area and then use that expertise to take on challenges such as solving social issues.

My background is in accounting, and in addition to many years of experience overseas, I have expertise in Japan-based accounting that has served me well in many settings overseas. I find new things interesting and I always try to get to the bottom of what systems are in place. When you enjoy your job, you are interested in the products you handle and the work that you do, and that makes you want to learn more. If you have a base of expertise, you can come up with good solutions to problems when you encounter new situations.

## The company I want Sumitomo Electric to be

As the president and COO of Sumitomo Electric I would like to achieve a better balance in the company's portfolio. This means accelerating the growth in the segments other than the Automotive segment. We will strengthen the competitiveness of our main products such as power cables and magnet wires in our Environment & Energy segment, and battery tab leads in our Electronics segment. In addition, we will develop new businesses that would contribute to solving social issues; such as superconductors and redox flow batteries, and build on our basic materials technology to develop unique new products in the cemented carbide tools area. I particularly pay my attention to promote synergies among the business units. Each month, I schedule periodic dialogue with the business unit heads and share with them information such as factory locations that would become available globally for other business unit might utilize. I believe that by making these efforts step by step towards 2030, we would materialize the vision we set out in VISION 2022 and onwards, and continue to be a company with solid standing and presence. You can expect a lot from the Sumitomo Electric Group in the years to come.



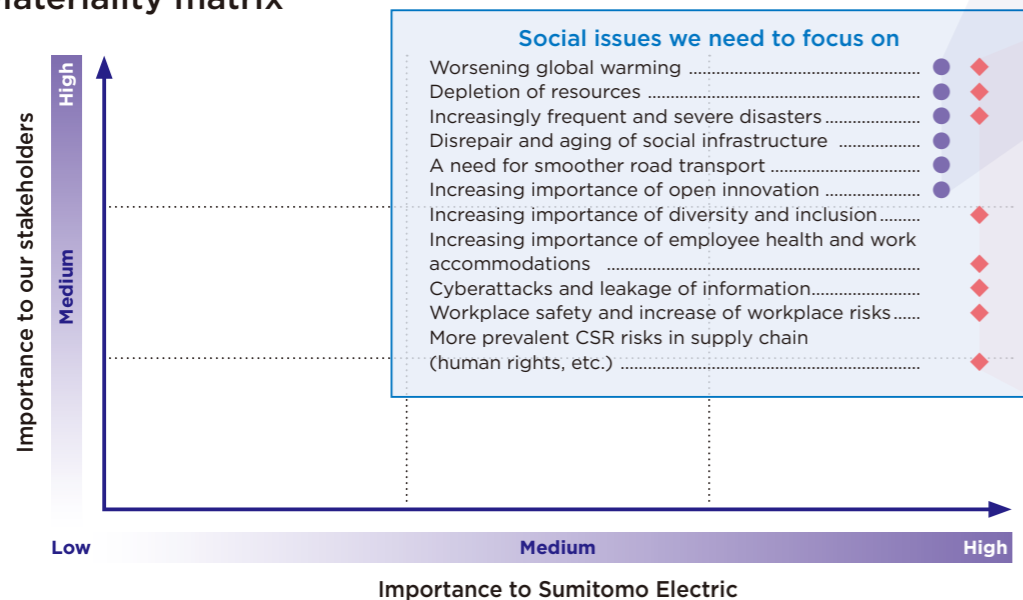
## Figuring out the Social Issues that the Sumitomo Electric Group Needs to Focus on to Become a Glorious Excellent Company

We used a materiality analysis to figure out the awareness of social issues that is needed in order to provide the value and carry out the initiatives to improve CSR and adopt ESG that we outlined in VISION 2022, the mid-term management plan we established in 2018, and to carry out the initiatives we mentioned in our CSR Report. The analysis confirmed that the issues we need to be aware of are not significantly different from the ones we had in mind when we established VISION 2022. Concerted effort is being put into action by the whole of the Sumitomo Electric Group to provide value through innovation and strengthen the foundations of our business. This will contribute to solving the social issues we have judged to be particularly important, and this in turn will enable sustainable growth of the Sumitomo Electric Group.

### Verification process

- 1. Identification of social issues** We began by narrowing down the 169 targets of the SDGs, the Global Risks in Global Risks Report 2020 and social issues that we ourselves were aware of. We then selected issues that were in line with our business activities.
- 2. Evaluation from the perspective of the Sumitomo Electric Group's business activities** We evaluated the importance for the Sumitomo Electric Group to address each issue based on our business strategies and the measures outlined in VISION 2022. We evaluated this from the perspective of our three key areas—Mobility, Energy, Communications—and from a corporate perspective.
- 3. Evaluation from the perspective of our stakeholders** We evaluated the importance of each social issue based on sustainability information from business partners and the criteria of ESG surveys.
- 4. Materiality analysis (identification of key issues)** Through our evaluations, we identified social issues that are important both to the Sumitomo Electric Group and its stakeholders. We then grouped similar issues together, giving us 11 main issues that we needed to focus on.
- 5. Checking how these issues align with the social issues that VISION 2022 is seeking to solve** We confirmed that the social issues we identified as focal points in this evaluation process are consistent with those that VISION 2022, our mid-term management plan, is seeking to solve.
- 6. Approval by management** The validity of our materiality analysis was checked at our management conference and Board of Directors' meeting, and the results were approved.

### Materiality matrix



### Values the Sumitomo Electric Group offers

Our value creation process (p. 24-27)

We will continue to addressing those social issues marked with ● in "Social issues we need to focus on" (the list of social issues identified in our materiality analysis) by providing the value we outlined in VISION 2022.

Innovation by mobilizing the whole of Sumitomo Electric

- A healthier planet for future generations**
  - Development of eco-friendly products that limit CO<sub>2</sub> emissions
  - Encouraging use of renewable energy with smart energy systems
  - Promoting recycling technologies and pursuing materials development less dependent on scarce resources, driving resource-friendly practices
- Communities where everyone is safe**
  - Car-to-car and car-to-road connectivity for a safer driverless society
  - Creating a secure urban environment with enhanced infrastructure durability
  - Increasing telecommunications security for safety and privacy
- A comfortable, growing society**
  - Achieving faster data transmission through advanced infocommunication technologies underpinning an IoT-based society
  - Providing technology that connects automobiles to society, liberating transportation and increasing comfort
  - Developing solutions that connect cars, houses, people, and communities, enabling effective energy-sharing

### Relevant SDGs

- 3 GOOD HEALTH AND WELL-BEING
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 17 PARTNERSHIPS FOR THE GOALS

### Initiatives to strengthen our bases

Our bases to support our growth (p. 38-47)

We will help to solve the eight social issues marked with ◆ in "Social issues we need to focus on" (the list of social issues identified in our materiality analysis) by strengthening our three bases. We reclassified the initiatives for improving CSR and adopting ESG that we set out in VISION 2022 and the initiatives we mentioned in our CSR Report to align with the bases of our activities.

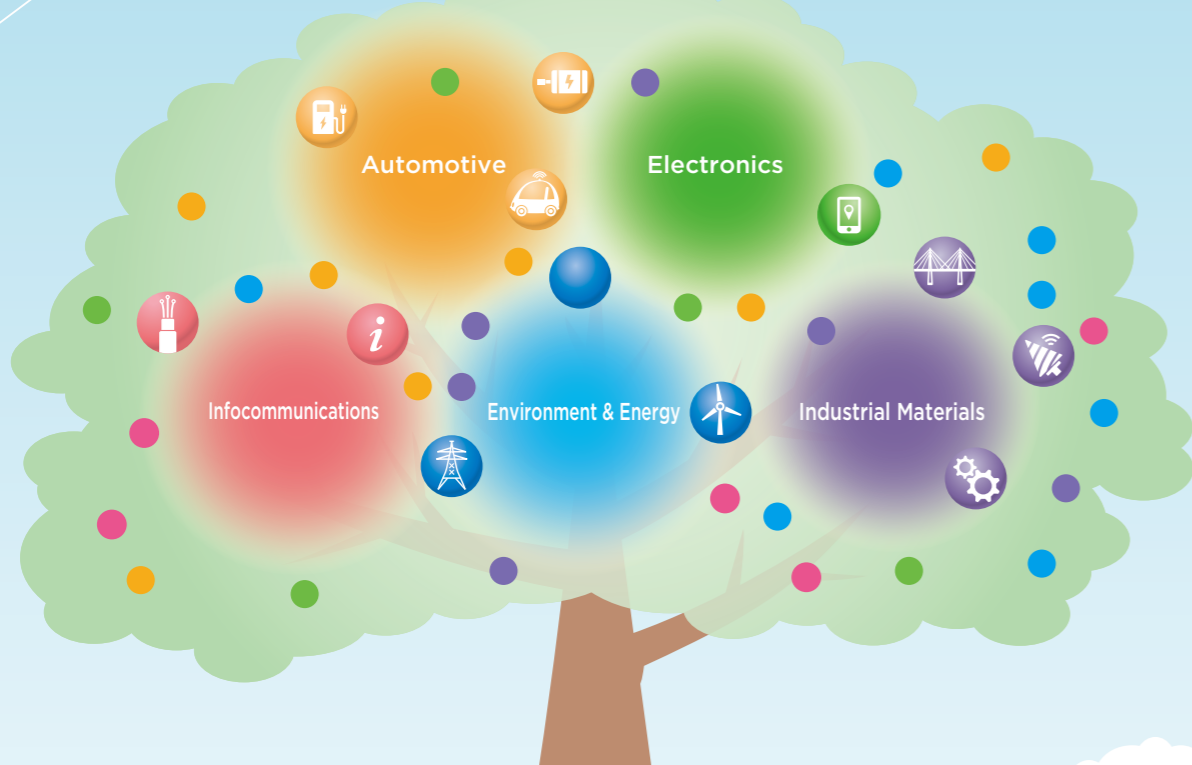
<b>Manufacturing Base</b>	<ul style="list-style-type: none"> <li><b>S</b> Promotion of safe working conditions</li> <li><b>S</b> CSR procurement (90% or more transactions within domestic group)</li> <li><b>E</b> Pursuing measures to combat causes of global warming</li> <li><b>E</b> Strengthening our response towards resource saving (reducing waste emissions and promoting recycling)</li> </ul>
<b>Human Resources and Organization Base</b>	<ul style="list-style-type: none"> <li><b>S</b> Promotion of Diversity Management (gender-parity and equal-opportunity employment, etc.)</li> <li><b>S</b> Diversification of employment formats and facilitation of sound management practices</li> <li><b>S</b> Strengthening the development of human resources (enhancement of group and global training opportunities)</li> </ul>
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li><b>G</b> Strengthening of governance</li> <li><b>G</b> Strengthening of information security</li> <li><b>G</b> Strengthening of disaster measures</li> </ul>

**E** (Environment), **S** (Social), **G** (Governance)

# Sumitomo Electric's Value Creation Process

Glorious Excellent Company

## Sumitomo Electric's Businesses



### Our three bases: the strengths we have built thus far

<b>Manufacturing Base</b> Wide range of technology from our original electrical cable business ⇒ p. 38	<b>Human Resources and Organization Base</b> Our employees embody our business spirit ⇒ p. 42	<b>Financial Base</b> A steady financial base ⇒ p. 46
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### Input

#### Business resources

<b>Production capital</b> Global production sites and independent R&D sites ▶ Consolidated companies: <b>416 (40 countries)</b> ▶ R&D: <b>3 sites in Japan</b> <b>2 sites overseas</b>	<b>Intellectual property (ideas/tacit knowledge)</b> We have built a wide range of technology and knowledge since we were first established ▶ <b>R&amp;D target</b> (5-year total): ¥600 billion ▶ <b>Patents held:</b> 17,986	<b>Human capital</b> We have diverse employees working for us around the world ▶ Employees: <b>283,910</b> • Overseas employees: <b>85%</b>	<b>Social capital</b> We have strong relationships with our customers and other stakeholders ▶ Trust with customers & suppliers built via daily business activities ▶ Trust relationships with affiliates of the group ▶ Extensive CSR investigations with around <b>1,750 suppliers</b>	<b>Financial capital</b> We have a strong financial base to support sustainable growth ▶ Capital-to-asset ratio: <b>49.0%</b> ▶ DE ratio: <b>0.40</b> ▶ Ranking: <b>AA(JCR)</b> <b>AA-(R&amp;I)</b>
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**A governance framework that leads to success in our strategies**  
 (corporate governance, compliance, risk management) ⇒ p. 48

**The Sumitomo Business Spirit and Sumitomo Electric Group Corporate Principles**

### Social issues we need to focus on

- Worsening global warming
- Disrepair and aging of social infrastructure
- Increasing importance of open innovation
- Increasing importance of employee health and work accommodations
- Workplace safety and increase of workplace risks
- Depletion of resources
- A need for smoother road transport
- Increasing importance of diversity and inclusion
- Cyberattacks and leakage of information
- More prevalent CSR risks in supply chain (human rights, etc.)

### Products and services



### The value we provide to society

- 3. Good Health and Well-being**
- 5. Gender Equality**
- 6. Clean Water and Sanitation**
- 7. Affordable and Clean Energy**
- 8. Decent Work and Economic Growth**
- 9. Industry, Innovation and Infrastructure**
- 11. Sustainable Cities and Communities**
- 12. Responsible Consumption and Production**
- 13. Climate Action**
- 14. Life Below Water**
- 17. Partnerships for the Goals**

#### A healthier planet for future generations

- Development of eco-friendly products that limit CO<sub>2</sub> emissions
- Encouraging use of renewable energy with smart energy systems
- Promoting recycling technologies and pursuing materials development less dependent on scarce resources, driving resource-friendly practices

#### Communities where everyone is safe

- Car-to-car and car-to-road connectivity for a safer driverless society
- Creating a secure urban environment with enhanced infrastructure durability
- Increasing telecommunications security for safety and privacy

#### A comfortable, growing society

- Achieving faster data transmission through advanced infocommunication technologies underpinning an IoT-based society
- Providing technology that connects automobiles to society, liberating transportation and increasing comfort
- Developing solutions that connect cars, houses, people, and communities, enabling effective energy-sharing

**Improvement of corporate value**  
 Strengthen our foundations and ability to create value to help solve social issues

## How the Sumitomo Electric Group Creates Value

Here is an explanation of each element of the diagram on pages 24-25 that shows the Sumitomo Electric Group's value creation process.

The tree on the left represents the Sumitomo Electric Group itself, where the Sumitomo Spirit and our corporate principles are the roots from which our businesses grow, and the city represents future societies, where we will provide value through our business.

The circle in the center represents a cycle where the value we create through our business activities is a resource that can be used to create new businesses, creating a cycle of value creation.

It is through this value creation process that we are working to provide value for people's lives by contributing to the building of a green society, a safe and secure society, and a comfortable and viable society. This will also lead to sustainable growth of the Sumitomo Electric Group.

### A Glorious Excellent Company

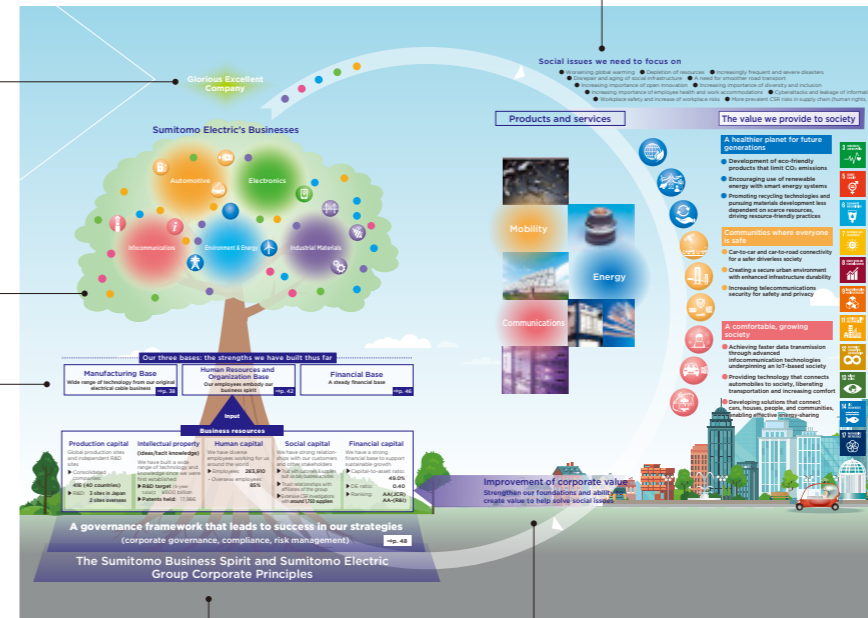
A "Glorious Excellent Company" is the Sumitomo Electric Group's ideal future state. Achieving this requires a strong corporate philosophy and sustainable growth.

### Awareness of social issues

We used a materiality analysis to identify social issues that are particularly crucial for us. We have mobilized the whole of the Sumitomo Electric Group to provide value through innovation and strengthen the foundations of our business. This will contribute to solving the social issues we have judged to be particularly important, and this in turn will enable sustainable growth of the Sumitomo Electric Group.

### The value we provide to society

Thus far, the Sumitomo Electric Group has provided a wide range of products and services to supply energy, transmit information and get people and cargo from point A to point B. The nine forms of value we provide are a constant work in progress, and we will keep working with our customers to improve people's lives.



### Sumitomo Electric's businesses and key areas

At present, our five main areas of business are Automotive, Infocommunications, Electronics, Environment & Energy and Industrial Materials. We combine these with new business ventures to expand our business in three key areas: mobility, energy and communications.

The fruits of the tree represent the five areas of business that have grown from the strong roots of our business bases and show how our business in mobility, energy and communications and other areas provides many forms of value to society.

In each area of business, we are seeking to expand the value we provide to society through our variety of products and services that are essential to people's lives.

For details on specific products and services, see "Sumitomo Electric's connectivity and transmission technologies in society" (p. 8-9), "Sumitomo Electric's vision for 2030" (p. 28-37), and "Overview of Business" (p. 62-73).

### Our three bases: the strengths we have built thus far

The strengths the Sumitomo Electric Group has built thus far take the form of three bases: our manufacturing base, our human resources and organization base and our financial base.

#### Manufacturing Base

##### Wide range of technology from our original electrical cable business

We have always worked with our customers to respond flexibly to changes in society's needs. This has seen us supply an enormous range of technologies and products, including an extensive range of materials. Through this work, we have built the following strengths, which we bring to collaborations both within and outside the company, achieving synergies on a whole new level.

#### Manufacturing

- Taking SEQCDD\* one step further
- Creating strong factories through continuous improvement (kaizen)
- Creating eco-friendly products

#### Research & Development

- Core technologies from materials to processes
- Variety of leading technology
- Consistently challenging ourselves to create innovative technology

#### Human Resources and Organization Base

##### Our employees embody the Sumitomo Spirit

- Entrenching the Sumitomo Spirit and Sumitomo Group Corporate Principles in our employees
- Developing employees who can work on the global stage

One of the tenets of the Sumitomo Spirit is Respect for Human Resources, as without our employees our company would not exist. Finding and developing excellent employees has been the most crucial job of each generation of management, and the ethos of "people make the enterprise" lives on in everything Sumitomo does.

#### Financial Base

##### A steady financial base

- Steady financial operations that do not rely on quick profits

We maintain a strong financial framework (ideally a 50% capital-to-asset ratio) and work to achieve sustainable growth proportionate to profitability and improve capital efficiency.

### Improvement of corporate value

- Strengthening of our business resources / ● Strengthening of our 3 bases (Manufacturing / Human Resources and Organization / Financial) / ● Growth of mobility, energy and communications businesses / ● Strengthening of governance framework

Through these initiatives, the Sumitomo Electric Group will improve its value as a company by strengthening its foundations and ability to create value to help solve social issues. Our series of value creation processes will give us stronger business resources that we can then use to create even more value.

### The principles and business resources behind our value creation

#### The Sumitomo Spirit and Sumitomo Electric Group Corporate Principles

The Sumitomo Spirit and Sumitomo Electric Group Corporate Principles center on the traditional principle of "Mutual Prosperity, Respect for the Public Good." Balancing our own benefits with the greater good and contributing to society have been at the heart of our business activities.

#### Business resources

We allocate our business resources in a way that enables us to respond flexibly to changes in social needs, which facilitates sustainable growth and earns society's trust.

#### A governance framework that leads to success in our strategies

In order to seek sustainable corporate growth and to increase corporate value over the mid-to-long term, we believe that it is critical to ensure transparency and fairness of management activities through appropriate corporate governance, as well as to draw up and implement a growth strategy fully utilizing our management resources, with the key word being "innovation." At the heart of our work to achieve these aims are initiatives to further enhance our corporate governance.

\* Safety, Environment, Quality, Cost, Delivery, and Research & Development. The Sumitomo Electric Group's policy is to place these at the forefront in everything we do.

# Sumitomo Electric's Vision for 2030

The society we live in is seeing major changes.

**MO Mobility:** CASE\* will allow the mobility field to provide new value to society.

**E Energy:** Eco-friendly energy will bring about more sustainable societies.

**CO Communications:** We will live in a smart society where everything is connected by a network.

With these changes, new social needs will arise and the mobility, energy, and communications fields will interact and create new markets. It is likely that a new style of municipality with advanced designs will appear as a result.

And the Sumitomo Electric Group will play a part in the creation of those future societies by drawing on the connectivity and transmission technologies we have developed since our first days in business to create new products, services and solutions.

The world is calling for

**A healthier planet for future generations**

**Communities where everyone is safe**

**A comfortable, growing society**

We will respond to those calls to help make the world a better place.

\* Connected, Autonomous, Shared, and Electric, the key trends in the automotive field.





# Sumitomo Electric's connectivity and transmission technologies in society

The 2030 **MO**bility, **E**nergy, and **CO**munications fields we envision

Sumitomo Electric is working to bring out epoch-making products and services to support the transformation of society. People won't see what we're doing, but they'll enjoy the results.



Now we're connected no matter where in the world we are!

**CO**

Contribution to satellite communications

Using less power in our communication networks is better for the planet!

**CO**

Contribution to reduction of CO<sub>2</sub> emissions

This offshore wind power is so much cleaner

**E**

Contribution to widespread adoption of renewable energy such as offshore wind

I love that electricity is available everywhere

**E**

Contribution to the stabilization of electricity supply in remote islands and un electrified areas

These virtual karate lessons make me feel like I'm in a dojo! I'm improving so much!

**CO**

Karate!

Contribution to new virtual experiences that feel more real

**E × CO**

I love that we can use home-generated eco-friendly energy every day

Contribution to energy conservation in households

**MO × E × CO**

It's a relief that our local energy network will still work when there's a disaster

Contribution to a stable supply of electricity and local production and consumption of energy through effective networking

**MO × E × CO**

Can I have some of your green energy?

