

# Annual Report 2013

Year Ended March 31, 2013



**SUMITOMO ELECTRIC**  
Ingenious Dynamics

# Quick Search

This is a keyword-based guide to each section, enabling direct access to what you want to know.

## 4 "MONOZUKURI"

Sumitomo Electric now operates all over the world, and the driving force behind this success is our faith in "monozukuri." Here you can find out about the Company's strengths, with actual examples.



## 8 STRATEGY

To become a "Glorious Excellent Company," we have launched the VISION 2017 mid-term management plan. President Matsumoto explains developments to date and strategy for achieving the targets in the plan.

## 12 New Mid-term Management Plan "VISION 2017"

Explanation of the new mid-term management plan VISION 2017 – overall strategy, numerical targets, growth strategies and priority policies.



## 32 GOVERNANCE

An explanation of our basic approaches to corporate governance, and major activities.

## 13 OPERATIONS

An overview of our businesses, initiatives and progress during the year, by segment, and major products for the coming year.

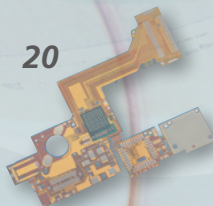
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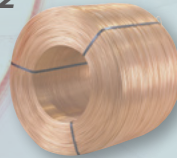
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## 34 CSR

Contributing to the community through our business activities is the basis of CSR at Sumitomo Electric. See here for basic CSR policy positions and major initiatives.



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## Forward-Looking Statement

This presentation material contains various outlook and perspective information derived from our own presumptions and judgments based on currently available information on conditions and prospects of each market and economic circumstances such as currency exchange rate fluctuations. All figures and statements with respect to the future performances, projections, and business plans of Sumitomo Electric and its affiliated companies are constituted by the aforementioned outlook and perspective information. Factors that could cause actual results to differ materially include, but not limited to:

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

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

# Profile

## Company Profile

Established: 1897

Incorporated: 1920

President: Masayoshi Matsumoto

Headquarters: Osaka, Tokyo

The history of Sumitomo Electric Industries, Ltd. started in 1897 when the House of Sumitomo established the Sumitomo Copper Rolling Works to manufacture and market bare copper wire. The Company then developed power transmission cables and communication cables to support Japan's rapidly growing power needs and telecommunications infrastructure development.

For more than 110 years, Sumitomo Electric has continued to persist the challenge of developing proprietary technologies and new businesses based on its manufacturing technologies for electric wire and cable. Currently, the Company is engaged in diversified business activities supporting our daily life and industry in five segments: "Automotive," "Information & Communications," "Electronics," "Electric Wire & Cable, Energy," and "Industrial Materials."

## Business Philosophy

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

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

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

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

### The Sumitomo Spirit

The Sumitomo Spirit has been passed on from generation to generation and is Sumitomo's Business Principle.

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

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

To this day, these principles are strictly applied throughout the various Sumitomo Group companies, including Sumitomo Electric.



# Business Overview

Net Sales by Segment

Main Products

## Automotive

48%

The Sumitomo Electric Group is a global supplier of wiring harnesses and anti-vibration rubber, as well as safe, comfortable and environment-friendly automotive components and systems.

- **Wiring Harnesses**
- **Vibration-proof rubber**
- **Automotive hoses**
- **Car electrical equipment**

*For more details, please refer to page ⇒* **16**

## Information & Communications

7%

Building on its communication cable technologies accumulated for more than 100 years, the Sumitomo Electric Group supplies products and systems that support today's Internet services such as optical fiber cable and opto-electronic devices, gigabit Ethernet\*-passive optical network (GE-PON), and other devices. We also supply traffic control systems and other systems drawing on our telecoms expertise and portfolio of control technologies.

\*Ethernet is a trademark of Xerox Corporation.

- **Optical fibers, optical fiber cables, Optical – related products**
- **Optical devices, optical transceivers, networking equipment**
- **Traffic control systems etc.**
- **Information and communications engineering**

*For more details, please refer to page ⇒* **18**

## Electronics

10%

Using its proprietary materials technologies, the Sumitomo Electric Group supports the increasing use of electronics devices in society through a diverse range of products such as electronic wires, flexible printed circuits and other highly functional wiring materials, as well as compound semiconductors and fluorine resin products.