Contribution to local production and consumption of energy

These cars have no CO<sub>2</sub> emissions at all - that's awesome!

**MO × E**

Contribution to eco-friendly mobility

Movies in the car! It's like a multipurpose room on wheels!

**MO × CO**

Contribution to mobility that is more than a means of transportation

I feel so safe living in a smart city with no accidents

**MO × CO**

OK!

Contribution to the building of next-generation transport networks

I love going out with Grandpa in his self-driving car

**MO × CO**

Contribution to self-driving societies

The robot's getting better at cooking. This looks great!

**CO**

Contribution to new services with cloud-connected robots

# MOBILITY

## Our value creation story in the Mobility field

### The Sumitomo Electric Group's new challenges as mobility evolves

#### Our contribution to post-war motorization and the establishment of our global manufacturing framework

Sumitomo Electric received its first order for wiring harnesses for automobiles in 1949. We then decided to build on our electric wire business and diversify. We foresaw that wiring harnesses would become a bigger source of business in the automotive industry in the future, and in 1959 we made them a full-scale business. As part of our policy to diversify our operations, we decided to enter the wire harness business, anticipating the future development of the automobile industry. We also expanded into the automotive parts business, including sintered powder metal products used in automotive engines, contributing to the rapid motorization of society at the time. We have also worked to improve traffic environments by supplying traffic control systems to reduce accidents and congestion. The rise in the yen's value as a result of the signing of the Plaza Accord in 1985 led to an expansion in overseas production by automotive manufacturers. Sumitomo Electric expanded its overseas production to meet customers' needs. A particular example of this is our establishment of a global production framework for our wiring harnesses. We drew on the manufacturing know-how and experience we had gained and trained employees in each new country and region to build a system that was developed in Japan and consistent throughout the world to ensure that each of our global sites around the world delivered the same top quality products. We now have 230,000 employees producing wiring harnesses in 31 countries, making us one of the top suppliers of wiring harnesses in the world. This was made possible by the power of our "genba," or the ability to conscientiously and thoroughly carry out decisions on site, which is our greatest strength.

#### Our evolution as the CASE\* age dawns

In recent years, CASE is bringing about what have

been called once-in-a-century period profound transformation in the automotive industry. We have been praised for our development and production of innovative new products, such as aluminum harnesses that help reduce vehicle weight and contribute to improved fuel efficiency and reduced CO<sub>2</sub> emissions, rectangular magnet wires for electric vehicles and tab leads for lithium ion car batteries. Automakers are now asking us to propose our views for future needs as we are a unique company that has capabilities in the energy and communications fields.

In other words, where we previously built our business by responding to customers' needs and specifications and gaining their trust, in the future we will need to think about the value that mobility can provide to society and propose solutions that meet the needs of customers. This means that we need to dramatically change the way we think and operate.

To facilitate this, we have established the CAS-EV† Development Promotion Division, which enables our research, planning, and sales teams to work more closely with each other as well as with electrical, and infocommunications divisions and execute the entire process from marketing to creating solutions and business planning more effectively.

Our engineers are upskilling to broaden their perspective from parts to the whole vehicle and to create a proposal-based CASE business model that incorporates processes that have traditionally been handled at the customer's side, such as system and module design, function definitions and vehicle planning.

\* Connected, Autonomous, Shared, and Electric, the key trends in the automotive field.  
† Electric vehicles supporting the C, A, and S elements of CASE.

#### Contributing to build a better way of life

Our expertise goes beyond the automotive field, encompassing infocommunications, environment and energy, electronics and industrial materials. We plan to make use of this advantage to create new products based on a wider view of future societies and new perspectives on community development.

1

2 To give an example of our view of future societies, we could build a safe and secure, congestion-free mobility society through combinations of mobility and communications technology, such as collaborations on AI-based congestion prediction and traffic control systems, information sharing systems that use sensors in cars and on roads to give warnings about hazards such as blind spots and obstacles on the road and the creation of a reliable communication environment that guarantees the security of onboard information.

3 This will allow those aboard autonomous-driving cars to use their time effectively. It will also provide a comfortable space for families and groups of friends to enjoy entertainment in their car, and enable the elderly, people with disabilities and those who struggle with driving to travel more easily and comfortably.

4 Then there's the potential for fusions between mobility and energy. Advances in IoT and blockchain technology will lead to a rise in cloud-based energy transactions between individuals—for example, it will not be uncommon to see EVs running solely on local renewable energy, which will mean more local production and consumption of energy. In the event of a disaster, PHVs will become storage batteries and IoT-based energy management technology will make it possible to remotely control a large number of PHVs and supply electricity where it is needed. As mobility becomes more and more seamlessly interconnected with fields such as energy and communications, the role of vehicles will shift from a means for transporting people and goods to their destination to a medium for providing optimized services and a high quality of life for people and society as a whole. Mobility will likely become a part of social infrastructure and an asset of cities.

5 These changes will probably take place gradually, and we will be involved in every stage, drawing on our multifaceted business that grew from our origins in electric wires and bringing the knowledge, technology and products that will be needed to make these future societies a reality. By sharing our vision with customers in the automotive industry and a wide range of other fields, we will provide the value, products and services that society is looking for so that we can contribute to a better tomorrow.

#### 1 Contribution to eco-friendly mobility

These cars have no CO<sub>2</sub> emissions at all - that's awesome!



- Aluminum wiring harnesses
- Tab leads
- Rectangular winding wires for motors

#### 2 Contribution to the building of next-generation transport networks

I feel so safe living in a smart city with no accidents



- Wireless and wired communications technology (highly reliable high-capacity communication with minimal delays)
- Sensing technology
- Traffic control systems

#### 3 Contribution to self-driving societies

I love going out with Grandpa in his self-driving car



- Wiring harnesses
- High-speed communication cables
- Technology for communication between cars and roads

#### 4 Contribution to mobility that is more than a means of transportation

Movies in the car! It's like a multipurpose room on wheels!



- Wiring harnesses
- High-speed communication cables

#### 5 Contribution to local production and consumption of energy

Can I have some of your green energy?



- EV charging cables
- Energy management systems



# Our value creation story in the Energy field

We pride ourselves in supplying technology that keeps energy infrastructure running

## How our electric cable business grew into a global corporate business

Sumitomo's copper business has a history of over 400 years. Sumitomo Electric's predecessor, Sumitomo Copper Rolling Works, was established in 1897, and the company began to make a full-fledged contribution to the energy sector in 1908, when it started manufacturing power cables. Our early years brought one struggle after another, but with the passion of so many employees, we improved our technical performance little by little and got this business on track. Since then, we have built an impressive track record: in 1911, we laid the first Japanese-made high-voltage underground electric cables between Kyoto and the nearby Fushimi area, and in 1922 we laid the world's longest submarine cable at the time, spanning 21 km between Niihama on Shikoku to the Shisakajima Island. From the post-war rebuilding period onward, we have diversified into a wide range of areas outside of electric wires, but energy has remained one of our key areas and we have achieved steady growth ever since. More recently, we received an order for 400,000V DC submarine cables connecting the UK and Belgium in 2015. In the same year, we installed one of the world's largest redox flow batteries at the time in Hokkaido, and in 2017 we began a proof-of-concept operation of a storage battery system in San Diego, California using some of the largest redox flow batteries in the USA. In 2020, we completed a joint project with group companies Nissin Electric and Sumitomo Densetsu to build Wind Farm Tsugaru, Japan's largest wind power plant. These are just a few examples of how we have contributed to the building of energy infrastructure not only in Japan but around the world.

## Channeling the Sumitomo Spirit into contributions in the energy field

When we look back on over 120 years in business, the strengths that stand out are what is known in Japanese as *shinyo-kakujitsu* (placing importance on integrity and sound management) and *fusu-furi* (always acting with integrity in pursuit of business). These values are encapsulated by the Sumitomo Spirit. There have been times when the prices of copper and other raw materials have soared, such as when the Great Kanto Earthquake of 1923 severely damaged the facilities of electric wire

manufacturers and when the black market was rampant due to the shortage of commodities immediately after World War II. We did not allow the promise of those profits to compromise our principles: above all, we were a company that focused on the interests of society as a whole, and valued the attitude of gratitude to society and harmony with the public interest. That spirit is still alive to this day. We felt the same sense of responsibility to society when disasters such as the Great Hanshin Earthquake and the Great East Japan Earthquake occurred, and our responses have earned us as much trust and confidence from our customers as the results we have produced throughout our years in business. In the field of energy, demand for submarine cables and other equipment to transmit electric power from large-scale offshore wind farms to land has been increasing in Japan in response to the growing interest in global environmental considerations. While the use of renewable energy is expected to increase in the future, it is necessary to mitigate the effects of fluctuating output with large-scale storage batteries in order to further promote the use of renewable energy. To maintain and manage power transmission and distribution networks while ensuring the stable operation of power systems, the Sumitomo Electric Group will demonstrate its strengths in proposing total solutions by utilizing its wide range of products, including storage batteries, systems and electric cables, and its comprehensive capabilities to handle construction work for electric power facilities. Furthermore, by developing a system that enables remote monitoring of existing underground power lines with a sensor network, for example, we will address social challenges such as reliable electric power supplies and labor shortages, not only through manufacturing, but also by providing services utilizing AI and IoT. Wide-ranging demand is also occurring overseas: high-voltage cables in the many European countries that are shifting to renewable energy, overhead power transmission wires in countries and regions where power infrastructure is underdeveloped, and submarine cables to connect islands in ASEAN countries. We anticipate each area's needs and develop products that will meet them. With our world-class technology and highly attentive service, we are helping to lay the foundations for better societies by contributing to the widespread adoption of renewable energy and the building of local infrastructure.

## Helping to build a better way of life

When we take a broader look at the energy field, we can see that there will be less and less separation between energy and other fields such as mobility and communications in the future. For example, high-performance storage batteries will make it possible to set up charging stands that supply renewable energy. We are also likely to see more widespread use of systems where people and companies using "green electricity" that is 100% renewable energy will be able to receive special deals, which will lead to greater use of mobility with no CO<sub>2</sub> emissions. As households become able to generate their own electricity through a combination of solar systems and storage batteries, energy resources around each municipality, such as storage batteries in electric vehicles and local renewable energy, will be connected by IoT or Community Energy Management Systems (CEMS) and adjusted based on supply and demand. This means that in the event of a disaster, members of the community will be able to share communal energy sources if the primary energy supply network is disrupted and thus improve their resilience to disasters. Sumitomo Electric possesses a wide range of knowledge and technology that will be a part of future societies. Examples include our electric wires and cables, redox flow batteries, gateways for HEMS (home energy management systems), which control the storage batteries and power devices that are key devices for household consumption of renewable energy and VPP (virtual power plants), which are a key focus for prosumers on the demand side, energy management systems and the communications technology to control them. The Sumitomo Electric Group will consider what value we provide to customers and create solutions that incorporate all of this value. We will incorporate eco-friendly solutions, strengthen disaster measures, and provide greater comfort to energy users. Taking a long view to 2050, hydrogen is also expected to be used as an energy source to enable decarbonization, and the group is actively pursuing research and development for practical use in this field through open innovation. The Sumitomo Electric Group will continue to contribute to a better tomorrow, taking pride in supporting society through the building of energy infrastructure.

### 1 Contribution to widespread adoption of renewable energy such as offshore wind



This offshore wind power is so much cleaner

- Submarine cables
- Electric transmission and distribution equipment
- Power conditioners

### 2 Contribution to the stabilization of electricity supply in remote islands and unelectrified areas



I love that electricity is available everywhere

- Submarine cables
- Overhead conductors
- Redox flow batteries
- VPP technology
- Energy management technology

### 3 Contribution to eco-friendly mobility

These cars have no CO<sub>2</sub> emissions at all - that's awesome!



- EV charging cables
- Energy management systems
- Tab leads
- VPP technology

### 4 Contribution to energy conservation in households

I love that we can use home-generated eco-friendly energy every day



- HEMS gateways that control household power devices
- Household storage batteries
- VPP technology
- Energy management technology
- Communications technology

### 5 Contribution to a stable supply of electricity and local production and consumption of energy through effective networking



It's a relief that our local energy network will still work when there's a disaster

- HEMS gateways that control household power devices
- Storage batteries
- VPP technology
- Energy management technology
- Communications technology



# Our value creation story in the Communications field

The Sumitomo Electric Group's ventures into technology that will enhance communication

## Our contributions to the communications field

We have been involved in the communications field since 1900, when we supplied the Japanese Ministry of Communications with telephone wires (silicon-copper wires) that withstood the weight of snow and did not break easily. After the success of these wires, we established Sumitomo Electric Wire and Cable Works (now Sumitomo Electric Industries, Ltd.) in 1911. Through the supply of communication cables, we contributed to the spread of telephones and their value of fostering communication between people in different locations. In 1964, while continuing to support the widespread adoption of phones, we began exploring new areas of research. We knew that we were on the eve of an information society and that computers would be the next technology to play a core role in society, so we had to incorporate a great deal of computer elements into our new business at that time. Through our intrapreneurship system, we laid the foundations of a variety of new businesses that have been key elements of our information society, including the forerunners of traffic control systems, semiconductors and flexible printed circuits for electronic products. We also turned our attention to optical fibers, as the word on the street was that they were "the dream communication method" and "the final stage of communication for humanity." We began research and development of optical fibers in 1970 and created an innovative optical fiber mass-production technology called vapor axial deposition (VAD). In the 1980s, we expanded our scope to include devices and systems for optical transmission. We threw ourselves into initiatives to achieve "Optopia," the ideal of a prosperous society running on optical communication technology, and have played a part in the development of our information society. As audio communication took root, digital communication grew to include sending text, pictures and video and the world shifted from wired to wireless communication, we established a B to B business to supply products to companies such as telecommunication service providers. We worked with many such companies to achieve success and meet their targets, acting as what is known as an "enabler company" to support the communication revolution from behind the scenes.

## Extensive range of infocommunications products

Our strength lies in the way we anticipate social changes and needs and carry out cutting-edge research and development while sharing our vision for future directions of products and new businesses with communications companies and various other customers. Many of our successes have come from a "technology out/marketing in" approach. Whenever our customers want to adopt the most advanced technology, we draw on our wide range of technology, striving to contribute not only as a supplier but as a partner. Trust is a major focus—it is part of the Sumitomo Spirit. This, along with the way we are constantly refining our technology, has been a major source of strength. We are currently contributing to the building of the most integral communications infrastructure in our information society with a wide range of products from general optical fibers to ultra-low-loss optical fibers used in submarine cables, ultrahigh-fiber-count cables for data centers, optical connectivity products and GaN devices for 5G mobile base stations.

Social changes that have taken place in recent years include the popularization of IoT, streaming of videos and an increase in cloud services. This has seen online data traffic increase by more than 20%, an enormous leap that has only been amplified by COVID-19 restrictions. Initiatives are underway to bring about a shift to smart cities, including the use of data to drastically improve energy efficiency and informatization in the mobility field, which can be seen in technology such as connected cars. XR\* technology, a new video service that achieves much greater realism, is being adopted with the arrival of 5G wireless communication, which enables high-speed, high-capacity data transmission with low latency. We can expect to see further popularization of support robots and advances in satellite and wireless communication technology to connect areas that do not currently have an internet network. Data traffic will increase even more and the technology for processing the data will become more advanced. And behind the infocommunications infrastructure that runs these new services will be communications networks and data centers. Data traffic will increase in speed and volume in communications networks, and software will be adopted to enable flexible control of data traffic. An increasing number of hyperscale data centers will be built to collect and store large volume of information and process it efficiently. And edge computing will be used to enable low latency

in communication services, decentralization of data centers and processing of data at a closer proximity to the user.

But these advances in infrastructure will mean more energy is needed, so rapid measures need to be taken to reduce energy consumption or shift to renewable energy.

4 We will draw on our wide range of solutions to provide customers with a total package that can minimize energy consumption and CO<sub>2</sub> emissions in the age of high-speed, high-volume communication. In the mobility field, the shift to EVs and increase in data volumes being transferred by onboard systems will lead to increasing adoption of optical interconnection for onboard communication. As the communications field becomes interconnected with energy and mobility, it goes without saying that our infocommunications technologies and knowledge will be an asset.

\* Extended/cross reality. This technology uses virtual reality, augmented reality, mixed reality and substitutional reality to combine elements of physical and virtual environments.

## Contributing to a better way of life

When we think about how people will live and what their needs will be in future, there will likely be a greater desire than ever for ways to accurately communicate and share information and emotions across physical distances. And with the increase in virtual spaces where people can do this remotely without physically moving, there will be a call for greater realism. Advances in communication methods may lead to the development of more technology that gives elderly people and people with disabilities greater autonomy. We will probably see innovation not only in interfaces such as displays but in communication itself: for example, if devices are connected to the brain in a minimally invasive or non-invasive way, we could be able to accurately convey what we're thinking, without the limitations of audio, language and image transfer, which can cause misunderstandings. As future changes unfold, we will be well poised to make use of the infocommunications knowledge we have gained by helping to build today's high-speed, high-capacity technology, along with our technology in fields such as electronics that are already being widely used in people's daily lives. We have always excelled at working together with our customers to create and supply the infrastructure and devices that society is looking for, and we will continue to take this approach in future. Our mission as an enabler company is not done—there are still many more ways for us to contribute to a better tomorrow.

### 1 Contribution to new virtual experiences that feel more real

These virtual karate lessons make me feel like I'm in a dojo! I'm improving so much!



- Electronic wire products used for XR glass
- The infocommunications infrastructure behind XR

### 2 Contribution to new services with cloud-connected robots

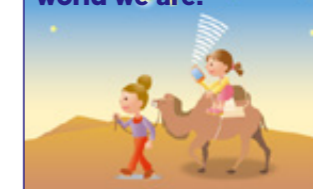
The robot's getting better at cooking. This looks great!



- Small diameter, flexible, high-speed data transmission cables
- Optical communications products for infocommunications networks

### 3 Contribution to satellite communications

Now we're connected no matter where in the world we are!



- Compound semiconductors for satellites and ground stations
- Optical communications products for infocommunications networks

### 4 Contribution to reduction of CO<sub>2</sub> emissions.

Using less power in our communication networks is better for the planet!



- Optical communications products for infocommunications networks



## Manufacturing Base

In the Sumitomo Electric Group, we believe that strengthening SEQCDD<sup>1</sup> is at the core of our manufacturing activities, and thus our business itself. Behind the ongoing growth of our company are initiatives to make each and every employee thoroughly aware of this and measures specific to each area of our work, including safety, the environment, quality and R&D. Initiatives are underway to take our SEQCDD to the next level to further enhance our manufacturing base.

### Cultivation of Manufacturing Personnel

One of the initiatives in VISION 2022 is to further strengthen our manufacturing capabilities. This means strengthening SEQCDD<sup>1</sup>, which is at the core of what we do as a manufacturer. Our Manufacturing Management & Engineering Unit is carrying out company-wide activities so that we can achieve some of the top manufacturing capabilities in the world, including no worker casualties, property damage or facility damage. We are also continually improving on our operations to make our factories the best they can be and sharing our core technology and best practices globally to build a framework that makes the most of our collective strengths. We strive every day to maintain a high level of safety, cleanliness and efficiency, improve on all of these metrics and invest in the personnel who will help us to do this.

A foundational principle of our training is that manufacturing depends on good training. We have a wide-ranging curriculum including basic training that teaches the fundamental elements of SEQCDD along with training on the latest skills and technology, such as management skills, our technology and our facilities and maintenance technology. In addition to strengthening our manufacturing performance, this plays a big role in the R&D work that drives the evolution of our company. We are also constantly enhancing the training we provide to new employees to include information on our latest technology. This increases employees' awareness of safety (S), the environment (E), quality (Q) and R&D (D) pertaining to our products.

<sup>1</sup> Safety, Environment, Quality, Cost, Delivery, and Research & Development. The Sumitomo Electric Group's policy is to place these at the forefront in everything we do.



Training for new technical employees: A robot contest. Each team builds a robot and is judged by how well they solve assigned issues and how quickly they build it.

### Safety (S)

The Sumitomo Electric Group considers that securing of health and safety of employees is the basis of the business. We promote the establishment of culture to prioritize safety above all else and continuously perform safety and health activities involving all employees to eliminate risk factors from our workplaces with the aim of becoming the world's safest company. Specifically, having formulated "Safety Philosophy," "Principles of Safety Activities" and "Occupational Safety & Health Guidelines," We specify priority activities and subjects for each fiscal year to meet the targets. We consider suggestions from employees at our sites when we plan the activities and subjects.

#### Safety Philosophy

- Safety is our top priority.
- All accidents can be prevented.

#### Principles of Safety Activities

- Top managements of business sites and organizations shall act to lead by example of themselves in improvement of the safety culture.
- Mutually enlighten safety consciousness through bidirectional communication.
- All members shall act to aim a global top safe enterprise.

#### Occupational Safety & Health Guidelines

- By eliminating every hazardous and harmful elements from the workplace, aim to be a top enterprise of "Zero Accidents, Zero Dangers."
- Comply company rules, as well as, regal regulations and other safety requirements.
- By conducting safety & health education and training, enhance the sensitivity and knowledge.
- Achieve work environment able to work comfortably in health in both mental and physical aspects.

### Environment (E)

The Sumitomo Electric Group has established an Environmental Policy under the guidance of our Corporate Environment Committee, and is working toward mid-term targets through our Action ECO-22V activities.

#### Reduction of greenhouse gas emissions

Sumitomo Electric Group's initial target for fiscal 2022 was for there to be no increase in greenhouse gas emissions from the fiscal 2017 level as an initiative to prevent global warming. We have now set our sights higher, and are working to reduce emissions by 5%. Conservation of energy is a core environmental initiative that all of our divisions are actively working on. A company-wide office has been established, and personnel in this office work together with experts appointed in each division to promote energy

conservation throughout the group. Our greenhouse gas emissions in fiscal 2019 were 13% lower than fiscal year 2017 both in Japan and overseas. This is the result of the initiatives we have mentioned, along with a decrease in the CO<sub>2</sub> emission factor of our electrical power this year and the drop in production caused by COVID-19 in the second half of the year. We have declared objective, science-based targets for decreasing greenhouse gas emissions by fiscal 2030 through SBTi<sup>2</sup> to further strengthen our initiatives to decrease emissions.

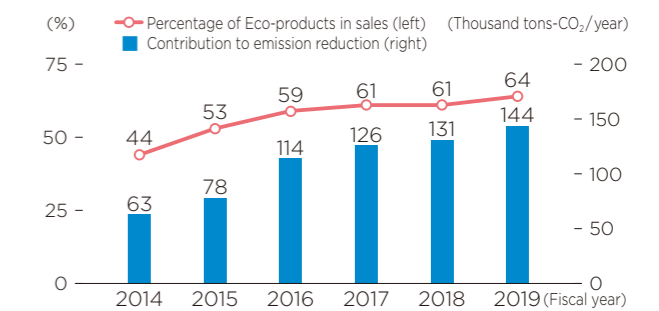
<sup>2</sup> The Science Based Targets initiative, an international program to share information in the environmental field. The initiative is run jointly by CDP, an international NGO; the United Nations Global Compact (UNGC); the World Resources Institute (WRI) and the World Wildlife Fund (WWF).

### Eco-friendly products

To reduce the environmental impacts of our business activities and expand our supply of eco-friendly products, our products are assessed to determine their levels of social<sup>3</sup> and environmental contribution and classified into, for example, Eco Mind products, Eco-products and anti-global warming products based on the levels. The assessment results are also used for development of new products. We perform environmental assessment of products when developing new products, as well as when making major design changes to existing products. The products having undergone product assessment are registered as "Eco Mind" products in the Sumitomo Electric Group. Among "Eco Mind" products, the products with particularly outstanding environmental features are examined in accordance with our Eco Symbol Program, which is based on ISO14021, and those that meet the criteria are certified as "Eco-products." Through this system, we aim to promote development of environmentally conscious products and strive to penetrate the market with them. Eco products that especially contribute to the reduction of CO<sub>2</sub> emissions in the production stage or when they are used by customers are registered as Anti-Global Warming Products, and the reduction effect is calculated.

<sup>3</sup> Level of social contribution indicates the positive impact the product will have on society.

#### Percentage of Eco-Products in sales and contribution to the reduction of CO<sub>2</sub> emissions



#### Calculation method

The percentage of Eco-products in sales is calculated as the value of the shipments\* of the products certified Eco-products divided by the total value of shipments\*.

(\* Shipments are those from manufacturing departments in Japan. However, they exclude shipments from electronic conductor departments, which mainly work to supply intermediate goods within the Group.)

### Shifting to a low-resource society

The Sumitomo Electric Group is working to reduce the amount of industrial waste generated in its facilities. To reduce the amount of waste, we promote conversion of the waste into valuable materials through separation and search of uses, and also focus on reduction of defects and review of the process that caused defects in production sites, which are fundamental activities for manufacturing, as well as in-house reuse of the waste generated and reduction of waste volume. In Action ECO-22V, we are working to reduce waste by 1% each year from the volume in fiscal 2017. In fiscal 2019, we reduced waste by 18.8% from fiscal 2017. We are also actively promoting recycling. To help solve social problems such as shortage of landfill sites and illegal waste dumping and to make effective use of resources, we are working to avoid landfilling of industrial waste without serious efforts and recycle waste to the extent possible. In addition, the Sumitomo Electric Group is working to reduce the zero emission

### Examples of Anti-Global Warming Products

A secondary battery electrode material that contributes to greater fuel efficiency in hybrid electrical vehicles



**CELMET™ (porous metal)**  
Sumitomo Electric Toyama CO., Ltd.

The reduction of CO<sub>2</sub> emissions by hybrid electrical vehicles is calculated according to our own standards according to sources such as the Automobile Fuel Efficiency List (March 2014) published by the Ministry of Land, Infrastructure, Transport and Tourism.

An amplifier for compound semiconductors that contributes to conservation of power in base stations



**GaN HEMT**  
Sumitomo Electric Device Innovations, Inc.

The reduction of CO<sub>2</sub> emissions is calculated according to our own standards based on efficient use of the device at a 2.6Ghz base station.

Lighter to contribute to greater fuel efficiency in cars



**Lighter wiring harnesses**  
Sumitomo Wiring Systems, Ltd. (SWS)

The reduction of CO<sub>2</sub> emissions is calculated based on the degree to which fuel efficiency is improved by making the wiring harness and other parts lighter (according to the standard in the Guidelines of Environmental Indexes of Products: Version 2 by the Japan Auto Parts Industries Association)

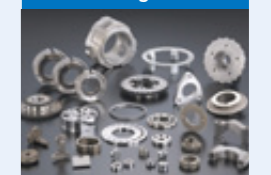
Longer life to contribute to a reduction in resource usage



**Long-life cemented carbide tools**  
Sumitomo Electric Hardmetal Corp.

The resource consumption avoided and the decrease in production-based CO<sub>2</sub> emissions achieved through a longer life is calculated using the Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables from the National Institute for Environmental Studies, Japan

Superior material production to contribute to a reduction in resource usage



**Sintered powder metal products**  
Sumitomo Electric Sintered Alloy, Ltd.

The resource consumption from material production that is avoided and the reduction of CO<sub>2</sub> emissions that is achieved through superior material efficiency and reduction of energy consumption is calculated according to documentation from the Japan Powder Metallurgy Association

rate<sup>4</sup>. This includes waste management overseas. While the situation of landfill sites overseas is different from that in Japan, we are carrying out initiatives at our overseas sites to refrain from landfilling industrial waste without efforts and recycle and convert waste into valuable materials to the extent possible through separation of waste and other efforts to maintain proper waste management.

$$*4 \text{ Zero emission rate (\%)} = \frac{\text{Amount of waste incinerated without heat recovery} + \text{Amount of landfill waste}}{\text{Amount of industrial waste} + \text{Amount of general waste} + \text{Amount of valuable materials}} \times 100$$

### Initiatives to achieve even greater quality and reliability

#### Basic concepts and development of the QR-1 Campaign

The Sumitomo Electric Group aims to provide safe, reliable and high-quality products to customers in a stable manner as a fundamental principle based on customer-oriented and quality-oriented policies. To continue to achieve this, our group works to strengthen its underlying manufacturing competence and continuously makes steady efforts to systematize daily duties as a mechanism, implement them soundly and further improve the mechanism. From 2002, we developed our QR-1 Campaign, with the slogan "Number one in Quality and Reliability." Through this campaign, we have made continuous efforts to enhance the awareness of quality among all employees through the three activities of Own Process Quality Assurance Activities, Quality Management Education and Global Quality Management System Audits.

As part of the efforts to systematize the daily operation, the Sumitomo Electric Group Quality Management Global Standards were established as a common framework to be applied to divisions throughout the Group in 2013. Each of our divisions makes continuous efforts to develop and strengthen its own quality assurance systems based on the standards so that customers can trust our products. In 2020, we established a committee structure across the whole of the company and began working to strengthen governance and collaboration between the Quality Assurance Division and our other divisions. We will continue to develop the QR-1 Campaign on group-wide and global scales.

#### Own Process Quality Assurance Activities

Since fiscal 2010, we have promoted Own Process Quality Assurance Activities, which are comprehensive efforts to prevent defects in each process from being produced or passed down to the following process. We introduced the concept of "quality level" to quantitatively assess quality risks for the purpose of preventing defects from occurring or, if they do occur, preventing defective products from being shipped. This system has enabled objective and efficient risk reduction activities. In addition, the Quality Management Division in the Corporate Staff Group strives to further stimulate the activities through training to develop staff members who implement

the initiatives, exchange meetings between different divisions and other support for the activities.

#### Quality Management Education

We provide quality management education for our employees around the world. In addition to the basics, such as quality management principles and methodology, we provide specialist education on product safety under the laws such as the Product Liability Act and the Revision of the Consumer Products Safety Act, along with practical training for personnel working in areas such as quality assurance at our facilities. From 2019, we began providing training to our executives in the quality assurance department in each of our divisions on how to strengthen our quality assurance functions. Overseas, measures are carried out by groups such as our North America Manufacturing Committee and our Chinese Quality Control Work Group to provide training and a venue for discussion on quality assurance activities in our processes. We will continue to develop the culture of quality first through various quality management education programs.

#### Global Quality Management System Audits

We conduct Global Quality Management System Audits to evaluate the quality control initiatives of each business unit in light of the Sumitomo Electric Group Quality Management Global Standards from the perspective of customers. In these audits, we identify weaknesses in terms of management, design, manufacturing and center function to provide an opportunity to improve its quality assurance system and support its follow-up activities to reinforce the structure. Audits are also conducted overseas in an effort to facilitate collaboration, centering on domestic units, and enhance awareness of quality among local employees. We will repeat the audits with the aim of promoting continuous improvement of the quality assurance system.

#### Quality Compliance

Supply of products that surely have the quality required by customers in compliance with laws and rules is an absolute foundation for companies to grow in a sustainable manner. The Sumitomo Electric Group takes measures such as clearly communicating rules to prevent quality data falsification and strengthening of our function to check for falsifications. Rules to prevent quality data falsification are established based on cases of falsification that have occurred elsewhere. They are then incorporated into our fundamental rule on quality, the Sumitomo Electric Group Quality Management Standard, and thoroughly disseminated. Annual compliance training is given to our executives in Japan, and training to prevent falsification of quality data is included in quality management education for employees at all levels. We are strengthening our function for detecting quality data falsification through tighter inspections in our Global Quality Management System Audits, which assess the current situation in each division. We also have a system in place for annual self-inspection of key operations in all divisions. We have added the prevention of quality data falsification to the inspection items of the self-examination to ensure the absence of quality data falsification and check the efforts of each division to develop rules for the prevention of quality data falsification and provide quality compliance training each year.

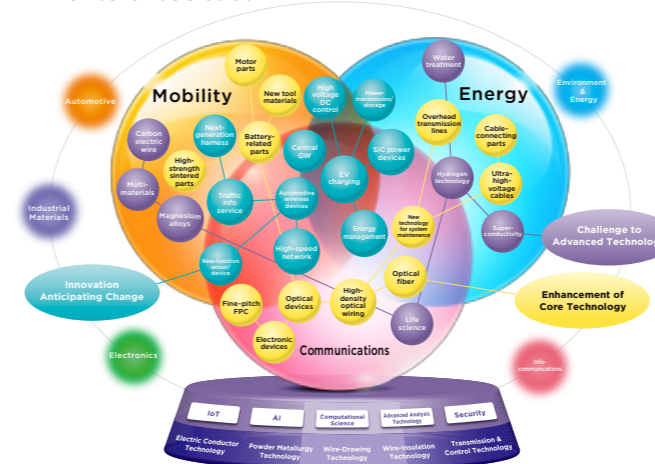
## Research & Development (D)

The Sumitomo Electric Group is constantly innovating to strengthen and make better use of our core technologies, from materials to processes. We are also taking on the challenge of developing new technology that addresses the changes taking place in the world, so that we can contribute to building a better society.

### Continuing to enhance core technologies

Creation and Enhancement of Leading Technology is one of the key initiatives set out in VISION 2022. To achieve this, our R&D Group is taking the lead in initiatives to further strengthen our core technologies, from materials to processes, to make our current businesses more competitive, and to discern changes that are about to take place in the automotive and energy fields so that we can establish new businesses quickly. We are also looking further into the future and taking on the challenge of developing innovative new technologies to address the changes in the world around us. We coordinate the direction to be taken and plans to be put in place in each area of research Sumitomo Electric is involved in and carry out activities across the whole of the company. To further expand our technology and businesses, centering on the material and assembly technologies that are our core technologies, we provide support for divisions as they establish new areas of research and turn the results of their development into businesses, along with working on collaborations with group companies, conducting joint research with universities and research institutes, making use of government projects and working together with other companies. In the USA and Europe, we are gathering the latest information and working on development projects via our sites in those areas.

In October 2020, we completed Crystal Lab, our new research building at Itami Works. This further centralizes our R&D functions in Itami, including our development of new materials. Strengthening our core technologies through these measures will enable us to contribute to the building social infrastructure that is closely connected to society, companies and people's lives and the creation of safer societies.



### Innovating in anticipation of change

We are living in an age where rapid technical innovations are changing the global economy and social and environmental changes are being ushered in through initiatives such as the SDGs. To meet the new and diverse needs the world is seeing, we are innovating in the automotive field and making use of renewable energy and big data carry out cutting-edge research and development in a wide range of areas. We will pursue the growth of our businesses in Mobility, Energy and Communications as well as the products and services in these areas while taking advantage of the diversity of our businesses and technologies to create innovations and thereby contribute to the creation of a better society. In the automotive field, we are drawing on resources such as our proprietary materials technology and ICT to develop the connected energy technology and EV technology that the next generation of vehicles calls for. Other initiatives include the development of millimeter-wave radars for infrastructure, in which we are making use of our wireless communication technology, and vehicle allocation systems for the next generation of transport systems and MaaS (Mobility as a Service) using vehicle probe information. In electrical infrastructure, we are developing new technologies and products to address changes in technology such as more widespread use of renewable energy and more advanced ICT-based electrical infrastructure.

### Challenging ourselves to create innovative technology

The Sumitomo Electric Group is working to develop innovative technology in the areas of mobility, energy and communications. We are combining our core proprietary technology with the latest technology in the areas of IoT, AI, computational science, analytics and security to develop new products and businesses. Looking at a future society, we will make efforts to develop innovative technologies that are expected to bring major social reforms such as hydrogen energy and innovative materials. When we work on this research and development, we actively make use of open innovation, collaborating widely with universities and research institutes both in Japan and overseas to achieve results as quickly as possible. We also work closely with each factory in the Sumitomo Electric Group on areas such as environmental matters, security, improving productivity, automation of inspections, reliable detection and safety. We are working on these areas by developing Internet of Things (IoT) technology to provide the support our production sites need, including various sensing, wireless communication, AI and big data analysis technology.

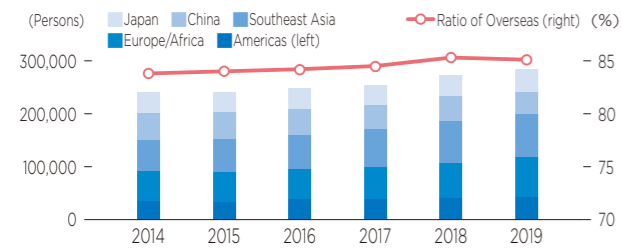
## Human Resources and Organization Base

In the Sumitomo Electric Group, we believe that people are the driving force of the ongoing growth we achieve. This, and the Sumitomo Spirit, are the underlying principles in our Global Human Resource Management Policy and Human Rights Policy, and we are dedicated to developing employees who will succeed on the global stage and creating the working conditions necessary for their success.

### Our aim to develop diverse employees

The Sumitomo Electric Group currently has over 280,000 employees in about 40 countries around the world. We believe that for Sumitomo Electric to win the global competition and grow further, it is essential that we fully mobilize the group's technologies, products, business models and all other resources, and we acknowledge that it is most important to secure and utilize highly capable employees who support the efforts.

#### Number of Group Employees in the World by Year



The Sumitomo Electric Group has traditionally attached a high value to our employees based on the Sumitomo Spirit. To clarify the basic policies on human resources, we instituted the Sumitomo Electric Group Global Human Resource Management Policy (Global HRM Policy) in September 2011. This policy specifies the Sumitomo Electric Group's commitment to creation of an environment that helps employees realize growth and self-actualization through work, provision of various career opportunities regardless of race, ethnicity, national origin, religion, age, gender, gender identity, sexual orientation, or disability, promotion of diversity and development of global leaders, in order to accelerate our global human resource recruitment and promotion. We have declared the policy to inform people in and outside of the group about it.

#### Global Human Resource Management (HRM) Policy

- We provide workplaces where all the employees can work actively, grow both personally and professionally through work, achieve self-actualization, and contribute to society.
- We offer various career opportunities and globally pursue "the right person in the right position" regardless of race, ethnicity, national origin, religion, age, gender, gender identity, sexual orientation, or disability.
- We value and promote diversity in the workplace in order to enhance the creativity of the organization and to sustain the growth of the business.
- We develop global leaders who lead and give energy to our global business. Global leaders are those who understand and share the Sumitomo Spirit and the Corporate Principles and can lead highly diversified teams.

### Human Resources Development

Personnel needed by the Sumitomo Electric Group are defined as those who honor the Sumitomo Spirit, understand the Sumitomo Electric Group Corporate Principles, possess high levels of skill and knowledge rooted firmly in the basics, and who can play active roles in the global community. The core elements of their training are individual employees' strong motivation for self-development and on-the-job coaching and close communication between superiors and the employees they manage. The training cycle includes management by objectives, dialogs on career, on-the-job training, employee performance evaluations and job rotation, supported by training and education by SEI University, with the aim of improving each employee's value through the achievement of company goals.



#### SEI University

SEI University represents the Sumitomo Electric Group's comprehensive training and education system. With the aims of achieving corporate targets and becoming a Glorious Excellent Company, we provide various training programs in a wide range of areas at SEI University. These programs range from theory-based training to practical training in the workplace.

#### Fundamental Principles of SEI University

- SEI University will serve as a venue for:
1. Disseminating the Sumitomo Electric Group's corporate philosophy,
  2. Sharing the Sumitomo Electric Group's management strategies and vision, and
  3. Developing employees' abilities, skills and knowledge so that they may play active roles in the global community.

Our compulsory basic training contains the following five subjects. It is provided for all employees as part of various training programs.

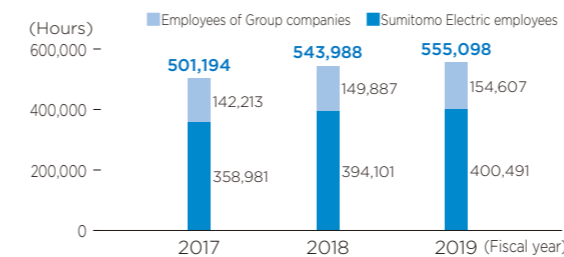
#### Our five required subjects

- (1) Sumitomo Spirit, Sumitomo Electric Group Corporate Principles, and CSR
- (2) Management policies and visions
- (3) Compliance
- (4) SEQCDD
- (5) Diversity

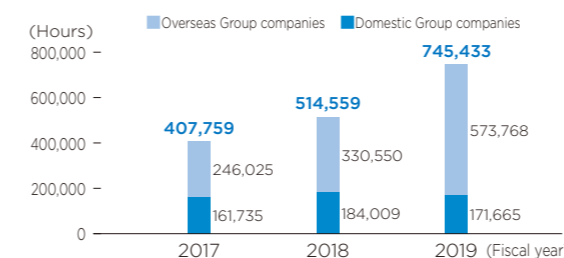
SEI University teaches five core subjects and provides more than 300 training programs (commonly developed across the Group), including position-based compulsory programs for all group employees ranging from executives to new employees, in the three areas of human skills, problem-solving skills and technical skills. Our group companies and divisions also organize their original training programs in the field of technical skills to have the trainees acquire the unique knowledge and skills especially required in the respective workplaces.

In particular, the Sumitomo Spirit is positioned as the basis for employees to perform their duties. We give them opportunities to learn about it in the training programs for new employees and various position-based training programs. In addition, we always explain the relations of the Sumitomo Spirit to compliance and human rights in the relevant training programs. Furthermore, the president asks all employees to perform their duties in accordance with the Sumitomo Spirit via a video once in six months and the video is also translated into multiple languages and distributed to group companies in Japan and overseas. For the employees to be assigned overseas, a training program to ensure that they can convey the Sumitomo Spirit in their own words in their new workplaces is organized before the transfer. We are also cultivating internal lecturers to enable the Sumitomo Spirit to be learned periodically in Group companies in Japan and abroad.

#### Record of training sessions organized across the Sumitomo Electric Group



#### Record of unique training sessions organized in individual group companies



### Globalization across the group

To promote employee development across the Sumitomo Electric Group, we provide employees of our group companies in Japan with opportunities to attend training sessions organized by Sumitomo Electric, including training for new employees and training for those who have received a promotion. A growing number of employees attend this training each year. When it is difficult for a group company to run training programs, lecturers are delegated from Sumitomo Electric to provide necessary training and other services. To promote the development of employees at our group companies overseas to meet local demand, HR manager meetings are held regularly on a country basis to discuss the planning and operation of various training programs with focus on those for general employees. In addition, persons in charge of HR development in our Group companies across the world are invited to Japan once a year to hold the Global Human Resources Development Meeting and discuss the development system commonly applied on a global scale. We also organize the following training programs for management personnel commonly in Japan and overseas.

#### Target: Executives

##### Executive training program

Executives are developed through action learning as well as understanding of the Sumitomo Spirit and acquisition of management knowledge. This training program is held once a year and attended by about 50 people each time. A total of 715 in Japan and overseas have attended to date.

#### Target: General Managers

##### Global Leadership Development Program (GLP)

Human resources that can show leadership on a global scale are cultivated through discourses of executives, leadership workshops and understanding of the Sumitomo Spirit. The program was held twice a year until 2015 and is held once a year from 2016. Each session receives about 30 participants. A total of 530 in Japan and overseas have attended to date.

#### Target: Managers

##### SEG Management Program based on the Sumitomo Spirit (MPSS)

This program aims to diffuse the Sumitomo Spirit and improve skills to manage subordinates. The sessions are provided in six cities in Germany, the United States, Singapore, China (Shanghai and Shenzhen) and Mexico and a total of approximately 150 people attend the common program in those locations in a year. A total of 923 people have attended to date.



A discussion in our Global Leadership Development Program

## Human rights initiatives

The Sumitomo Electric Group, in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, strives to be a group of companies worthy of society's trust by conducting business activities in an honest manner. We have long carried out human rights initiatives according to this principle. The specifics of the principle are defined in the Sumitomo Electric Group Charter of Corporate Behavior and the Sumitomo Electric Group Code of Conduct, which explicitly prohibit human rights violations, discrimination and harassment.

### The Sumitomo Electric Group Policy on Human Rights

In March 2019, we established the Sumitomo Electric Group Policy on Human Rights (referred to below as "the Policy"), where we clearly communicate the human rights initiatives we are carrying out in order to comply with international standards and meet the needs of all of our various stakeholders.

To ensure that our initiatives are soundly promoted in line with the Policy, we will implement training programs to educate employees about human rights and conduct fact-finding investigations regularly at relevant stakeholders, including domestic and overseas affiliates and business partners, while setting specific operational guidelines, etc. as necessary. As we continue to develop together with the global community, the Sumitomo Electric Group recognizes that all of its business activities must be based on respect for human rights, and is taking responsibility for this through the promotion of human rights initiatives throughout the group.

### Stance

The Policy shall be guided by the following documents: "International Bill of Human Rights" (the Universal Declaration of Human Rights and the International Covenants on Human Rights) that sets forth fundamental human rights to be enjoyed by all people in the world; the "ILO Declaration on Fundamental Principles and Rights at Work" set forth by the International Labour Organization (ILO) which stipulates basic rights at work i.e. freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labor, the abolition of child labor and the elimination of discrimination in respect of employment and occupation; and the "Guiding Principles on Business and Human Rights" of the United Nations. The Sumitomo Electric Group shall carry out human rights initiatives under the Policy.