- **Electronic wire products**
- **Flexible printed circuits**
- **Metallic material for electronic parts**
- **Compound semiconductors**
- **Electron-beam irradiated products, Fluorine resin products**

*For more details, please refer to page ⇒* **20**

## Electric Wire & Cable, Energy

23%

Since its inception, the Sumitomo Electric Group has helped underpin modern daily life through its energy transmission businesses, supplying products such as cables for power distribution, railway trolley wires, and wire coils used in home appliances, automobiles, and other applications.

- **Power line engineering, power line information systems**
- **Magnet wires**
- **Hybrid products**
- **High-voltage electric wires and cables, power transmission cables**

*For more details, please refer to page ⇒* **22**

## Industrial Materials & Others

12%

Through the manufacture of electric wire and cable, the Sumitomo Electric Group has developed and built up proprietary technologies and products that underpin industry and society. Its cutting tools have contributed to greater efficiency in "monozukuri" (manufacturing) and its sintered parts and special metal wires used in automotive and a wide range of other industrial fields.

- **Cutting tools**
- **Powder metal products**
- **Sintered parts**
- **Special steel wires**

*For more details, please refer to page ⇒* **24**

# Develop the future with **passion** for "*monozukuri*"

## *In Business for*

**116** Years

Sumitomo Electric Industries, Ltd. began with the establishment in 1897 of Sumitomo Copper Rolling Works, which produced copper plate, copper rod and copper wire (bare wire).

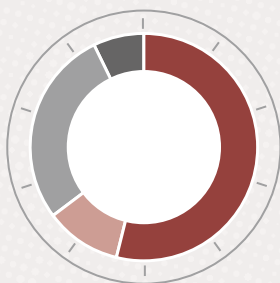
## *Consolidated Companies*

**353**

The Sumitomo Electric Group includes 353 subsidiaries and affiliates in more than 30 countries around the world.

## *Consolidated Net Sales*

### Geographical Segment Sales



- Japan 53.9%
- Americas 10.9%
- Asia 28.2%
- Europe and others 7.0%

## *Number of Patents\**

### Japan

**5,705**

### Overseas

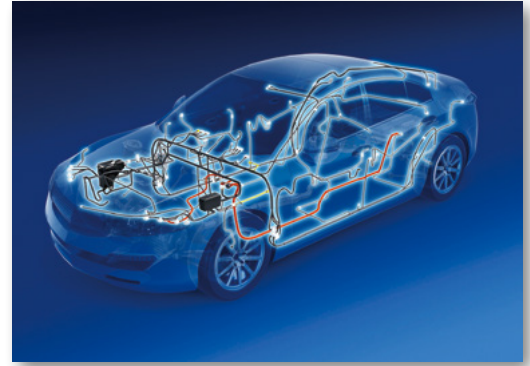
**6,382**

The Sumitomo Electric Group has made a total of 2,304 patent applications in Japan and 924 overseas at the end of March 2013. Reflecting our vibrant intellectual property activities, the number of registered patents has increased over time. Research and development managers form a single team with intellectual property managers. By making strategic applications based on careful prior technological research, the Group aims to build up a high-volume and high-quality (broad scope and effective rights) portfolio of patents.

\*Excludes the patents for Sumitomo Wiring Systems, Ltd. and Sumitomo Densetsu Co., Ltd.

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

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



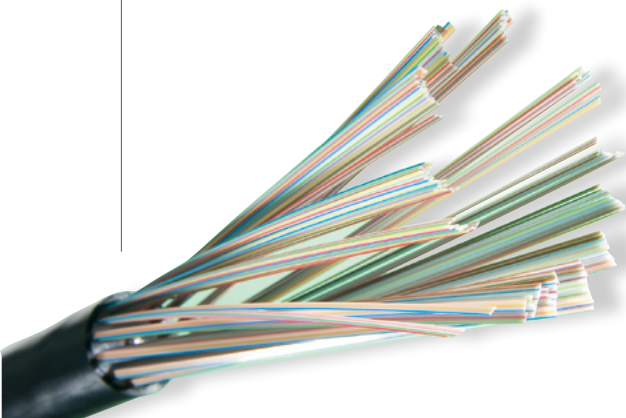
## Among the World's **Leading** Manufacturers of Compound Semiconductor Materials