### Responsibility to Respect Human Rights

The Policy will apply to all executives and employees of Sumitomo Electric Group (all employees including executives, permanent employees and contract employees.) The Sumitomo Electric Group also expects all business partners related to its business activities to

comply with the Policy.

The Sumitomo Electric Group will fulfill its responsibilities by ensuring that its business activities respect and enhance human rights. In the event our business activities should make any adverse impact on human rights, it shall be handled appropriately for correction. The Sumitomo Electric Group shall similarly address any human rights violations by our business partners and stakeholders. See the following page on our website for details on the Sumitomo Electric Group Policy on Human Rights. [https://global-sei.com/csr/sociality/pdf/human\\_rights.pdf](https://global-sei.com/csr/sociality/pdf/human_rights.pdf)

## Diversity and inclusion initiatives

### Empowering diverse employees

The Sumitomo Electric Group recognizes the wide range of value that can only be brought to the table by a diverse group of employees, and that creating vectors to achieve this makes the company stronger. We will continue to build on the measures we have in place to empower diverse employees, including our female employees, international students, non-Japanese employees and employees who have experience at other companies, as we branch into new fields, carry out activities overseas and engage in other initiatives to grow our business.



Attendees at the Global Leadership Development Program

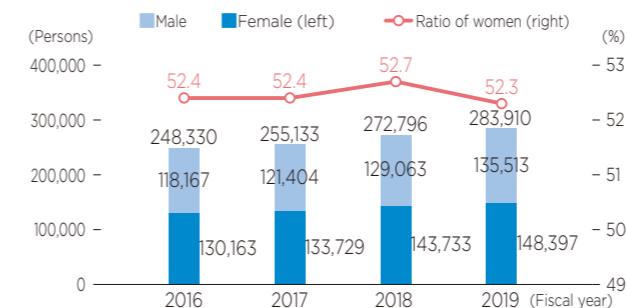
### Global Grade System and Group Global Executive Personnel System

One key measure to achieve the objectives of our Global Human Resource Management Policy has been allowing talented and qualified persons to seek career development beyond the border of individual companies in Japan and overseas or perform even higher duties. We have adopted the Global Grade System to achieve this at a systematic level. We give board members and equivalents from overseas subsidiaries, except for those of listed companies, the global leader (GL) grade, and recognize them as SEG Global Executives. At present 43 persons, most of whom are executives of overseas Group companies, are recognized as the SEG Global Executives. They are provided with a wide range of career opportunities to help them play more active roles as global leaders.

## Women's Empowerment

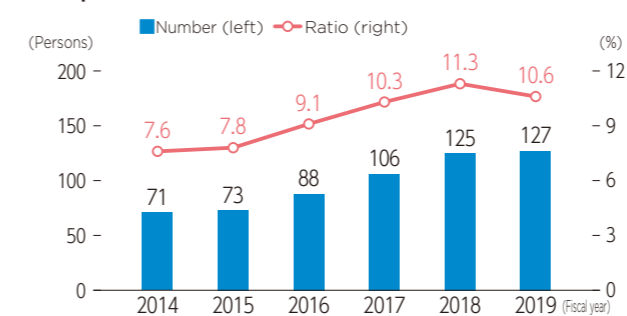
Sumitomo Electric regards women's empowerment as one of the driving forces to promote diversity. We consider that the development of an environment where women can fully demonstrate their skills and keep playing important roles will also lead to the cultivation of culture that helps each employee work more actively. Our work on this will lead to future growth and development of our company.

### Number of male and female employees and ratio of female employees in the Sumitomo Electric Group worldwide<sup>\*1</sup>



<sup>\*1</sup> Sumitomo Electric and consolidated subsidiaries

### Number and ratio of female assistant managers<sup>\*2</sup> in Japan



<sup>\*2</sup> The above graphs cover personnel data for Sumitomo Electric employees, including those on loan to Sumitomo Electric affiliates and other organizations.

In 2016, we started SWING (Sumitomo Electric Group Women's Innovative Networking Group) at Sumitomo Electric and listed subsidiaries. This group provides female employees of the Sumitomo Electric Group with opportunities for mutual study and networking across the companies to cultivate female employees and improve their skills.



A discussion at our second forum

### ●Certification with "L-boshi"

We were certified as a top L-boshi company in August 2016. L-boshi is certification granted by the Ministry of Health, Labour and Welfare of Japan to companies that are outstanding in terms of encouraging women to play more active roles based on the Act of Promotion of Women's Participation and Advancement in the Workplace.



### Support for Balancing Work and Life

To support employees in balancing work and life, Sumitomo Electric is committed to promoting the work style that achieves the proper balance between work and life and has also developed child and family-care related systems actively. For these efforts, the Company has been certified by the Ministry of Health, Labor and Welfare as a company that helps its employees balance work and childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children. In fiscal 2018, we have allowed employees to use the work from home arrangements for other purposes than child rearing and nursing care and also introduced a system of paid holidays that can be taken by the hour so that employees can work in a more flexible manner. We also use training sessions and in-house magazines on nursing care to give relevant information and encourage them to prepare for the achievement of a balance between nursing care and work. Through these measures, we are working to help employees balance work and life now and in the future.



Special certification mark "Platinum Kurumin"

### Sumitomo Electric Group Health Management Declaration

We consider that the Sumitomo Electric Group cannot achieve sustainable development or growth without the health of each employee. In 2015, we announced the Sumitomo Electric Group Health Management Declaration and in 2017 we launched Kenkatsu!, a health maintenance and improvement program that focuses on mental healthcare, regular exercise and preventing and alleviating metabolic illnesses.

### ●Selected as a 2020 Health and Productivity Stock

In March 2020, we were selected as a Healthy Management Brand for 2020 by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



### ● Recognition as a Sports Yell Company

We were recognized as a Sports Yell Company by the Japan Sports Agency in December 2019.



## Financial Base

We achieve sustainable growth by increasing profits and improving capital efficiency backed by our financial strength, and deliver more returns to our shareholders.

### Financial goals and shareholder returns policy

In order to maximize cash flow from our businesses, invest in ongoing growth and deliver steady returns to our shareholders, management needs to focus on capital efficiency. We set ROIC and ROE as management indicators in addition to net sales, operating margin and operating margin ratio in Vision 2022, our mid-term business plan drawn up in fiscal 2018 to strengthen profitability and improve capital efficiency.

#### Mid-Term Management Plan

	FY2022 Target
Net Sales	¥3,600 billion
Operating Income	¥230 billion
Operating Margin Ratio	6.4%
ROIC	9% or more
ROE	8% or more

We are maintaining a strong financial structure at a level consistent with the aim of achieving a capital-to-asset ratio of 50%. This enables us to achieve sustainable growth with profit increases and improvements in capital efficiency backed by financial strength and deliver more returns to our shareholders.

#### Capital-to-asset ratio:

FY2015	FY2016	FY2017	FY2018	FY2019
49.6%	48.7%	51.3%	50.8%	49.2%

#### Dividend payout ratio

FY2015	FY2016	FY2017	FY2018	FY2019
30.5%	29.1%	29.8%	31.7%	42.9%

### Results for fiscal 2019

Fiscal 2019 saw a decrease in the production of automobiles and the sale of smartphones, along with a decrease in optical fiber cable prices, a high yen and a drop in copper prices. This was, of course, exacerbated by the sharp deceleration of economic activities due to COVID-19 in the fourth quarter. As a result, our consolidated sales for the period fell to ¥3,107.0 billion (down 2.2%). Despite our utmost efforts to reduce costs globally, profits suffered due to the decrease in sales, along with an increase in depreciation for future business, a decrease in prices in the automotive industry, an increase in cost when production establishment for some products and rapid decrease in production due to COVID-19. As a result, we fell below the previous fiscal year in all of our key metrics, with operating income of ¥127.2 billion (down 23.5%), ordinary income of ¥130.5 billion (down 30.8%) and ¥72.7 billion in profit attributable to owners of the parent company (down 38.4%).

### Outlook for fiscal 2020

With severe outbreaks of COVID-19 around the world, we have had to stop operations at multiple production bases. Our customers have also been seriously impacted, resulting in low order numbers, particularly in onboard products for vehicles. At the beginning of the year, it was completely unclear what fiscal 2020 held for us as a business. However, demand rapidly recovered from the second quarter onward, and we were able to keep up with the increase in orders both from a production and a cost perspective. Emergency investments in facilities and compression and delays of expenses were also successful thanks to the contributions of everyone in the company. As a result, by the end of the second quarter, our profits had recovered to almost the same level as the same period last year.

The second half of fiscal 2020 will be a critical period for getting our business performance back on track. We will reap the results of the past measures and make a concerted effort to achieve VISION 2022.

### Initiatives to improve capital efficiency

#### Implementation of activities to improve ROIC

We are implementing activities to improve ROIC throughout the company as part of our initiatives to improve capital efficiency. Each division sets ROIC targets and uses an ROIC tree as a tool in its activities to improve ROIC. Activities are divided into three categories—expansion of sales (Category A), cost reduction (Category B) and improvement of asset efficiency (Category C)—and each division sets KPIs (Key Performance Indicators) for its businesses. Divisions report on initiatives they have taken to improve ROIC and KPIs they have set in their ROIC tree during management conferences. They then monitor the degree to which the KPIs have been accomplished and discuss solutions to issues at department meetings such as monthly results meetings. We had always been working to reduce inventory and debt, but by using the ROIC tree and linking it to KPIs that can be applied at a site level, we are now able to provide employees with a better understanding of the effects and significance of our efforts, resulting in more effective PDCA cycles.

#### Example of ROIC tree at Sumitomo Electric

ROIC	Operating Margin Ratio		Turnover of invested assets	
	Category A	Category B	Category C	
Net Sales	Market share	Efficiency	CCC	Inventory turnover period
	New-product sales ratio	Number of complaints		Production lead time
Volume of copper shipped	Ratio of sales outside Japan	Wastage factor	Retained inventory	Delinquent accounts receivable
		Indirect cost to sales ratio	Machine load factor	Overall equipment efficiency

For example, in divisions requiring large investments in process industry equipment, indexes such as machine load factor (actual running time of facilities / baseline running time of facilities) and wastage factor are prioritized as KPIs in the ROIC tree. Results by product type are assessed and issues and solutions are discussed weekly. By focusing on machine load factor and wastage factor, which have the greatest impact on these divisions' results, these divisions have created a positive spiral where they are able to improve their plant turnover, which enables them to operate with less inventory. We have a variety of businesses, and as this method enables each business division to set the most appropriate KPIs and endeavor to accomplish the targets, we can carry out our businesses more effectively.

### Initiatives to improve the efficiency of fund operations

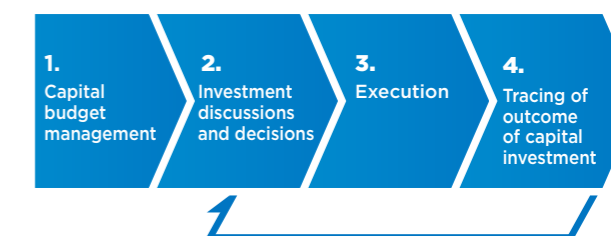
To improve our capital efficiency, we have built a cash management system (CMS\*), which facilitates effective use of capital within the group to keep outside interest-bearing debt down.

Our CMS was first introduced in our group companies in Japan before being expanded to the USA, Europe, China and other Asian countries as our businesses expanded. We allocate funding across countries or regions when capital is scarce or abundant in a particular country or region, enabling more efficient use of capital throughout the group.

\* A system to facilitate efficient use of capital through integrated management of cash equivalents and debts in group companies and adjustment of surpluses and deficiencies that occur in group companies through capital loans and funding within the group.

### Capital investment management

The following PDCA-based management cycle is used to make the right decisions about capital investment and to detect and share issues.



#### 1. Capital budget management

Our divisions make capital investment plans according to their mid-term management plans. An overall capital investment plan for the whole company is set each year based on the figures given in our divisions' plans, taking into account our overall cash flow.

#### 2. Discussions and decisions about capital investment

Individual capital investment are requested within the scope of our capital investment budget. As a general rule, they are only approved if they exceed the hurdle rates for ROI (return on investment) and IRR (internal rate of return) set for the applicable business and investment category.

#### 3. Execution

If a capital investment is approved, it is executed according to the reported plan.

#### 4. Tracing of outcome of plant investment

We measure the actual ROI on past capital investments and analyze the degree to which it deviates from the plan. This shows us whether the investment paid off. Factors behind a failure to meet the plan will be analyzed and reported, and the success factors and failures will be shared within the company so that they can be utilized in the consideration of future capital investments.

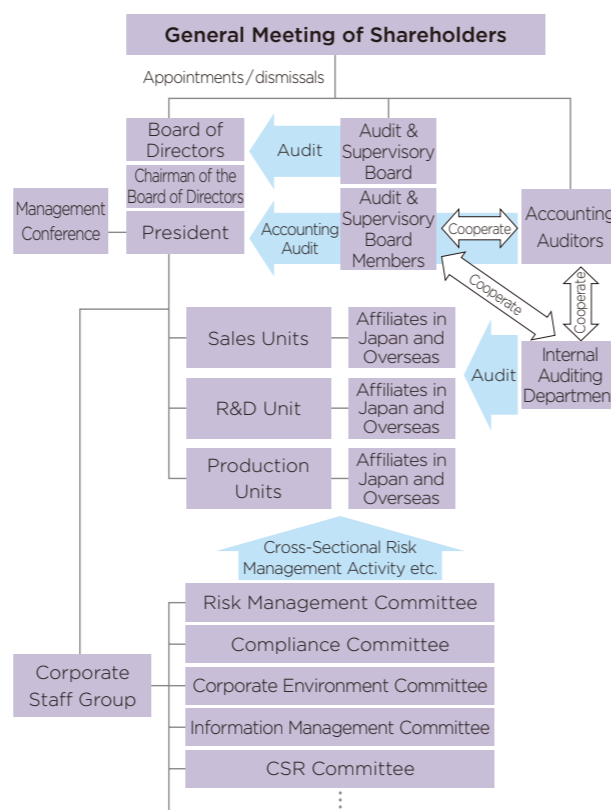
## Corporate Governance

### Basic Approach

Under our corporate philosophy of the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, our group maintains its unwavering basic policy of contributing to society through our fair business practices. While adhering to this basic policy, in order to seek sustainable corporate growth and to increase corporate value over the mid-to-long term, we believe that it is critical to ensure transparency and fairness of management activities through appropriate corporate governance, as well as to draw up and implement a growth strategy fully utilizing our management resources, with the key word being "innovation." We will be committed to further enhancing our corporate governance in accordance with the following basic ideas. We implement all of the principles in the Corporate Governance Code.

1. We will develop an environment in which shareholders can exercise their rights appropriately.
2. We will take the interests of shareholders and other stakeholders into consideration, and will appropriately cooperate with them.
3. We will disclose corporate information appropriately and ensure transparency.
4. We will emphasize the board of directors' functions to make decisions on basic policy, including strategies, as well as to supervise management. We will also focus on organizing systems and operating the Board of Directors to ensure the effectiveness of such functions. In respect of executive operations, we have introduced an executive officer system and a business unit system, for the purpose of clarifying authority and responsibilities, and of establishing a flexible system to execute operations in response to changes in the business environment. From a viewpoint of ensuring sound management, we commit to strengthening audits by audit & supervisory board members and adopting a supervisory system under which independent outside audit & supervisory board members and full-time audit & supervisory board members work with our internal audit department and accounting auditors to ensure the lawful and proper management.
5. In order to contribute to sustainable growth and increase corporate value over the mid-to-long term, we will engage in constructive dialogue with shareholders to a reasonable extent.

### Sumitomo Electric Group's corporate governance structure



### Outline of the Structure

Sumitomo Electric has employed the system with the audit & supervisory board in consideration of the contribution of audit & supervisory board members and the Audit & Supervisory Board to ensuring sound business management. The Board of Directors, the business execution system, audit & supervisory board members and the Audit & Supervisory Board are committed to fulfillment of their respective duties in order to achieve sustainable growth and medium- and long-term increases in the corporate value based on the basic philosophy. In addition, three outside directors are appointed to adopt an external perspective with the aims of further strengthening the supervising functions of the Board of Directors and enhancing the transparency and objectiveness of the business management. We also select three outside audit & supervisory board members with various specialized knowledge and multifaceted views so that outside audit & supervisory board members occupy the majority of the Audit & Supervisory Board, which aims to reinforce the monitoring system for the purpose of ensuring lawful and proper management.

### The Board of Directors and the Business Execution System

#### Functions and Operations of the Board of Directors

Our Board of Directors discusses and makes decisions on fundamental management policies and other important matters pertaining to the company, along with supervising the work of their fellow directors, to achieve ongoing growth, improve our corporate value in the mid-to-long term and improve financial performance such as profitability and capital efficiency. In order to appropriately perform these functions, the Board of Directors of Sumitomo Electric deliberates only important issues among individual subjects, such as major investment items, and focuses on the medium-term business plan, annual plans based on it and quarterly follow-ups of the plans. Independent outside directors are also appointed in the Board to ensure multifaceted and sufficient discussions in the meetings, in which independent outside audit & supervisory board members are also provided with opportunities to make their statement actively. As to supervising function of the Board of Directors, while we respect opinions of the independent outside directors and other independent outside officers to ensure the independence and objectiveness, we have set up the Nominating Advisory Committee and the Compensation Advisory Committee, which are both chaired by an independent outside director and made up of a majority of independent outside officers, to enhance the effectiveness. The Committees give advice when the Board of Directors appoints candidates for directors and audit & supervisory board members and makes a decision on the compensations of directors. Sumitomo Electric holds monthly meetings of the Board of Directors as well as extraordinary meetings when necessary. There are currently 12 Directors in the company, who are comprised of 9 Executive Directors and 3 outside Directors not involved in business execution, and one of them is a female outside Director.

Director	Business Execution	9
	External	3 (including 1 woman)

#### Composition of the Board of Directors

The Board of Directors will have a balanced composition, made up of members who have experience in fields central to determining corporate strategies, such as accounting, finance or management, who have excellent corporate management and international expertise, who have knowledge of laws and industrial economic policy, and who are independent and contribute to the increase in corporate value from a comprehensive viewpoint. Also, the Board of Directors will elect the appropriate number of members needed in order to perform its functions, including two or more independent outside directors. The major roles of our independent outside directors are to give advice on general management matters, such as management policy and strategies, and to supervise the directors from an independent and objective viewpoint.

#### Effectiveness Analysis and Assessment of the Board of Directors

The Board of Directors started to analyze and evaluate its effectiveness and disclose a summary of the results in fiscal 2015. As an initiative for fiscal 2019, it conducted a questionnaire survey of all directors and audit & supervisory board members including outside officers in March 2020 and made discussions based on the results at a Board of Directors meeting held in May of the same year. The results of the analysis and assessment and future initiatives are summarized below:

#### 1. Operation of the Board of Directors and advisory committees for the nomination and compensation of executives, directors, etc.

The findings showed that the operation of the Board of Directors has been improved through the clarification of key points in the handouts for discussions, the review of guidelines for explaining the issues to be discussed and other efforts to ensure that sufficient time for discussions can be set aside and discussions can be further enhanced. In the meantime, it was found that efforts have been made to enhance measures to help outside officers improve their understanding of our business such as the provision of outside directors with opportunities to individually talk with the general managers of business units. The findings also showed that the operation of the Nominating Advisory Committee and the Compensation Advisory Committee and the reporting of the discussions to the Board of Directors have been conducted properly. We will continue to work for the improvement of the operation in the future.

## Corporate Governance

### 2. Structure of the Board of Directors

The findings showed that the increase in outside directors and other structural changes have enabled the Board of Directors to make more active and multifaceted discussions and that the structure and other aspects of the Board of Directors are generally appropriate in terms of the number of members and the overall balance of their knowledge and experience. In the future, while also considering social trends and other issues, we will continue to examine the ideal state of the Board of Directors in terms of structure and other aspects to contribute to the sustainable growth of Sumitomo Electric and mid- to long-term improvement of the corporate value.

### 3. Role of the Board of Directors

The findings showed that the Board of Directors basically plays its role in “deliberating and determining on the basic management policy and other important corporate issues” and “supervising the business execution of directors” through its activities including active discussions in deliberation on important matters and at the time of quarterly performance reporting and reporting on the progress of the improvement of the internal control system. On the other hand, as the future challenges, we will continuously examine the subjects to be discussed in the Board of Directors while taking a medium to long-term perspective and a group-wide perspective. We will also strive to increase opportunities for risk analysis and assessment before discussions in the Board of Directors to enhance the discussions of important matters. From 2019, outside directors and outside corporate auditors have dialogue with inside directors on the results of this analysis and assessment. In 2020, while making discussions in a similar way, we will continue to promote measures to further enhance the effectiveness of the Board of Directors.

### Business Execution System

To clarify authority and responsibility in the business execution system and establish a flexible system that can respond to changes in the business environment, Sumitomo Electric adopted the Executive Officer System and the Business Unit System. Authority to execute business operations has been transferred to Business Units while their responsibility has been clarified, and to establish an internal check function, our corporate regulations specify the scope of authority of each of the Business Units including the Corporate Staff Group, responsible personnel for the execution and appropriate business procedures.

### Auditing and Supervision Systems

As to the audit & supervisory board members and the Audit & Supervisory Board, as mentioned above, the majority of the audit & supervisory board members are independent outside audit & supervisory board members with various specialized knowledge and multifaceted views. These members of the board, along

with full-time audit & supervisory board members and dedicated staff to audit & supervisory board members, are in charge of monitoring in cooperation with the Internal Auditing Department and accounting auditors to ensure lawful and proper corporate management. Five audit & supervisory board members, consisting of two full-time members of the board and three outside members of the board including a female one, constitute the auditing system to audit the business execution of directors. The Audit & Supervisory Board establishes audit plans and policies, in accordance with which each audit & supervisory board member fulfills his role, as assigned by the Audit & Supervisory Board. Specifically, audit & supervisory board members attend important meetings including those of the Board of Directors, conduct hearings with the directors, Internal Auditing Department and other employees regarding their duties, inspect important authorization documents and visit major establishments to conduct audits. Audit & supervisory board members also receive reports from other members of the board regarding their audit status, and exchange information with the accounting auditor when required.

Audit & Supervisory Board Members	Standing	2
	External	3 (including 1 woman)

The section in charge of internal audits is the Internal Auditing Department, which surveys any problems and makes proposals on improvement to ensure proper and efficient business performance through audits, including on-site surveys, of our Group companies and other establishments. The department also collaborates with audit & supervisory board members and accounting auditors on an as-needed basis in the audits. The accounting audits and internal control audits to be conducted by accounting auditors are outsourced to KPMG AZSA LLC.

### Ensuring Appropriateness of Financial Reporting

We have established the Financial Reporting Internal Control Committee, chaired by the President, and an organization to promote control in the Corporate Staff Group. Under their policy, guidance and support, we promote development and proper operation of the internal control system in each division and affiliate in accordance with the Financial Instruments and Exchange Act, as well as the assessment, audit criteria and enforcement criteria specified by the Financial Services Agency. Thus, we are committed to further improving the systems to ensure appropriateness of financial reporting. The Internal Auditing Department assesses the effectiveness of the internal control system of the whole group for each fiscal year. Based on the results of such assessment, the department is required to compile an internal control report to be submitted to the Financial Services Agency and obtain the approval of the Financial Reporting Internal Control Committee and the Board of Directors.

### Support Structure for Outside Directors and Corporate Auditors

The secretariat of the Board of Directors will, in cooperation with other departments, provide outside directors with information regarding management, explanations on proposals of the Board of Directors and other necessary support. The full-time corporate auditors will provide the outside directors with necessary information including explanations on proposals of the Board of Directors. The corporate auditor’s dedicated staff will offer support necessary for the corporate auditor to carry out such activities.

### Policy for nomination of officers

#### Policy and procedure to nominate candidates for Director and Corporate Auditor

Candidates to be nominated as an inside director will be individuals who have and have carried out the Sumitomo Spirit—which values doing your sincere best in not only business but also every aspect of your life, place importance on integrity and sound management and not acting rashly or carelessly in pursuit of easy gains. These will be individuals who have extensive experience and excellent performance records in connection with our businesses; who have sound, objective judgment concerning management in light of the changing environment surrounding us and future changes; and who have superior character, foresight and insight. Candidates to be nominated as an outside director will be individuals with experience in company management, experts of respective fields or academic experts who would be suitable for supervising our management from the viewpoint of encouraging sustainable growth and striving to increase corporate value over the mid-to-long-term. Candidates to be nominated as a corporate auditor will be individuals with experience in company management and specialist knowledge of law, finance and/or accounting.

The Nominating Advisory Committee will deliberate the candidates for director and corporate auditor from an objective viewpoint and the Board of Directors will decide on the candidates by a resolution based on the report of the committee.

### Determining Criteria on the Independence of Independent Outside Directors and Independent Outside Corporate Auditors

In electing candidates for outside director and outside corporate auditor, their independence will be determined in compliance with the criteria prescribed by the relevant financial instruments exchange, through careful investigation and confirmation of whether or not they have interest in the company.

### Training for Directors and Corporate Auditors

To enable the directors and the corporate auditors to appropriately perform their expected roles and responsibilities as a critical part of the governance body, we will systematically provide and arrange training opportunities along with financial support as follows: For new directors and corporate auditors, training to deepen their understanding of their roles and responsibilities; and For outside directors and corporate auditors, training to deepen their understanding of the company and its corporate group, and of the laws, risk management and business environment surrounding the corporate group.

### Nomination and Compensation of Officers

#### Nominating Advisory Committee and Compensation Advisory Committee

We have set up a Nominating Advisory Committee and a Compensation Advisory Committee, which are both chaired by an independent outside director and made up of a majority of independent outside officers, to ensure transparency and fairness in decisions on the nomination and compensation of candidates for Director and Corporate Auditor. Our Nomination Advisory Committee discusses and decides on nominations for directors and corporate auditors of Sumitomo Electric, along with the establishment, amendment, abolition and other procedures concerning key regulations and similar concerning these matters. The Compensation Advisory Committee discusses and decides on compensation for directors and corporate auditors, either collectively or individually, along with the establishment, amendment, abolition and other procedures concerning key regulations and similar concerning these matters. Outcomes of discussions and decisions that are made are reported to the Board of Directors. The officer in charge of Human Resources attends meetings of these committees and provides operational support such as creation of minutes. Assistants may also be present.

Date	Nominating Advisory Committee/ Compensation Advisory Committee
October 7, 2019	Review of governance structure, current situation, officer structure, etc./Research on governance regulations, etc.
December 4, 2019	Confirmation of trends in compensation of executive officers throughout society, review of officer structure, etc./Organization of principles related to officer compensation systems, discussion on content to be disclosed regarding compensation of officers, etc.
February 5, 2020	Discussions on transfers of executive officers and individuals in higher roles at the shareholders’ meeting, etc./Confirmation of policies and principles concerning bonuses for officers, discussion on content to be disclosed regarding compensation of officers, etc.
April 9, 2020	Discussion on structure for new officers, discussion on handling of end outside corporate auditors’ terms, discussion of handling of former officers, discussion of changes to directors’ terms, research on institutional design, etc./Discussion on compensation of officers transferring in April, deliberation of total bonuses for officers, confirmation of policy for officer bonus assessments, etc.
June 1, 2020	Discussion on structure for new officers, etc./ confirmation of principles for officer bonus assessments, discussion of individual bonuses and monthly compensation, etc.

## Corporate Governance

### Compensation of Officers

Compensation of directors consists of monthly compensation and bonuses. With respect to monthly compensation, we establish compensation levels suitable for our directors according to their respective job positions. Compensation of an individual director will be determined in accordance with the director's role, level of responsibility and contribution to our operating results. The amount to be paid to each director will be determined in accordance with the individual's role and responsibilities, the scale, complexity and difficulty of their work and their contribution to our operating results from a mid-to-long-term standpoint. The amount shall be determined within the scope of the amount approved and resolved at the shareholders' meeting. With respect to bonuses, the total amount will be determined based on our operating results for each business year, especially profitability and dividend amounts, by a resolution of the shareholders' meeting. The amount to be paid to each director will be determined in accordance with the director's job position, level of responsibility, degree to which the director achieves major targets and contributes to our operating results for each business year from a mid-to-long-term standpoint. The ratio of monthly compensation to bonuses was around 1:0.4-0.5 in the previous five years, and has been reduced to around 1:0.25 this year to reflect our latest results. In order not only to increase motivation and raise morale to improve our operating results, but also to encourage management to emphasize shareholder value, we encourage inside directors to hold our shares through the officers' shareholding association in accordance with its specified standards. The inside directors will continue to hold our shares during their term of office. No bonus will be paid to outside directors in order to protect their independence. Monthly compensation of directors is discussed from an objective standpoint by the Compensation Advisory Committee and reported to the Board of Directors. The Board of Directors then discusses principles for directors' monthly compensation and bonuses based on this. Compensation for corporate auditors shall be determined within the scope of the amount approved and discussed and resolved at the shareholders' meeting.

### Dialog with Shareholders

We will encourage constructive dialog with shareholders by observing the following policies:

1. Designating the director in charge of accounting and finance to be responsible for controlling dialog with the shareholders.
2. Establishing a cross-sectional secretariat to assist dialog.
3. Enhancing communication with institutional investors and analysts by utilizing opportunities at briefings on financial results and interviews. For general shareholders and investors, conveying wide-ranging information through our website, such as by posting financial information, press releases, materials distributed at financial results briefings and their related videos.
4. Reporting shareholders' opinions or concerns discovered through such dialog to management of the Board of Directors on a regular basis.
5. Managing information pursuant to the Sumitomo Electric Group Disclosure Policy\*.

\* URL: <http://global-sei.com/csr/disclosure.html>

## Risk Management

### Basic Approach

The Sumitomo Electric Group identifies, analyzes and assesses business risks, which include the factors that prevent the implementation of its business activities or achievement of management goals and strategies, as well as the factors that potentially have adverse impact, and then seeks to reduce and minimize them at a reasonable cost and with reasonable efforts. With respect to cross-sectional risks common to all divisions and affiliates in the Group, the relevant corporate staff divisions, as well as company-wide committees organized by officers in charge, identify, analyze and assess the risks according to their duties, and then take measures to mitigate them. The divisions and sales and R&D groups individually identify, analyze and assess the risks associated with their business operations, and then take measures to reduce them.

#### Basic Policy of Risk Management

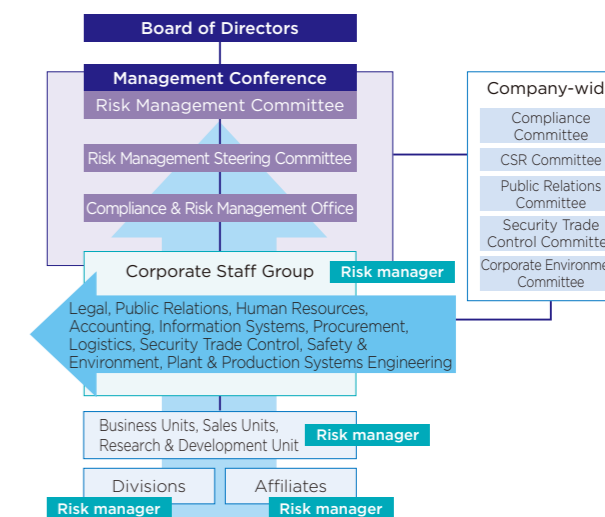
Risk management is performed based on the significance of the risks determined in consideration of the following issues:

- Impact on business performance, maintenance of quality and safety
- Social responsibility to ensure stable supply
- Maintenance of favorable relations with stakeholders such as customers, suppliers, shareholders/investors, local communities and employees
- Continuous compliance with laws and corporate ethics
- Statements in the Sumitomo Spirit, the Sumitomo Electric Group Corporate Principles and the Sumitomo Electric Group Charter of Corporate Behavior

### Risk Management System

The Sumitomo Electric Group holds a meeting of the Risk Management Committee, which controls overall risk management activities, in conjunction with a meeting of the management conference. The Risk Management Steering Committee is responsible for actual implementation under the Risk Management Committee, and its tasks include formulation of risk management policies, establishment of task forces at the time of an emergency, collection of information and planning and implementation of risk management education. The Compliance & Risk Management Office serves as the organizer for these committees.

### Risk Management System



### Risk Management Activities

Risk management activities of the Sumitomo Electric Group are based on taking inventory of risks that is conducted by each division and each affiliate. In the inventory, which is conducted annually, the significance of each of the risk items is determined by scoring its severity, frequency of occurrence and other factors. Measures to deal with any significant risks are discussed and taken. Annual results of the risk inventory are shared with executives and the corporate staff divisions. With mutual cooperation between them, group-wide risk management activities are promoted steadily.

#### Creation and Management of a Risk Heat Map

The Sumitomo Electric Group is making efforts to establish a more efficient mechanism for risk management so that it can respond to the expansion of the business fields and changes in the external environment effectively. We compiled a database of the results of risk inventory and information on the identified risks, as well as the results of operational audits and other monitoring activities, and created a risk heat map based on the database to visualize the risks to each of the division and affiliates. This map enables each of them to take measures to address the items with higher risk levels preferentially and enhance the efficiency and effectiveness of the risk management activities.

## Risk Management

### Initiatives for Business Continuity

#### Business continuity in the event of a large-scale natural disaster

Sumitomo Electric promotes business continuity management (BCM) for continuous improvement of Business Continuity Plans (BCPs) in Japan and overseas to ensure that our important businesses can be continued even in the event of a large-scale natural disaster, such as an earthquake, and that we can swiftly resume operations when our operations are interrupted. We review the BCPs periodically, verify the effectiveness of the emergency response plan and take inventory of supply chain risks every fiscal year. Moreover, to further enhance the effectiveness of the BCPs, we provide BCP training to risk managers once a year to reinforce our business continuity capabilities.

#### Business continuity in the event of an infectious disease outbreak

The Sumitomo Electric Group formulated the guidelines for action plans to address new influenza in 2008. Each of the divisions and Group companies in Japan has established a BCP for infectious diseases and promoted the establishment of a crisis management system. Amid the COVID-19 pandemic, we continued operation while thoroughly taking measures to prevent the spread of infection including the active use of homeworking and other styles of teleworking. Our manufacturing divisions have also maintained operation while making utmost efforts to ensure that 3Cs (closed spaces, crowded places and close-contact settings) are avoided in the operation and giving the top priority to the health and safety of employees.

Based on the knowledge acquired from the COVID-19 pandemic, we will further enhance the effectiveness of BCPs for coping with infectious diseases and also promote the development of BCPs in the overseas subsidiaries to further reinforce our business continuity capabilities.

#### Continuous Implementation of Group-wide Joint Emergency Drills

The Sumitomo Electric Group enhances disaster awareness of employees by implementing joint emergency drills to conduct the drills in Group companies at the same time twice a year (in the daytime and at night). Our production facilities carry out evacuation drills as well as inspection of places where hazardous materials are used and simulation of the initial response to emergency situations. In the meantime, drills of information transmission and sharing are also implemented by establishing headquarters of countermeasures with the aims of grasping disaster information promptly, reporting it accurately and promptly to executives and sharing the information among the Group.

### Protection of Personal Information, and Information Security

The Sumitomo Electric Group continuously improves the information management system and revises rules to enhance the mechanism that prevents information leakage in each of its divisions and affiliates. Regarding the use of social media, we have also established a social media policy, which specifies our basic approach to its use, as well as social media guidelines, which provide specific issues to be noted. The policy and guidelines serve to raise the awareness of employees. We will continue to promote information management of the Group by improving the system in domestic and overseas affiliates and enhancing the internal training program designed for disseminating the rules.

#### Protection of Personal Information

The Sumitomo Electric Group possesses personal information of more than 200,000 Group employees in Japan and abroad. It is increasingly becoming important to manage personal information partly due to the global trend to tighten the relevant regulations such as the EU General Data Protection Regulation (GDPR). To keep private information and proprietary information confidential, we are taking utmost measures such as the formulation and announcement of our Personal Information Protection Policy, the development and dissemination of internal rules, the conclusion of contracts with the recipients of information, the strengthening of information security (encryption, etc.) and the development of a system to report infection with computer viruses, loss of a cellular phone, etc.

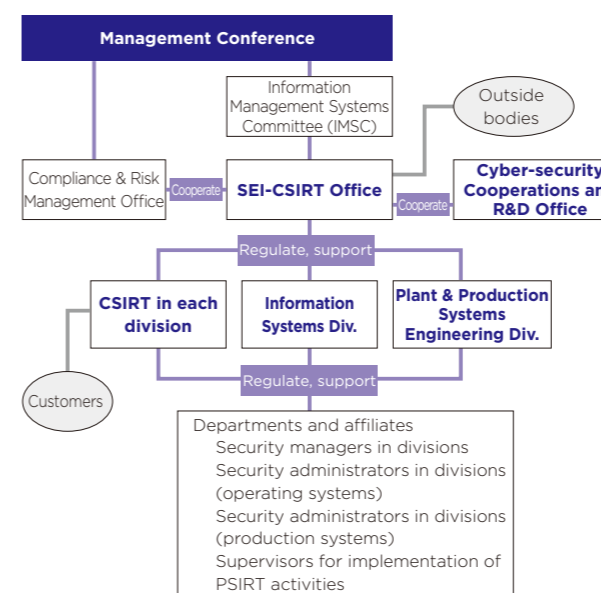
#### Strengthening of Information Security Measures

We have set up an ICT Management Committee in the five countries of China, Thailand, Indonesia, Malaysia and the United States as the basis of our global expansion, and worked to enhance information security measures through the Committee. This commitment, which is in its seventh year, has led to such results as the reduction of the risk of infection by computer viruses and the implementation of information security training.

As a measure to prevent leakage of important information related to management assets, such as trade secrets, we have introduced AI-based anti-malware software to enhance protection from unknown malware and a mechanism for the detection of any illicit acts using log information of servers and network devices, in addition to conventionally used antivirus software and intrusion prevention systems (IPS). In recent years, the use of cloud services, which are services provided over the Internet, have provided greater convenience but also a new risk of information leakage. We have established a system to conduct evaluations before introducing cloud services.

With respect to the corporate structure, we have established a communication and response system, with SEI-CSIRT (Computer Security Incident Response Team) playing a central role, to promptly identify and respond to any incidents relating to information security in our Group companies. Annual information security training is held to confirm that this structure is properly entrenched. Targeted attack email training is provided once a year, which has instilled a higher level of caution in employees who receive emails on a daily basis.

#### Organizational structure of SEI-CSIRT



### Respect for and Protection of Intellectual Property

Sumitomo Electric respects intellectual property rights (IPRs). With the recognition that they are an important issue for our business management, we are actively committed to the appropriate management of technical know-how and internal data as well as enhancement and use of IPRs such as patent rights and design rights. At the same time, we respect the IPRs and trade secrets of others and strive to pay scrupulous attention to them.

To set up a structure for the commitment, we have developed a rule on the handling of intellectual property and trade secrets, and established an organization in the Intellectual Property Department to provide business units and R&D units in the Sumitomo Electric Group with the necessary support, such as management of inventions, investigation of prior arts and IPRs of other companies, promotion of technology standardization activities, and formulation of strategy and response from the perspective of intellectual property-related laws and regulations. Furthermore, at IP strategy meetings, strategic IP committee members of business units and development units plan and implement activities, verify the progress and results, and correct any inappropriate points. The activities are promoted through concerted efforts among respective divisions, R&D units and the Intellectual Property Department based on the PDCA (plan-do-check-act) cycle.

To promote and improve the IP activities, we operate an invention reward program, organize IP training sessions that match the experience and level of proficiency of each employee, and publish related in-house newsletters. We also hold an Intellectual Property Right and Standardization Convention every year to commend excellent IP activities and share knowledge.

Through these efforts, we work to increase the value of intellectual property in the Group and promote the generation of business opportunities and the reduction of IP risks.

### Guidelines for CSR Procurement

Suppliers that directly or indirectly provide products and services for the Sumitomo Electric Group are required to work together with us on CSR activities as part of our principle of contributing to a better society and environment through our business activities. Initiatives for CSR in procurement are one area we focus on. We established the Sumitomo Electric Group CSR Procurement Guidelines based on the Sumitomo Electric Group Corporate Principles and Charter of Corporate Behavior in August 2010, and are concluding trade agreements containing the necessary provisions to achieve stronger compliance. These guidelines were amended in fiscal 2020 to address issues in procurement of minerals that we are responsible, and the trading partners in question were told to comply with these. For the promotion of CSR procurement, in addition to activities to disseminate the guidelines among suppliers, we check the progress in the dissemination through CSR procurement self-assessment of suppliers and also promote improvement activities in full coordination with suppliers.

## Compliance

### Efforts to Pursue Fair Business Activities Worthy of Society's Trust

The Sumitomo Electric Group believes that compliance, which represents both complying with laws and regulations and acting in accordance with corporate ethics, comprises the backbone of its management and forms the absolute basis for its continued existence and development. In light of the recent trend of various compliance items, including competition laws, prevention of bribery, trade control rules and quality data issues, and under the principles of the Sumitomo Spirit, which values doing your sincere best not only in business but also every aspect of your life, placing prime importance on integrity and sound management and always acting with integrity in pursuit of business, we will continue to make all efforts to ensure that all corporate activities are conducted fairly and honestly and can be trusted by society.

### Organization That Supports Compliance and Its Structure

#### Compliance Committee

Sumitomo Electric Group has established the Compliance Committee, chaired by the President, as an organization that designs and promotes measures necessary to develop and further strengthen the compliance system and holds its meeting roughly four times a year. The Committee engages in various activities, including identification and analysis of group-wide and overall compliance risks, monitoring of the implementation of programs for the compliance items and interviews with divisions and Group companies concerning their activities to comply with laws. Compliance & Risk Management Office and Legal Department serve as the organizers of the Committee.

#### Structure of the Compliance Committee



#### Compliance & Risk Management Office

While planning and coordinating overall compliance activities in the Sumitomo Electric Group, Compliance & Risk Management Office plans and implements relevant activities including the development of a system and organization of training for compliance with competition laws and prevention of bribery. The office also operates the whistle-blowing system (Speak-Up System) of the Group. Led by the General Manager, the office is composed of members including employees from Corporate Staff Group such as Legal Department, Human Resources Division and Internal Auditing Department as well as persons in charge of compliance tasks in Business Units and Sales Units. The responsible persons for compliance activities at overseas legal and compliance bases concurrently serve as the members as well. A compliance meeting is held every month to share relevant information and monitor the progress of compliance activities. Sales Units and Automotive Business Unit respectively have an internal organization dedicated to compliance (Sales Compliance Office and Automotive Compliance Office).

#### Compliance Steering Committee

At present, our legal bases are composed of more than 70 members in Japan, China, Thailand, Vietnam, the UK, Germany and the US. They are brought together from around the world to hold a periodical meeting of the Compliance Steering Committee (CSC) roughly twice a year. At the CSC meeting, the members discuss various issues related to compliance from a global perspective and determine the direction of the activities, the work schedule and other matters to disseminate best practices in the world across the Sumitomo Electric Group.

### Compliance Activities

#### Code of Conduct

The Compliance Committee established and issued Code of Conduct, which serves as guidelines setting out the standards of conduct expected of each of us and helping us conduct business with integrity, based on the Sumitomo Spirit with the approval of the Board of Directors in April 2018. The Code of Conduct is basic rules on compliance commonly applied to all Group companies across the world. In addition to legal compliance, it specifies the basic policy on fair competition, prevention of bribery, protection of confidential information and intellectual property, respect for human rights, environmental conservation and other issues. Printed booklets are prepared in approximately 30 languages, including Japanese, English and Chinese, and distributed to officers and employees in our Group while the multilingual versions are also posted in all of the languages on our website and intranet. Moreover, to inform employees of the Code of Conduct, we prepare summary posters in about 30 languages and display them in the offices and plants of relevant bases in our Group companies around the world.



Code of Conduct

#### Compliance Education

To check compliance risks, ensure implementation of preventive measures and develop and enhance awareness of compliance, the Compliance Committee organizes regular training seminars for officers and managers every year. New employees and newly promoted personnel are also provided with position-based training seminars. In addition, we launched an e-learning system that enables compliance training to be given online in fiscal 2019 and the program is offered in 26 languages to our Group companies across the world. (It was available for approximately 18,500 persons as of the end of fiscal 2019). The subjects selected for the training program include the Code of Conduct, compliance with competition laws, prevention of bribery, prevention of quality data falsification and other items that are considered to be necessary and important for business operations in the Sumitomo Electric Group. We also disseminate the Speak-Up System mentioned below in the training seminars.