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

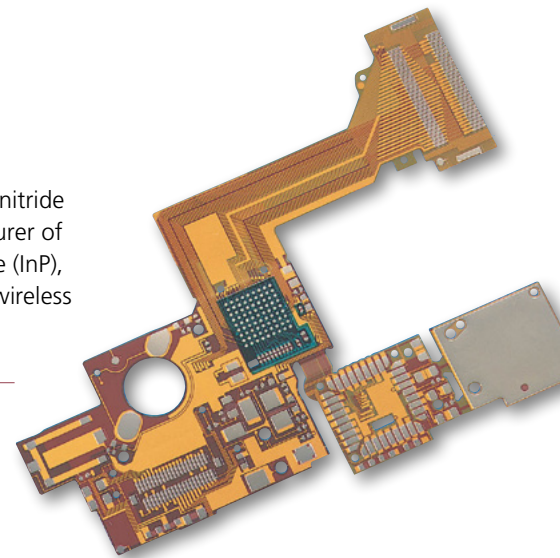
## One of the World's **Top Three** Manufacturers of Optical Fiber Cable

Optical fibers and cables are vital for the construction of optical communication networks. As a pioneer in this field, Sumitomo Electric has built an integrated manufacturing system in Japan and China from optical fibers to cables. Through its development of technologies for low-loss optical fibers, the Company achieved a world-beating transmission loss rate of 0.149dB/km (wavelength 1,550nm), and began shipments of mass-produced devices in April 2013.



## One of the World's **Top Three** Manufacturers of FPC

Flexible printed circuits (FPCs) are flexible wiring materials formed into electric circuits by deposition of copper foil onto insulating film. The thin, light, and highly heat-resistant mountable parts of the FPCs are widely used in electronic devices such as smartphones and tablet terminals, hard-disk drives, DVD equipment, and home game consoles. The Group supplies high quality FPCs to users throughout the world from its bases in Japan, China, Vietnam, and the Philippines.



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

Sintered parts, which are mainly made of iron powder using powder metallurgical techniques, are complex, high-precision structural parts used in a variety of applications including automobiles, office instruments, and home electric appliances.



\*The market shares shown on page 5 are the estimates of Sumitomo Electric.

# Financial Highlights

## SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31

	Millions of yen					Thousands of U.S. dollars*1
	2013	2012	2011	2010	2009	2013
<b>For the Year:</b>						
Net sales	¥2,159,942	¥2,059,344	¥2,033,827	¥1,836,352	¥2,121,978	\$22,965,890
Operating income	76,790	86,946	103,810	51,728	23,527	816,481
Income before income taxes and minority interests	84,084	99,941	113,781	55,425	41,126	894,035
Net income	37,955	58,861	70,614	28,708	17,237	403,562
Capital expenditures	160,242	148,799	107,620	81,943	143,182	1,703,796
Depreciation and amortization	90,629	77,954	96,760	103,848	108,168	963,626
R&D expenses	94,287	86,582	79,026	72,259	72,988	1,002,520
<b>At Year-End:</b>						
Total assets	2,297,567	2,072,064	1,956,284	1,939,935	1,868,174	24,429,208
Total interest-bearing liabilities	485,569	363,995	341,923	355,586	405,477	5,162,881
Total net assets*2	1,244,695	1,138,931	1,092,610	1,064,575	1,014,082	13,234,397
<b>Cash Flows:</b>						
Net cash provided by operating activities	124,849	86,051	139,298	171,576	168,509	1,327,475
Net cash used in investing activities	(172,066)	(129,223)	(86,551)	(72,899)	(161,050)	(1,829,516)
Net cash provided by (used in) financing activities	64,922	(2,391)	(27,845)	(67,613)	(11,957)	690,292