Compliance training

#### Targets of the Training and Number of Attendants (Period)

Target of the training	Number of attendants (period)
Officers (including executive officers)	43 (Dec. 2019)
Newly promoted personnel	Approx. 400 (Feb. 2020)
New employees of Sumitomo Electric	Approx. 240 (Apr. 2019)
Managers of Sumitomo Electric and its subsidiaries in Japan	Approx. 6,500 (Apr. - Jul. 2019)

#### Speak-Up System

The Sumitomo Electric Group established the Speak-Up System as a system to identify any compliance-related issues at an early stage and resolve them by ourselves in a prompt and proper manner. Specifically, we set up contacts for consultation and reporting not only internally but also externally (by appointing a law firm and a specialized service provider), and the issues reported through this system are addressed with immediate investigation to take corrective action and prevent recurrence where necessary. The contacts for consultation and reporting have been established to allow any employees of Group companies in and out of Japan as well as other interested persons to access. We present the outline of the system at the time of various internal training sessions and also disseminate it through monthly in-house newsletters, Code of Conduct, our website, intranet, workplace posters, notice to business partners and other measures. We established an external contact for consultation and reporting that can be used commonly by our Group companies outside Japan in 2014. As a result of our active efforts to disseminate it, the number of consultations and reports continues to increase year by year, helping to eliminate

inappropriate actions and circumstances.

#### Number of Consultations at the Contacts of the Group-wide System

FY	In-house contacts	External contacts	Total
2016	11	54	65
2017	24	50	74
2018	31	63	94
2019	25	94	119

\* Note that consultations were also requested at contacts established individually by Group companies in addition to the consultations above.

### Priority Matters

#### Compliance with Competition Laws

The Sumitomo Electric Group prioritizes global competition law compliance as the most important compliance activity and has taken measures to eliminate, and prevent a recurrence of, cartel and collusion, including suspicious acts within the Group. These measures include the formulation of the Rules for Compliance with Competition Laws in June 2010, which contain a provision that restricts contact with competitors only in the cases with legitimate business reasons, and mandatory compliance training (including online training) organized for sales staff and other employees around the world.

#### Prevention of Bribery

The Sumitomo Electric Group introduced an anti-bribery program in April 2013 to enhance its anti-bribery compliance system and has developed it on a global scale. In response to the recent tightening of anti-bribery regulations on domestic and foreign public officials in the US, Europe and emerging markets, this program has established anti-bribery rules, including prohibition against bribery, prior approval and ex-post report on gifts, hospitality and donations, and requested each division to appoint a bribery prevention manager to implement the rules. Five years have passed since the anti-bribery program started. Based on environmental changes during that period, we revised it in January 2018 to focus on high risk in giving inappropriate hospitality. We have also distributed a bribery prevention manual to the bribery prevention managers of Group companies, who are in charge of operation of the program, and provided them with detailed training. We will keep working to maintain and enhance the global bribery prevention system through continuous education, improvement of the program and its manual as well as collection and dissemination of relevant information.

Officers (as of June 25, 2020)

Directors



**Masayoshi Matsumoto**  
Chairman & CEO  
Representative Director  
1967 Joined Sumitomo Electric  
2017 Appointed as Chairman & CEO



**Osamu Inoue**  
President  
Representative Director  
1975 Joined Sumitomo Electric  
2017 Appointed as President & COO



**Mitsuo Nishida**  
Executive Vice President  
Representative Director  
1972 Joined Sumitomo Electric  
2014 Appointed as Executive Vice President  
General Manager of Automotive Business Unit



**Hiroshi Sato**  
Outside Director  
Independent Officer  
2016 Appointed as Outside Director



**Michihiro Tsuchiya**  
Outside Director  
Independent Officer  
2018 Appointed as Outside Director



**Christina L. Ahmadjian**  
Outside Director  
Independent Officer  
2018 Appointed as Outside Director



**Nozomi Ushijima**  
Executive Vice President  
Representative Director  
1980 Joined Sumitomo Electric  
2019 Appointed as Executive Vice President  
General Manager of Advanced Materials Business Unit  
Electronics Group (Fine Polymer Division and Water Processing Division)



**Yoshitomo Kasui**  
Senior Managing Director  
Representative Director  
1983 Joined Sumitomo Electric  
2018 Appointed as Senior Managing Director  
Corporate Staff Group (Compliance & Risk Management, Administration, Tokyo Administration, Secretary, Human Resources, Human Resources Development, Internal Auditing)



**Akira Nishimura**  
Senior Managing Director  
Representative Director  
1984 Joined Sumitomo Electric  
2019 Appointed as Senior Managing Director  
General Manager of Research and Development Unit  
Electronics Group (Flexible Printed Circuits Division)



**Satoru Ogura**  
Audit & Supervisory Board Member (Standing Member)  
1982 Joined Sumitomo Electric  
2015 Appointed as Audit & Supervisory Board Members



**Akira Hayashi**  
Audit & Supervisory Board Member (Standing Member)  
1981 Joined Sumitomo Electric  
2017 Appointed as Audit & Supervisory Board Members



**Katsuaki Watanabe**  
Outside Corporate Auditor  
Independent Officer  
2013 Appointed as Outside Audit & Supervisory Board Member

Audit & Supervisory Board Members



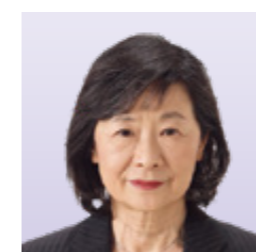
**Hideo Hato**  
Senior Managing Director  
Representative Director  
2016 Joined Sumitomo Electric  
2019 Appointed as Senior Managing Director  
General Manager of New Business Development Unit, Deputy General Manager of Automotive Business Unit  
Corporate Staff Group (Legal Affairs, Corporate Communications, Corporate Planning, Intellectual Property, Security Trade Control) and Environment & Energy Group (Energy System Division)



**Masaki Shirayama**  
Managing Director  
1985 Joined Sumitomo Electric  
2017 Appointed as Managing Director  
General Manager of the Electric Wire & Cable and Energy Business Units



**Nobuyuki Kobayashi**  
Managing Director  
1985 Joined Sumitomo Electric  
2019 Appointed as Managing Director  
Corporate Staff Group (Accounting, Finance, Information Systems, Procurement, Logistics Management)



**Michiko Uehara**  
Outside Corporate Auditor  
Independent Officer  
2016 Appointed as Outside Audit & Supervisory Board Member



**Ikuo Yoshikawa**  
Outside Corporate Auditor  
Independent Officer  
2018 Appointed as Outside Audit & Supervisory Board Member

A nominee for Independent Officer as defined by Tokyo Stock Exchange, Inc. etc.

## Messages from Outside Directors

Our three outside directors have provided the following suggestions on the Sumitomo Electric Group's governance and how to increase our value as a company.



### Hiroshi Sato Outside Director

#### Career

Hiroshi Sato began working for Kobe Steel in 1970, working in roles such as general manager of the technical development unit before becoming president of Kobe Steel in 2009 and chairman in 2013. He is now an advisor for Kobe Steel. He was appointed as an Outside Director in 2016.

### Christina L. Ahmadjian Outside Director

#### Career

Christina L. Ahmadjian became an Assistant Professor at Columbia University's Business School in 1995. She became a Professor at Hitotsubashi University's graduate school in 2001, where her main areas of research are business administration and corporate governance. She is now a Professor in Hitotsubashi University's Graduate School of Business Administration. She was appointed as an Outside Director in 2018.

### Michihiro Tsuchiya Outside Director

#### Career

Michihiro Tsuchiya began working for Tanabe Pharma (now Mitsubishi Tanabe Pharma) in 1976, working in roles such as the general manager of the research and development division and business planning division before becoming president of Mitsubishi Tanabe Pharma in 2009 and Chairman in 2016. He was appointed as an Outside Director in 2018.

### Hiroshi Sato

One of the strengths of Sumitomo Electric is its broad range of products and technologies—materials, parts, machinery and systems—in many different areas of business. To achieve ongoing growth in the mid-to long term, the Company needs to maintain its superior competitive edge on quality, delivery and cost in its wiring harnesses, which is the Company's largest business segment. I also want to see the Company develop products and technologies that can be an alternative to wiring harnesses as its core business line. The keyword for the future of the automotive industry is CASE (Connected, Autonomous, Shared, Electric). I'm sure you can agree that these trends also apply to many areas outside automobiles. I think this is an excellent opportunity for a company like Sumitomo Electric, which has technologies and products that can be used to break into all of those areas. By bringing together the technologies and knowledge within Sumitomo Electric Group, you will get a good "chemical reaction" that creates new value. COVID-19 has drastically changed the way we work—instead of business travel and meetings, we're tending to communicate online or through teleconferencing. Digitalization breaks barriers between supervisors and

employees, genders, companies and countries. I want to see Sumitomo Electric Group ride that wave and create closer cooperation and fusions. The UN has set 17 Sustainable Development Goals (SDGs) and many nations and companies adopted them into their mid-to-long term plans. Many of the goals described in the SDGs have commonalities with Sumitomo Electric's medium-term goals in areas such as technical innovation, energy and the environment. There are also similarities with the Sumitomo Spirit, which has been fundamental in Sumitomo Electric's business activities since the Company was first established and driven Sumitomo Electric's endeavors to balance its own gains with public interest at all times. As an outside Director I look forward to continuing to work with the management team and being a part of the future that Sumitomo Electric Group creates.

### Michihiro Tsuchiya

Sumitomo Electric has achieved steady results in its five areas—Automotive, Information & Communications, Electronics, Environment & Energy and Industrial Materials—through a sound financial base, inventive research and development and solid manufacturing technology and business acumen. I also see strong motivation in each and every person who works in Sumitomo Electric Group. I believe that for the Japanese manufacturing industry to continue to thrive, it must keep developing, producing, and marketing high value-added products that are resource-saving, energy-saving, and knowledge-intensive. Sumitomo Electric not only manufactures "items" but creates high value-added products by integrating knowledge, technology, information and wisdom on a global scale.

For the Company to continue to excel in the coming decades, it is very important to develop core businesses that ensue from the automotive business. The Company can build on its research and development, production technologies, and sales and marketing to strengthen the competitiveness of the current businesses, and also work with people with various ideas to boldly branch into new businesses opportunities with long-term perspectives. Sumitomo Electric's Nominating and Compensation Advisory Committees for its directors are functioning well. Active discussions take place at every Board meeting, and decisions are made with transparency and objectivity. The Company is committed to active discussion by the Board. Outside directors are adequately provided with information necessary to make decisions and enough time for consideration and discussion. Ensuring safety and

### Christina L. Ahmadjian

Sumitomo Electric's strengths lie in the Sumitomo Spirit. These strengths include integrity, contribution to society, innovation, and dedication to Japanese "monozukuri" (excellence in manufacturing). I always am impressed by the commitment and dedication of everyone I meet and work with at Sumitomo Electric. Two key words that are critical for the future of Sumitomo Electric are "diversity" and "global." To thrive and continue to create value, innovation is critical. This means that the Company must both maintain its strengths of continuous improvement and close collaboration with customers as well as expand into new technologies and markets. To do this, diversity in ideas, experiences, and values is key. Furthermore, new ideas and new technologies cannot be found in Japan alone, and Sumitomo Electric must expand its global reach, not only in production and marketing, but also in development of new businesses and new technologies. The Company must also continue and build on its strong foundation of education and training for employees. I think that the Company should especially focus on training employees on how to encourage and manage the power of diversity, as well as to create a culture that best combines this diversity with the Sumitomo Spirit. The Company has been making progress in terms of gender diversity, but there are still not enough women advancing in management, and I think that progress remains too slow. I would also like to see more non-Japanese in positions where they can add their diverse perspectives to the Company's management policies.

quality is critical for management decisions. As an outside Director I will continue to offer opinions on various matters including these from a broad perspective. Dramatic political, economic and social changes are taking place on a global scale. The rise of technology such as big data and artificial intelligence is bringing about digital transformation that is rapidly changing how businesses are run. COVID-19 has also caused dramatic changes to the structure of society in a short time. And the changes we expect to see in the next 10 years should make those changes in the recent day look small. As Japan's birthrate declines and average age rises, the world will be looking to us for answers on how nations could solve problems like these. Sumitomo Electric should create a vision of what the Company will be like in 10, 30, 50 years' time, and backcast from there to develop strategies and business plans to achieve such vision.

I look forward to seeing how Sumitomo Electric will further grow with its unique, lively and energetic corporate culture.

Corporate governance at Sumitomo Electric is continuously improving, and I am encouraged by the amount of attention the Company is paying to getting feedback from board members, and acting on it. The Company maintains the traditional Japanese "kansayaku" board system, but outside directors and statutory auditors are extremely vocal, active and committed to helping the Company create value. I am impressed by the degree of transparency and information sharing between the outside board members and the executive officers. There are also a number of areas in which I hope to see further improvement. Because the Company has a "kansayaku" system, the line between execution and monitoring can sometimes be unclear, and I would like to see a much clearer distinction so that the board can focus on issues facing the Company as a whole and on longer-term strategy, in addition to its monitoring role. I believe that Sumitomo Electric is well positioned to create value for all of its stakeholders as it provides solutions to pressing global challenges in mobility, energy, and communications. But, because these areas are all fast moving, uncertain, and risky, the Company must make sure that it has the flexibility and resources to adjust. I also think that in this rapidly changing global environment, the Company must take a closer look at all of its stakeholders, from its shareholders to its employees and the local and global community, and make sure that it is providing value to all.



## Automotive

Working to become a mega-supplier with the wiring harness business at the core

### Overview of business

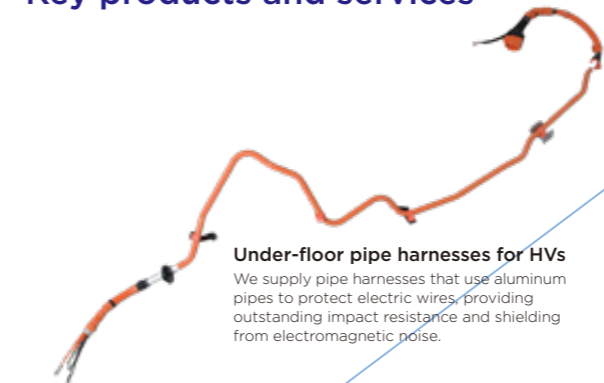
The automotive industry is undergoing a period of drastic changes, with the increasingly rapid adoption of CASE\* and the entry of companies from other industries into the market. We are leveraging our global presence in 33 countries around the world and bringing together our global resources to contribute to advancement in mobility. Our main product, wire harnesses, are laid throughout an automobile. Advanced technology is required to produce harnesses that can transmit power and information reliably while withstanding extreme vibration and heat. The Sumitomo Electric Group leads the world by a mile in harness development, with a whopping one in four cars around the world using our harnesses. We are steadily promoting the use of aluminum harnesses, which contribute to weight reduction in vehicles, and our connecting technologies are essential for realizing connected cars and autonomous driving, which must handle a huge amount of information, as well as for achieving widespread use of hybrid and electric vehicles. We will continue to contribute to the next generation, where automobiles are connected with people and society.

\* A term for the trends in the automotive industry; an acronym for Connected, Autonomous, Shared and Electric

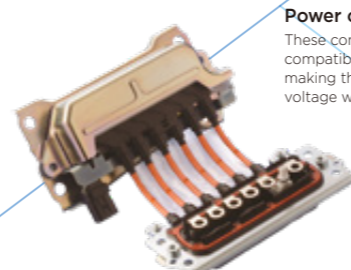
### Initiatives to carry out our mid-term management plan

In response to the current decline in global automobile demand due to COVID-19, we will flexibly adjust production capacity in anticipation of future economic recovery, and focus on further cost reduction activities to rebuild a stronger and leaner business structure. In our business plan, we have pledged to work toward becoming a mega-supplier with the wiring harness business at the core. We will achieve this by creating products for electric vehicles, such as high-voltage wiring harnesses; electrical products for electronic control systems used in automobiles; and new CASE products such as high-speed communication connectors. We will also work to grow our market share overseas. Sumitomo Riko Company Limited will work to become profitable again by expanding sales, improving productivity and reducing costs for products such as automotive anti-vibration rubber products and hoses around the world, and by developing new products for the next generation of automobiles.

### Key products and services



**Under-floor pipe harnesses for HVs**  
We supply pipe harnesses that use aluminum pipes to protect electric wires, providing outstanding impact resistance and shielding from electromagnetic noise.



**Power cables for terminal blocks**  
These connectors are waterproof and compatible with electromagnetic shields, making them well suited to the high-voltage wires used in the next generation of vehicles (HEV, EV, FCV). They are used for electrical connections between inverters, motors and batteries.



**High-strength aluminum wiring harness**  
We were the first in the world to make engine harnesses from high-strength aluminum alloy wires. This material has reduced the weight and cost of wiring harnesses.



**Anti-vibration rubber products**  
These crucial functional parts absorb and inhibit vibration from the engine and road for safer driving. We have also developed an increasing number of high-functionality products using electronic control in recent years.



**Traffic control systems**  
These systems collect and analyze a wide range of transport information and use it to control traffic lights and provide transport information, enabling a safe and smooth flow of traffic.



**Charging connectors for EVs**  
These connectors are used to connect EVs and plug-in hybrid vehicles with the power source when charging at home or at a charging spot. Extensive safety features have been designed with outdoor use in mind, and the connectors are designed to handle around double the insertions required by standards, ensuring reliable connectivity.

### Examples of our initiatives to solve social issues

**High-strength aluminum wiring harness**

We developed aluminum alloy electric wires that conduct electricity as effectively as copper while being around half as heavy. We began selling our aluminum harnesses in 2010. After further discussion with automotive manufacturers, we began working to develop high-strength aluminum to meet a variety of needs. In 2015, we succeeded in developing high-strength aluminum alloy electric wires, which are stronger than copper and flexible and heat-resistant enough to meet manufacturers' needs. Releasing high-strength aluminum wiring harnesses has made it possible to use aluminum wiring harnesses in areas with extreme vibration, such as around the engine. Our high-strength aluminum wiring harnesses are now used in many automobiles both in Japan and overseas. In addition to further contributing to improving fuel efficiency and reducing CO<sub>2</sub> emissions by making automobiles lighter, they are helping to conserve rare resources as aluminum reserves are more abundant than copper.

### VISION 2022 Mid-term Management Plan: Segment Strategy



## Infocommunications

Leading the global market with some of the world's best optical fiber, production technology, transmission devices, compound semiconductors, access devices, and more

### Overview of business

Recent advances in the infocommunications field, such as more widespread use of cloud services and the arrival of 5G, have dramatically increased data traffic. The Sumitomo Electric Group is responding to these changes by making use of our extensive base of technology, including transmission devices, compound semiconductors, access devices and some of the world's best optical fiber production technology, to achieve high-capacity, high-speed communication. In the 1970s, we began producing optical fibers, which are now an essential component of the communication infrastructure our society relies on. Among them, those for ultra-long distance submarine systems with a transmission distance of over 10,000 km are required to exhibit high quality and high reliability. We have built a presence in the industry with our high technical expertise as represented by the Z fiber, which is an optical fiber developed for ultra-long distance submarine system applications. The Z fiber broke the world record for low-loss optical fiber. Other strengths of ours include production technology for ultrahigh-fiber-count optical cables and software development for video and optical access devices. We lead the global market with initiatives such as collaborative vertical integration from raw materials to finished devices to develop compound semiconductors for optical and wireless applications.

### Initiatives to carry out our mid-term management plan

As part of our mid-term management plan, we will take measures to ensure that we are able to keep with demand for optical and electronic devices and optical fiber cables as communication data volumes increase and the 5G market gains a foothold. We are developing and promoting a variety of high-performance products to meet diversifying market needs, including ultra-low-loss optical fibers for submarine cables, ultrahigh-fiber-count optical cables, data center products such as optical interconnection devices and access network devices for 4K video distribution and 10G-EPON (a 10-gigabit shared optical fiber network).

### Key products and services



**Compound semiconductors (GaAs, InP, GaN)**  
Our compound semiconductors are used in technologies such as laser oscillators and photosensitive elements of optical fiber communication systems; various types of transistors for mobile phones and other wireless communication systems; light sources of CD, DVD and Blu-ray disc devices; and white LEDs for lighting.



**Optical fiber cables**  
Installation efficiency of optical cables in urban area is a growing concern worldwide. Our high density small diameter optical cable is laid and solving space issues. Furthermore, data centers boomingly constructed globally demand high density optical networking. Our ultra-high-fiber-count cables and variety of related networking products support to meet such demand.

**Optical fibers**  
Optical fiber is made of glass as thin as a human hair with an optical signal inside, and is a high-performance transmission medium that can transmit tens of kilometers away. Other benefits include a high speed, long distance transmission, and highly reliable transmission which is unaffected by electromagnetic induction noise.



**Electronic devices**  
Electronic devices are important components for realizing wireless communications. They are used in radars for air traffic control, vehicle collision avoidance and meteorological observation, as well as for fifth generation (5G) mobile communications base stations that are required to realize power saving and size reduction and satellite communications that are required to offer high reliability.



**BS4K set-top boxes**  
Set-top boxes convert cable TV signals to a signal that can be received by your TV. In addition to watching BS4K TV, you can watch one show while recording two others. These boxes also feature Android TV®, allowing you to download movies, music, games, lifestyle information and a wide range of other content from the Internet and view them on your TV.

**Optical devices**  
These are essential components for optical communications, transmitting video, voice and other information by means of light. Fast, power-saving and compact optical transmitter/receiver devices themselves, or such devices integrated into optical transceivers, enable long-distance high-capacity data communications between homes and stations, between cities and between continents.

### Examples of our initiatives to solve social issues

#### Z-PLUS Fiber® 150 ULL

With the rapid evolution and popularization of smart phones and video streaming services, there is a demand for higher performance optical fibers that can transmit more information at once. There is a particularly strong demand for lower transmission loss in optical fibers for long-haul transmission systems connecting continents. Our Z-PLUS Fiber 150 ULL is an ultra-low-loss products that have been realized by combining our world leading mass production technologies and newly developed low-loss technologies. We have also expanded the effective core area (cross-sectional area of the part where signal is transmitted) to achieve optimal transmission performance in high-capacity digital coherent communication technology, which is rapidly becoming more widely used. In particularly submarine cable system, the product is expected as contributing not only to an increase in transmission capacity and an extension of transmission distance, but also to a reduction in the total cost of the system by reducing the number of expensive equipment such as optical amplifiers.

### VISION 2022 Mid-term Management Plan: Segment Strategy



## Electronics

We aim to become one of the world's top suppliers of high-functionality wires and components

### Overview of business

The dramatic increase in volumes of data being transmitted to and from mobile devices has accelerated development to handle new functions and standards. There is also a growing need for car electronics products and aviation equipment as the world turns to EVs and self-driving cars. The Sumitomo Electric Group is an indispensable part of these markets' growth. We develop a wide range of materials, wires and parts to be used in various electronic devices. Flexible printed circuits (FPCs) are one of the main products of the group. Their versatility in forming high-density circuits in a small area makes them a wiring material adaptable to all kinds of increasingly complex equipment. We have electron beam irradiation technology used to produce electric wire products and heat-shrinkable tube, and fluorine resin processing technology such as Poreflon™ Module. We draw on strengths such as our proprietary material development, design and processing technologies and high-speed data transmission technology to make our supply chain more competitive on a global stage and serve as a global supplier of high-performance wiring and high-functionality materials.

### Initiatives to carry out our mid-term management plan

We are optimizing our global production system for flexible printed circuits (FPCs) and improving productivity to raise profit. We are also expanding the sales of FPCs for the in-vehicle market and developing new products with properties such as super fine pitch circuits and lower transmission loss for use in high frequency bands, etc. We are global sales and improving our product performance for tab leads, the leads used for battery terminals in EVs, and working to meet a variety of needs for irradiation tubes. We also acquired Techno Associe Co., Ltd. as a subsidiary through tender offer in September 2019, and are working to achieve a synergy between our respective business activities as soon as possible.

### Key products and services



#### Flexible printed circuits (FPC)

Flexible printed circuits (FPC) are a wiring material used to hold electrical circuits in place on an ultra-thin insulating film. Their extremely light weight and superior heat resistance and flexibility enable a high degree of freedom and density in the design of electrical circuits. For this reason, they are used to contribute to smaller sizes and greater functionality in many electronic devices, including smartphones, tablets, game devices and hard drives.

#### Thunderbolt™ 4 cables

Thunderbolt™ 4 is a high-speed data transmission standard supporting 40 Gbps bidirectional transmission, which achieves double the transmission speed of conventional cables. Our proprietary ultra-fine high-performance coaxial wires achieve superior flexibility and durability in cables. Thunderbolt™ 4 is applied to a variety of data devices, such as 8K displays and gaming computers.

#### Flexible flat cables (SUMI-CARD®)

These flat cables enable one-touch connection and disconnection from connectors—optimal for purposes where cables need to be densely mounted. They are used in all kinds of electronic devices in our daily lives, including TVs, office automation devices and game devices. Our SUMI-CARD® cables now support high-speed data transfer standards such as USB3.1 and V-by-One® US and can withstand high temperatures of over 125°C. They have been part of advances in the functionality of products and the building of systems for self-driving cars.

#### Poreflon™ Module

Poreflon™ Modules are hollow-fiber modules developed for water treatment using our proprietary PTFE (polytetrafluoroethylene) hollow-fiber membrane technology. Strong and not easily soiled by contaminants such as oil, using these membrane modules in wastewater treatment equipment enables reuse of wastewater, conservation of space and less maintenance work, which has seen it adopted in over 650 places, both in Japan and overseas, to treat drainwater and various forms of industrial wastewater.

#### Tab leads

Tab leads are used to draw power from the lithium ion pouch cells used in smartphones and EVs. Our tab leads have an insulating layer created by direct surface treatment of the conductor to inhibit heat deformation, achieving superior durability and more reliable sealing that has contributed to greater performance and a longer service life for batteries.

#### Heat shrink tubing (SUMITUBE®)

SUMITUBE® is shrunk inward by heating. It is used in areas such as home appliances, electronic devices, automobiles and aircraft, for purposes such as protecting electric wires and harnesses, keeping out water and bundling of wires.

### VISION 2022 Mid-term Management Plan: Segment Strategy



### Examples of our initiatives to solve social issues

#### Thunderbolt™ 4 Cables

Thunderbolt is a high-speed transmission standard between computers and peripheral devices such as displays. As the top vendor, we acquired the certification for Thunderbolt™ 4 cables, the latest Thunderbolt standard, and started mass production in November 2020. Thunderbolt™ 4 cables are available to connect 8K displays to computers. Our Thunderbolt cables use our original high-performance extra-fine coaxial lines to achieve superior flexibility and flex resistance. The increased demand for remote work these days has called for more sophisticated home office requirements. Our Thunderbolt™ 4 cables provide more options for connecting peripheral devices, such as a docking station and 4K or 8K display, saving even more space. We are working to meet more and more of customers' needs and contribute to further advancement of information technology.

## Environment & Energy

Energy systems that keep us connected, now and in the future

### Overview of business

The Sumitomo Electric Group began producing electric cables in 1908. We started with copper wires and have steadily progressed from low voltage to ultra-high voltage in our electric wire and cable business. A particularly foundational area of our copper wire business has been our high-voltage electric wire business, where we have built a business base and track record that leads Japan's industry through the completion of a series of major projects such as the production and laying of the world's first long-distance main line with 500 kV CV cables and the world's first submarine power line with a 500 kV DC OF cable. We have continued to build a stronger global presence, drawing on our strengths such as diverse high-value product families and associated services, project-planning expertise, overall capabilities involving affiliate companies in the heavy electrical machinery and engineering fields (Nissin Electric Co., Ltd. and Sumitomo Dentsu Co., Ltd.) and end-to-end system development from raw material to finished product. Currently, the technical expertise of our group is essential for the construction of new energy systems in line with trends such as international grid interconnection projects, primarily in Europe, infrastructure development in emerging countries, increasing use of renewable energy and widespread use of electric vehicles. We will continue to use this technology as a base as the building of energy infrastructure progresses.

### Initiatives to carry out our mid-term management plan

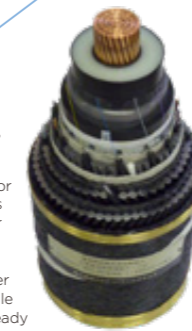
In our mid-term management plan, we have pledged to accurately assess demand for new large-scale projects involving electric cables overseas and for renewable energy and upgrading of facilities in Japan, and to further reduce costs to improve profitability. We will also strengthen our global production performance for rectangular winding wires for the motors in EVs to handle the growing demand, and will draw on the strengths of the whole group, including Nissin Electric Co., Ltd. and Sumitomo Dentsu Co., Ltd. to get more orders in the global market.

### Key products and services



#### Magnet wires

Our magnet wires are used to convert electrical energy into magnetic energy. They are widely used in parts such as motors and coils for hybrid vehicles, EVs, home appliances and electrical devices.



#### Electric wires and cables for power transmission and distribution

We supply various electric wires and cables for power transmission and distribution networks that get power from the power plants to their users. In particular, we are working to meet growing demand for ultrahigh-voltage DC submarine cables for power companies, power connections between countries and large-scale offshore wind farms. We help to provide a steady supply of power, including laying the cables.

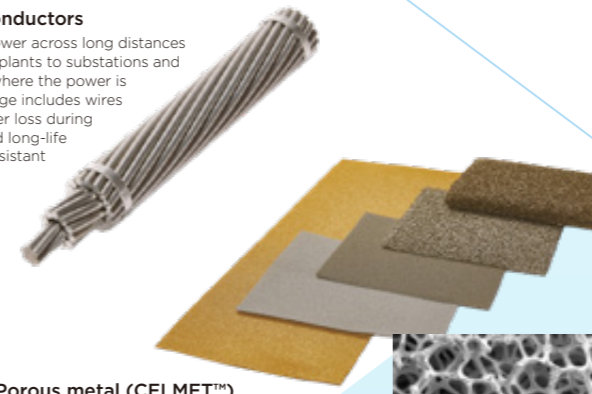
#### Wind Farm Tsugaru



Photo courtesy of Green Power Investment Corporation

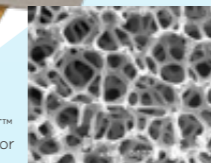
#### Overhead conductors

These deliver power across long distances from the power plants to substations and then the areas where the power is needed. Our range includes wires that inhibit power loss during transmission and long-life wires that are resistant to rusting.



#### Porous metal (CELMET™)

CELMET™ is a porous metal material with a three-dimensional mesh structure. Our product range includes nickel (Ni), Ni-Cr and Ni-Sn alloys. CELMET™ is being used as a positive electrode current collector in NiMH batteries for hybrid electrical vehicles, as a component in fuel cells and as an electrode material in hydrogen power equipment. This is significantly contributing to conservation of energy and a smaller environmental footprint.



#### Redox flow batteries

These battery energy storage systems use the oxidation and reduction (redox) of ions to charge and discharge. Safe with a long service life, industries are looking to these batteries to enable more widespread adoption of renewable energy such as solar and wind energy.



### VISION 2022 Mid-term Management Plan: Segment Strategy



### Examples of our initiatives to solve social issues

#### Wind Farm Tsugaru

Located in Tsugaru City, Aomori Prefecture, Wind Farm Tsugaru is Japan's largest wind farm, with 38 turbines generating 121,600 kW of energy on a large site on land. This is enough for around 90,000 average households, and is expected to reduce CO<sub>2</sub> emissions by around 180,000 t each year. The Sumitomo Electric Group has worked together with Kajima Corporation, which was contracted to build the wind farm, since 2017, providing a total service including design, production and installation of electrical facilities such as underground transmission and distribution cables, receivers and transformers. 41 km of cables collecting power from the turbines, 34 km of cables to transmit the power, three receivers and transformers and a monitoring and control system were completed in only around two years. Our next endeavor is a total solution for renewable energy that will see us working on design support and construction preparations for many large-scale wind power projects, including offshore wind farms, for which there is a growing demand.

## Industrial Materials

We aim to be a global supplier of high-performance, high-functionality products with some of the world's top materials

### Overview of business

Copper wires are drawn with wire drawing dies. In our research and development work, we have taken the wire drawing processes we have used for our copper wires and the powder alloys we use to develop our materials and applied them to other metals to create special steel wires. We have also applied the powder metallurgy technology we use to produce powder alloys and used it to develop sintered powder metal products. Our cutting and grinding tools are made using the material technology we have developed based on our technology for making fine copper wires. We began with cemented carbide alloys and expanded our range to include other ultra-hard materials such as diamond and cubic boron nitride. Our tools are now used in all kinds of manufacturing around the world. Additionally, special steel wires that reinforce concrete structures and tires and sintered powder metal parts used primarily in automobiles are essential for the growth of society and industries. In response to the growing demand for lightweight automotive materials and the growth in the medical and aviation industries, the Sumitomo Electric Group will offer tangible forms of innovative solutions for customer and social challenges, drawing on our world-class materials development capabilities and production technologies.

### Initiatives to carry out our mid-term management plan

We will strengthen the selling power of our cemented carbide tools on the global stage, including construction machinery, industrial machinery and electronics in addition to our core automotive business, and expand our sales by introducing new products such as tools for cutting hard materials in the aviation and medical fields. For our sintered powder metal parts, we will make use of our global manufacturing sites to expand our sales and become more cost-competitive. We will also continue to focus on strengthening our production structure and expand our sales for PC steel wires and steel wire for springs.

### Key products and services



#### Cutting tools (IGETALLOY™, SUMIBORON™, SUMIDIA™)

Our cutting tools are used for a variety of cutting work such as cutting, planing and drilling of metal. These include IGETALLOY™, a cemented carbide alloy tool that is almost as hard as cubic boron nitride and has the toughness of steel, and SUMIBORON™ and SUMIDIA™, tools with cubic boron nitride and ultrafine diamond particle blades. These are helping to increase productivity and decrease costs in machining.

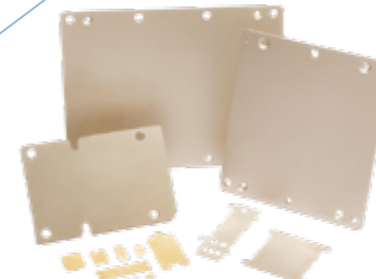


#### Used cemented carbide tools

Recycling process



#### Tungsten powder



#### Sintered parts

We produce parts by compacting metal powder and molding it by heat (sintering). This process is advantageous for settings such as mass production of parts with complex shapes that require a high degree of precision. Our sintered powder metal products are used for parts such as engine parts and drive system parts in automobiles, as well as air conditioner parts. Also, powder molding realize high performance and complex shapes such as for reactors cores and axial gap motors magnetic cores. This sintered process is advantageous for recycling and energy-saving compared to other process.

#### Heatspreader materials

High-performance heatspreader materials, such as copper-molybdenum alloy, copper-tungsten alloy, ceramics and diamond, are used to lease heat in high-power semiconductor devices used in electrified vehicles (HEVs and EVs), the electrical field, communications devices and LED lighting.



#### Special steel wires

Steel cords are used to reinforce radial tires and springs used for purposes such as automotive engine valve springs. Our special steel wires meet industry needs such as energy saving, stability, safety and comfort, and make driving more comfortable. Our Prestressing steel wire is used widely throughout society to make structures such as concrete structures, LNG tanks and sleepers stronger and more durable.

### VISION 2022 Mid-term Management Plan: Segment Strategy



### Examples of our initiatives to solve social issues

#### Establishment of a system to recycle tungsten

A.L.M.T. Corp. in the Sumitomo Electric Group deals in tungsten/molybdenum products and heat spreaders. Tungsten in particular is designated as one of the five priority rare metals to be recycled. As China supplies about 80% of Japan's tungsten, Chinese policies affect market prices. We therefore began research on the recycling of tungsten in 2007. We developed innovative technology for molten salt smelting and successfully turned this into a business in 2011. We have also reduced energy consumption in the process to produce tungsten powder by recycling. In 2014, Sumitomo Electric and a Japanese automobile manufacturer jointly received a Rare Metal Recycling Award at the Resource-Recycling Technologies and Systems Award 2013 Ceremony, which was organized by the Japan Environmental Management Association for Industry, in recognition of this initiative and the system we established to recycle scrap cemented carbide materials. We will continue to research tungsten recycling technologies so that we can contribute to the market by achieving a more stable supply.

## Main Products That Help to Solve Environmental and Social Issues

The SDGs and ESG are rapidly being adopted around the world. The principles of these, such as a long-term view, sustainability, corporate contribution to solving issues and working for the public good, align with the Sumitomo Electric Group's corporate philosophy and are encapsulated by the Sumitomo Spirit. Here are some of the ways our main products are contributing to society in keeping with the SDGs.

# MOBILITY

### Popularization of railroad infrastructure to reduce CO<sub>2</sub> emissions



**Air springs**  
Dramatically reduce vibration transmitted from the wheels to the body of a vehicle. These are essential for making trains more comfortable.



### Recycling and energy-saving manufacturing technology to reduce environmental footprint



**Sintered parts**  
p.6, p.7, p.8, p.39, p.71



**Cutting tools**  
p.8, p.39, p.71



### Greater strength and functionality to reduce environmental footprint



**Steel wire for valve springs**  
This wire is used for springs in automobile engines, which need to be durable and heat-resistant.



**High durability prestressing strands**  
p.9



### Lighter materials for greater fuel efficiency



**High-strength aluminum wiring harness**  
p.8, p.63

**Special steel wires**  
p.71



### Popularization of electric vehicles to reduce CO<sub>2</sub> emissions



**Reactors**  
A core part of boosting converters used in electric vehicles. We are working to make these smaller and lighter.



**Magnet wires**  
p.6, p.7, p.69



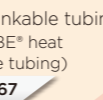
**High-performance heatspreading materials**  
p.71



**Tab leads**  
p.9, p.67



**Heat shrinkable tubing (SUMITUBE® heat shrinkable tubing)**  
p.67



**Bus bar modules**  
A wiring part for electrical connections between cell electrodes in high-voltage battery cells.

p.67



**Charging connectors for EVs**  
p.63



### Optimized traffic control that helps to reduce traffic accidents and congestion



**Traffic control systems**  
p.9, p.63



### Improving the safety features of automobiles to reduce accidents



**Gateways**  
p.9



**Flexible flat cables (SUMI-CARD® flexible flat cables)**  
p.67



# ENERGY

### Water treatment products to improve water quality



**Poreflon™ Module**  
p.8, p.67

### Contribution to reliable power supplies and widespread adoption of renewable energy



**Power Depot**  
A compact, high-efficiency household lithium-ion power storage system. This system is also used to reduce power bills and provide a backup power supply during outages.



**High-voltage submarine cables**  
p.6, p.8, p.69

### Reduction of transmission loss and lengthening of product life to reduce CO<sub>2</sub> emissions



**Superconducting cables**  
The high-temperature superconducting (HTS) technology of these cables dramatically reduces transmission loss, improving energy efficiency.



**Overhead conductors**  
p.8, p.69

### Reduction of environmental footprint with lead-free and halogen-free products



**Eco-wires**  
Eco-friendly wires for electronic devices and automobiles.



**Redox flow batteries**  
p.8, p.69



**Wireless devices**  
High-output wireless devices for satellites and mobile phone towers.  
p.9, p.65

### Contribution to the building of high-quality information infrastructure



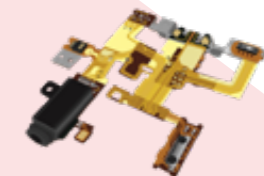
**BS4K set-top boxes**  
p.65



**Thunderbolt™ 4 cables**  
p.67



**Optical fiber cables**  
These ultra-high-fiber-count cables is essential for high density networking in data centers, especially, hyper scale data centers.  
p.8, p.65



**Flexible printed circuits (FPC)**  
An essential component for increasing functions and reducing the size of mobile devices.  
p.9, p.67



**Fusion splicers**  
The optical fiber fusion splicers are essential in the building of optical fiber networks. These splice the silica-glass fibers by using the arc discharge physically to achieve nearly the lowest loss.



**Optical fibers**  
p.6, p.65  
Our world leading ultra low loss optical fibers will contribute to highly efficient intercontinental long-distance transmission systems.

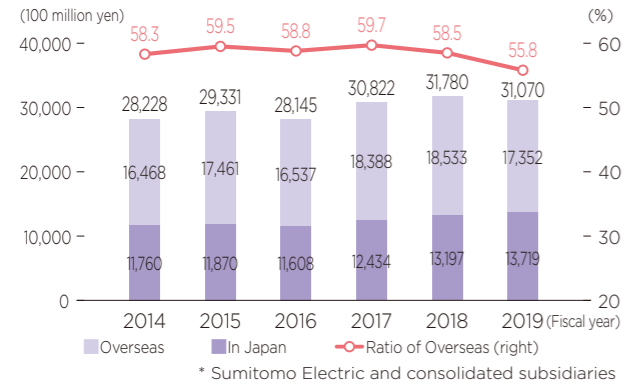
**Optical devices**  
Laser transmission and reception devices for optical communication. These contribute to conservation of energy at data centers.  
p.65

# COMMUNICATIONS

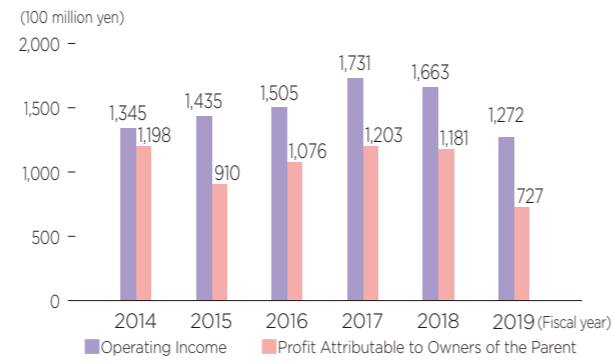
# Financial and Non-Financial Highlights

## Financial Highlights

**Sales in Japan and overseas and ratio of overseas sales by year**

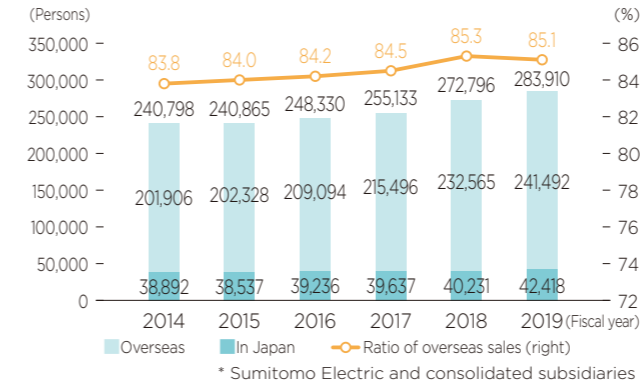


**Operating Income and Profit Attributable to Owners of the Parent (Consolidated)**

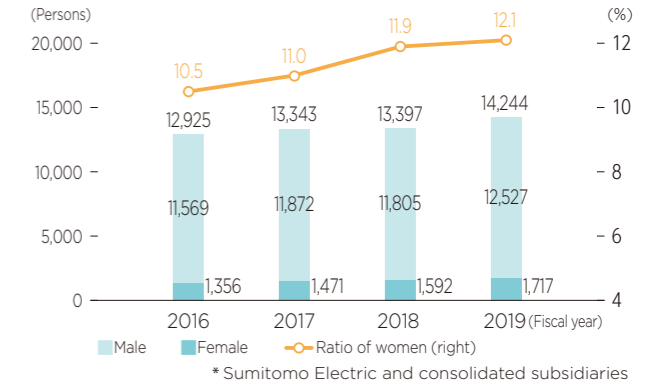


## Non-Financial Highlights

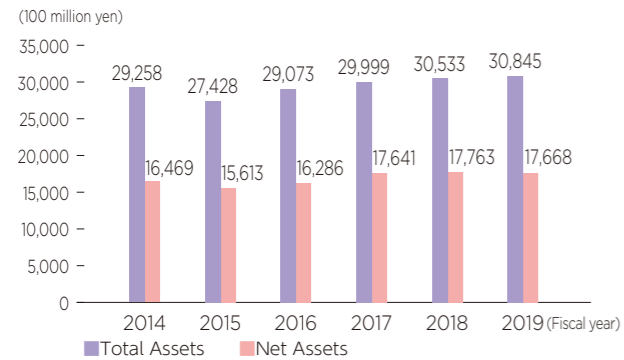
**Number of employees in Japan and overseas and ratio of overseas employees by year**



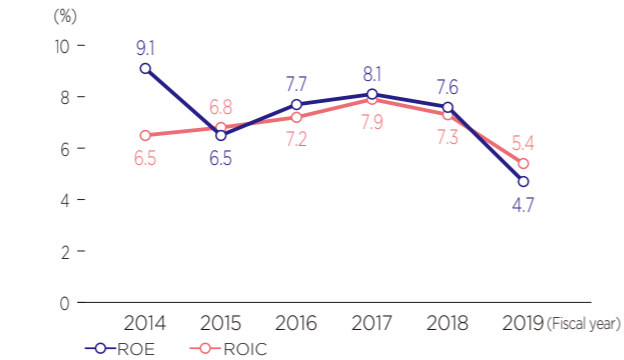
**Number of male and female managers and ratio of female managers**



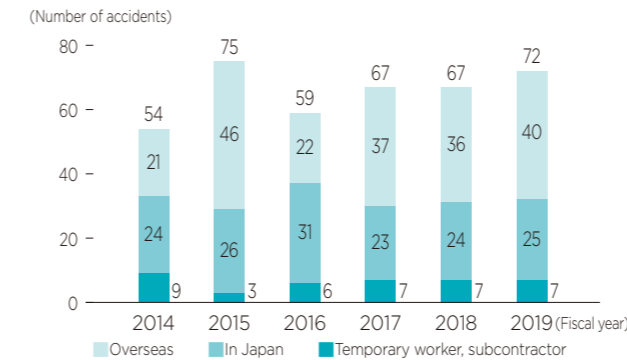
**Total Assets and Net Assets (Consolidated)**



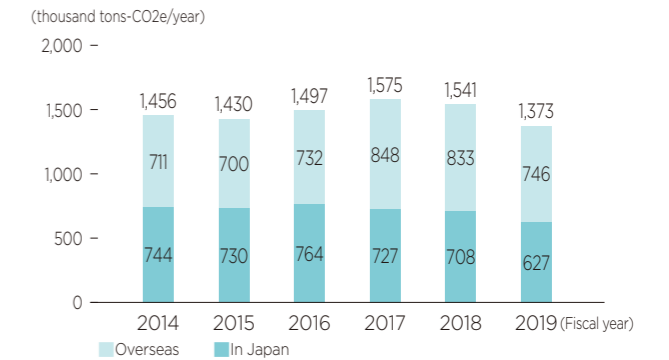
**Return on Equity (ROE) and Return on Invested Capital (ROIC)\***



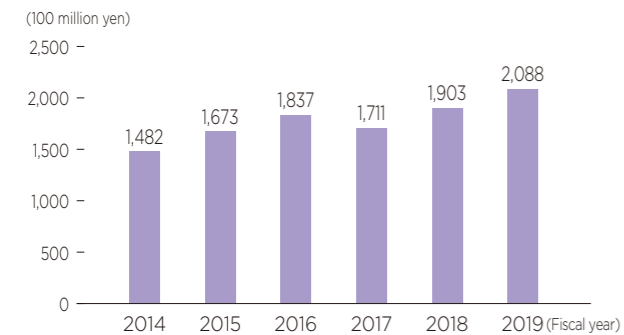
**Number of Industrial Accidents**



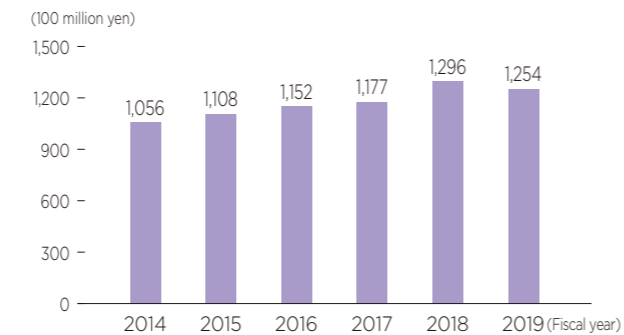
**Greenhouse Gas Emissions**



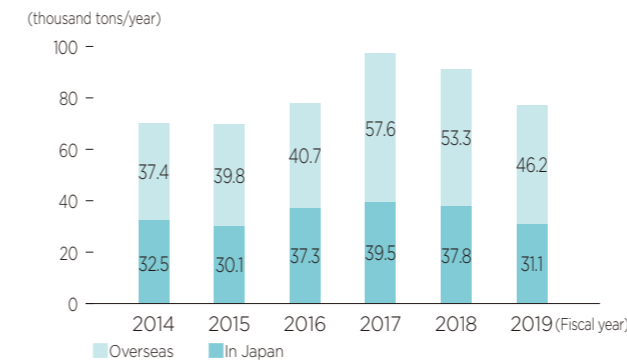
**Capital Investment**



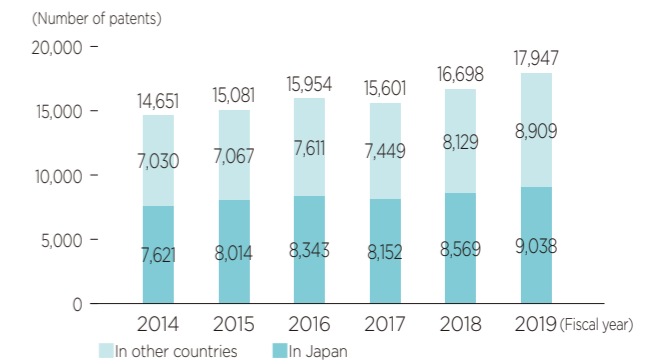
**R&D Expenditures**



**Amount of Waste**



**Number of Patents**



Note: Figures exclude valuable materials.

Note: Figures are for the final day of each calendar year (December 31). The figures in Japan are the total number of patents, utility models and designs. The figures in other countries are the sum of the total number of patents, utility models and designs in each country.

## Financial and Non-Financial Summary for the Last 10 Years

										(Million yen)	(Million dollars)
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2019
<b>Financial Situation and Business Results</b>											
Net Sales	2,003,827	2,059,344	2,159,942	2,568,779	2,822,811	2,933,089	2,814,483	3,082,247	3,117,985	3,107,027	28,549
Overseas Net Sales Ratio (%)	43.8	45.6	48.6	55.2	58.3	59.5	58.8	59.7	58.5	55.8	
Operating Income (loss)	103,810	86,946	76,790	120,058	134,457	143,476	150,503	173,139	166,260	127,216	1,169
Profit before Income Taxes	113,781	99,941	84,084	123,833	167,067	154,859	167,792	193,337	181,388	133,198	1,224
Profit Attributable to Owners of the Parent	70,614	58,861	37,955	66,748	119,771	91,001	107,562	120,328	118,063	72,720	668
Total Net Assets	1,092,610	1,138,931	1,244,695	1,379,912	1,646,913	1,561,289	1,628,615	1,764,086	1,776,313	1,766,830	16,235
Total Assets	1,956,284	2,072,064	2,297,567	2,554,819	2,925,785	2,742,848	2,907,292	2,999,903	3,053,263	3,084,517	28,343
Interest-bearing Debt	341,923	363,995	485,569	534,641	550,839	457,145	510,989	492,567	540,745	618,960	5,687
Capital Expenditure	98,400	135,000	147,900	150,800	148,200	167,300	183,700	171,100	190,300	208,800	1,919
Depreciation and Amortization	96,800	78,000	90,600	113,300	126,700	134,400	134,500	146,100	148,900	163,600	1,503
R&D Expenses	79,000	86,800	94,300	99,500	105,600	110,800	115,200	117,700	129,600	125,400	1,152
<b>Per Share Information (yen, US dollars)</b>											
Earnings per Share	89.02	74.21	47.85	84.15	151.00	114.73	137.61	154.29	151.38	93.24	0.86
Shareholders' Equity per Share	1,196.46	1,245.57	1,352.09	1,499.46	1,804.34	1,715.28	1,815.32	1,973.95	1,988.58	1,947.16	17.89
Dividends per Share	19	19	20	22	30	35	40	46	48	40	0.37
Dividend Payout Ratio (%)	21.3	25.6	41.8	26.1	19.9	30.5	29.1	29.8	31.7	42.9	
<b>Cash Flow</b>											
Cash Flows from Operating Activities	139,298	86,051	124,849	147,705	153,509	240,779	209,233	239,573	177,656	264,608	2,431
Cash Flows from Investing Activities	(86,551)	(129,223)	(172,066)	(174,102)	(86,888)	(117,387)	(194,829)	(174,265)	(184,601)	(178,020)	(1,636)
Cash Flows from Financing Activities	(27,845)	(2,391)	64,922	113	(64,037)	(115,912)	(4,763)	(66,795)	(4,324)	(1,277)	(12)
Free Cash Flow	52,747	(43,172)	(47,217)	(26,397)	66,621	123,392	14,404	65,308	(6,945)	86,588	796
Cash and Cash Equivalents	192,092	142,359	176,543	160,129	177,107	174,055	180,002	180,108	168,873	249,011	2,288
<b>Financial Indexes</b>											
Operating Income / Net Sales (%)	5.1	4.2	3.6	4.7	4.8	4.9	5.3	5.6	5.2	4.1	
Shareholders' Equity Ratio (%)	48.5	47.7	46.7	46.6	48.9	49.6	48.7	51.3	50.8	49.20	
Return on Equity (%)	7.6	6.1	3.7	5.9	9.1	6.5	7.7	8.1	7.6	4.70	
Operating Income / Invested Assets (ROIC) (%)	7.3	5.9	4.8	6.6	6.5	6.8	7.2	7.9	7.3	5.40	
Debt / Equity Ratio (%)	36.0	36.8	45.3	44.9	38.5	33.6	36.1	32.0	34.9	40.80	
<b>Non-Financial Data</b>											
Number of Employees	182,773	194,734	206,323	225,484	240,798	240,865	248,330	255,133	272,796	283,910	
In Japan	36,954	37,499	37,148	37,715	38,892	38,537	39,236	39,637	40,231	42,418	
Overseas	145,819	157,235	169,175	187,769	201,906	202,328	209,094	215,496	232,565	241,492	

\*1 Values in US dollars are calculated at a rate of ¥108.83 to the US dollar in the Tokyo Foreign Exchange Market as of March 31, 2020.

\*2 Values in yen below ¥1 million are truncated; values in US dollars below \$1,000 are rounded to the nearest thousand.



## Financial Summary

## Consolidated Balance Sheet

(Million yen)

	Previous Consolidated Fiscal Year (March 31, 2019)	This Consolidated Fiscal Year (March 31, 2020)
<b>Assets</b>		
Current Assets		
Cash and Time Deposits	167,225	250,600
Trade Notes and Accounts Receivable	708,617	670,337
Securities	2,084	384
Inventories	528,789	553,586
Other	108,534	103,885
Allowance for Doubtful Receivables	(1,609)	(1,765)
Total Current Assets	1,513,640	1,577,027
Non-current Assets		
Property, Plant and Equipment		
Buildings and Structures	690,809	711,060
Accumulated Depreciation	(412,336)	(428,162)
Buildings and Structures (Net)	278,473	282,898
Machinery and Equipment	1,427,685	1,471,304
Accumulated Depreciation	(1,022,419)	(1,059,794)
Machinery and Equipment (Net)	405,266	411,510
Tools, furniture and fixtures	292,452	298,451
Accumulated Depreciation	(240,358)	(245,551)
Tools, Instruments and Equipment (Net)	52,094	52,900
Leased Assets	11,080	51,397
Accumulated Depreciation	(3,066)	(12,815)
Leased Assets (Net)	8,014	38,582
Land	89,229	92,961
Construction in Progress	52,747	63,603
Total Property, Plant and Equipment	885,823	942,454
Intangible Assets		
Goodwill	2,488	2,776
Other	38,207	35,132
Total Intangible Assets	40,695	37,908
Investments and Other Assets		
Investment Securities	446,559	381,963
Net Defined Benefit Assets	87,569	66,234
Deferred Tax Assets	33,382	38,162
Other	47,822	42,028
Allowance for Doubtful Receivables	(2,227)	(1,259)
Total Investments and Other Assets	613,105	527,128
Total Non-current Assets	1,539,623	1,507,490
Total Assets	3,053,263	3,084,517

(Million yen)

	Previous Consolidated Fiscal Year (March 31, 2019)	This Consolidated Fiscal Year (March 31, 2020)
<b>Liabilities</b>		
Current Liabilities		
Trade Notes and Accounts Payable	379,844	361,155
Short-term Debt	248,583	307,620
Accrued Income Taxes	22,845	16,492
Provision for directors' bonuses	874	763
Provision for warranties for completed construction	1,196	1,033
Provision for loss on order received	2,614	2,249
Other	224,795	223,525
Total Current Liabilities	880,751	912,837
Non-current Liabilities		
Bonds	74,828	104,851
Long-term Debt	213,330	173,554
Deferred Tax Liabilities	36,690	31,294
Provision for directors' bonuses	715	771
Net Defined Benefit Liabilities	55,867	57,976
Other	14,769	36,404
Total Non-current Liabilities	396,199	404,850
Total Liabilities	1,276,950	1,317,687
<b>Net Assets</b>		
Shareholders' Equity		
Common Stock	99,737	99,737
Capital Surplus	170,868	170,881
Retained Earnings	1,216,207	1,251,778
Treasury Stock, at Cost	(20,749)	(20,759)
Total Shareholders' Equity	1,466,063	1,501,637
Accumulated Other Comprehensive Income		
Net Unrealized Holding Gains or Losses on Available-for-Sale Securities	83,430	57,781
Deferred Gains or Losses on Hedges	(128)	(493)
Foreign Currency Translation Adjustments	(13,927)	(42,327)
Remeasurements of Defined Benefit Plans	15,445	1,986
Total Accumulated Other Comprehensive Income	84,820	16,947
Non-controlling Interests	225,430	248,246
Total Net Assets	1,776,313	1,766,830
Total Liabilities and Net Assets	3,053,263	3,084,517

## Financial Summary

## Consolidated Statement of Income

(Million yen)

	Previous Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)	This Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)
Net Sales	3,177,985	3,107,027
Cost of Sales	2,593,363	2,553,902
Gross Profit	584,622	553,125
Selling, General and Administrative Expenses	418,362	425,909
Operating Income	166,260	127,216
Non-operating Income		
Interest Income	1,192	1,269
Dividend Income	4,609	4,309
Share of Profit of Investments Accounted for Using the Equity Method	25,051	11,771
Other	14,423	9,648
Total Non-operating Income	45,275	26,997
Non-operating Expenses		
Interest Expenses	6,897	7,434
Loss on Claims	1,875	3,782
Other	14,114	12,499
Total Non-operating Expenses	22,886	23,715
Ordinary Income	188,649	130,498
Extraordinary Profits		
Gain on Sales of Investment Securities	—	9,844
Gain on Return of Assets from Retirement Benefit Trust	8,905	2,627
Gain on Bargain Purchase	—	10,395
Total Extraordinary Profits	8,905	22,866
Extraordinary Losses		
Loss on Disposal of Property, Plant and Equipment	3,094	2,867
Impairment Loss on Fixed Assets	10,715	7,603
Restructuring Expenses	2,357	3,124
Loss on Step Acquisitions	—	6,572
Total Extraordinary Losses	16,166	20,166
Profit before Income Taxes	181,388	133,198
Income and Enterprise Taxes	51,118	37,578
Income Taxes-Deferred	63	7,186
Total Income Taxes	51,181	44,764
Profit for the Year	130,207	88,434
Profit Attributable to Non-controlling Interests	12,144	15,714
Profit Attributable to Owners of the Parent	118,063	72,720

## Consolidated Statement of Cash Flows

(Million yen)

	Previous Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)	This Consolidated Fiscal Year (April 1, 2019 to Tuesday, March 31, 2020)
Cash Flows from Operating Activities		
Profit before Income Taxes	181,388	133,198
Depreciation and Amortization	148,916	163,581
Impairment Loss on Fixed Assets	11,879	8,734
Amortization of Goodwill	2,140	1,068
Interest and Dividend Income	(5,801)	(5,578)
Interest Expenses	6,897	7,434
Share of Loss (Profit) of Investments Accounted for Using the Equity Method	(25,051)	(11,771)
Net Loss (Gain) on Sales of Property, Plant and Equipment	(1,777)	(1,417)
Net Loss (Gain) on Sales of Investment Securities	(212)	(9,810)
Loss on disposal of Property, Plant and Equipment	3,094	2,867
Loss (Gain) on Valuation of Investment Securities	28	931
Gain on Return of Assets from Retirement Benefit Trust	(8,905)	(2,627)
Gain on Bargain Purchase	—	(10,395)
Loss (Gain) on Step Acquisitions	—	6,572
(Increase) Decrease in Trade Notes and Accounts Receivables	(41,044)	50,879
(Increase) Decrease in Inventories	(60,006)	(27,628)
Increase (Decrease) in Trade Notes and Accounts Payable	12,824	(24,780)
Increase (Decrease) in Net Defined Benefit Assets and Liabilities	7,916	2,933
Other	(26,620)	6,121
Subtotal	205,666	290,312
Interest and Dividends Received	14,930	15,468
Interest Paid	(6,901)	(7,557)
Income Taxes Paid	(36,039)	(33,615)
Net Cash Provided by Operating Activities	177,656	264,608
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(178,046)	(192,874)
Proceeds from Sales of Property, Plant and Equipment	5,484	4,665
Purchase of Investment Securities	(2,411)	(2,956)
Proceeds from Sales of Investment Securities	7,445	11,569
Proceeds from Redemption of Investment Securities	—	10,000
Proceeds from Purchase of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	—	8,482
Other	(17,073)	(16,906)
Net Cash Used in Investing Activities	(184,601)	(178,020)
Cash Flows from Financing Activities		
Net Increase (Decrease) in Short-term Debt	49,043	75,087
Proceeds from Long-term Debt	48,464	14,492
Redemption of Bonds and Repayments of Long-term Debt	(51,221)	(64,628)
Proceeds from Insurance of Bonds	—	30,000
Payment for Purchase of Treasury Stock	(3)	(10)
Cash Dividends Paid	(38,224)	(37,444)
Dividends Paid to Non-controlling Interests	(9,926)	(8,637)
Payments from Changes in Ownership Interests in Subsidiaries that do not result in Change in Scope of Consolidation	(1,698)	(9)
Other	(759)	(10,128)
Net Cash Used in Financing Activities	(4,324)	(1,277)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(639)	(5,374)
Net Increase (Decrease) in Cash and Cash Equivalents	(11,908)	79,937
Cash and Cash Equivalents at the Beginning of Year	180,108	168,873
Increase in Cash and Cash Equivalents of Newly Consolidated Subsidiaries	673	201
Cash and Cash Equivalents at the End of Year	168,873	249,011

## Company Overview (as of March 31, 2020)

**Trade Name** Sumitomo Electric Industries, Ltd.  
**Head Office** 4-5-33 Kitahama, Chuo-ku, Osaka, JAPAN (Sumitomo Bldg.)  
**Established** April 1897  
**Businesses** Automotive Business, Information & Communications Business, Electronics Business, Environment & Energy Business, Industrial Materials Business  
**Capital Stock** 99,737 million yen  
**Net Sales** Consolidated: 3,107,027 million yen (period ending March 2020)  
 Non-Consolidated: 1,149,030 million yen  
**Number of Employees** Consolidated: 283,910 (end of March 2020)  
 Non-Consolidated: 6,020

**Settlement Period** (fiscal year) April 1 to March 31 each year  
**Securities Code** 5802  
**Stock Exchanges** Tokyo, Nagoya, Fukuoka  
**Annual General Meeting of Shareholders** Every June  
**Shareholder Register Manager** Sumitomo Mitsui Trust Bank, Limited.  
 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan  
**Stock Unit** 100 shares  
**Accounting Auditors** KPMG AZSA LLC

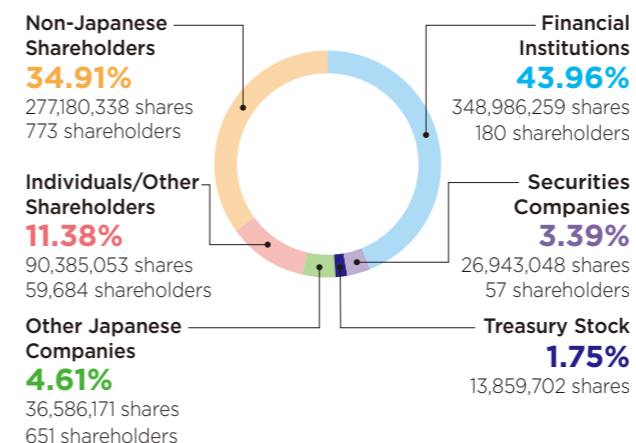


## Stock Information (as of March 31, 2020)

### Current Status of Stock

Total issuable shares: 3,000,000,000  
 Total shares issued: 793,940,571  
 Number of shareholders: 61,346

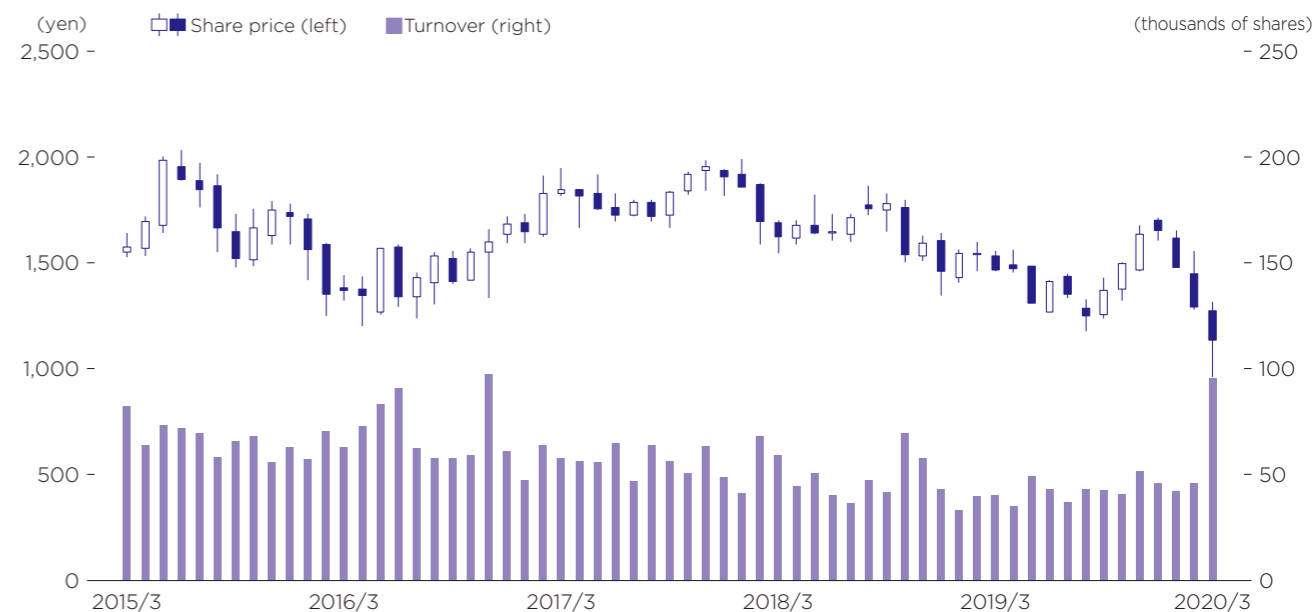
### Breakdown of Shareholders



### Largest Shareholders (Top 10)

Shareholder	Shares owned (thousands)	Percentage
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.	12,590	1.16
Japan Trustee Services Bank, Ltd. (trust account 4)	12,273	1.57

### Share Prices (March 31, 2015 - March 31, 2020)



### Dividends per share and payout ratio

	2015/3	2016/3	2017/3	2018/3	2019/3
<b>Dividends (yen)</b>	35	40	46	48	40
<b>Payout ratio (%)</b>	30.5	29.1	29.8	31.7	42.9