	Yen					U.S. dollars*1
	2013	2012	2011	2010	2009	2013
<b>Per Share Data:</b>						
Net income: Basic	¥ 47.85	¥ 74.21	¥ 89.02	¥ 36.19	¥ 21.78	\$ 0.509
Diluted*3	—	74.20	89.02	36.19	21.32	—
Cash dividends	20.00	19.00	19.00	16.00	18.00	0.213
Owner's equity*4	1,352.09	1,245.57	1,196.46	1,139.84	1,086.79	14.376
<b>Financial Indexes:</b>						
R&D expenses / net sales (%)	4.4	4.2	3.9	3.9	3.4	
Net income / net sales (%)	1.8	2.9	3.5	1.6	0.8	
Return on owner's equity (%)	3.7	6.1	7.6	3.3	1.9	
Return on assets (%)*5	4.8	5.9	7.3	3.6	1.6	
Current ratio (Times)	1.7	1.6	1.9	1.7	1.6	
Owner's equity ratio (%)	46.7	47.7	48.5	46.6	46.1	

\*1 All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥94.05 to U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2013.

\*2 See page 57.

\*3 For the year ended March 31, 2013, there were no dilutive potential common shares.

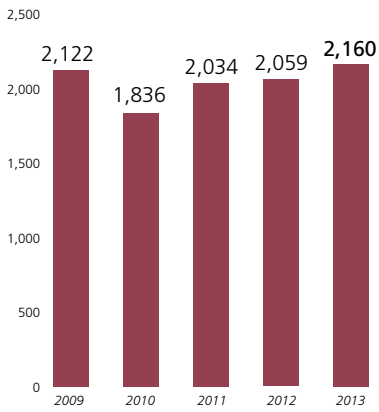
\*4 Owner's equity is sum of total shareholders' equity and total accumulated other comprehensive income.

\*5 ROA = Operating income divided by average capital employed



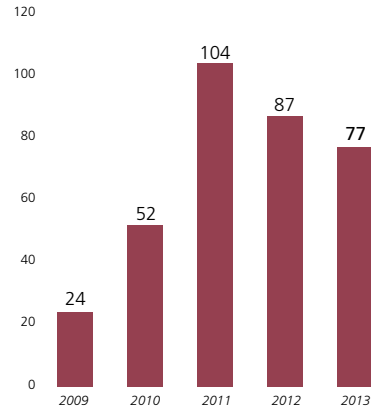
### Net Sales

(Billions of yen)



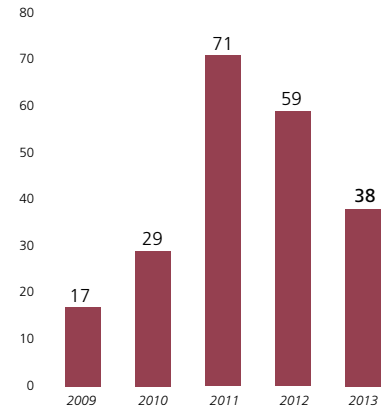
### Operating Income

(Billions of yen)

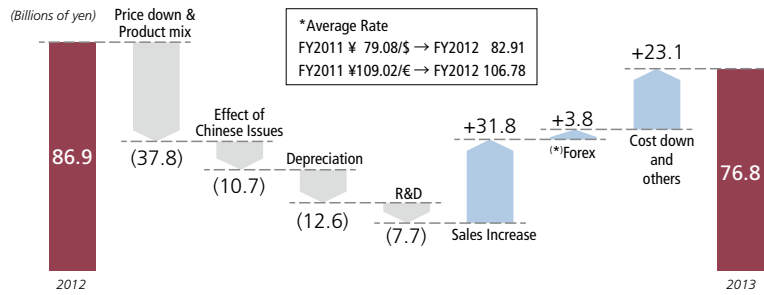


### Net Income

(Billions of yen)



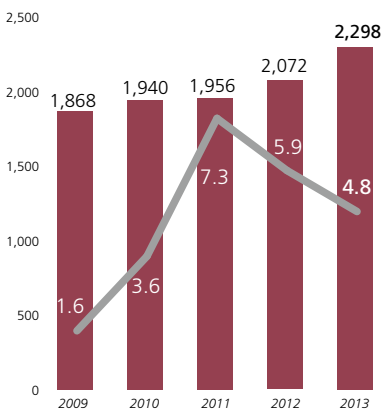
### Operating Income Analysis



### Total Assets and ROA

(Billions of yen)

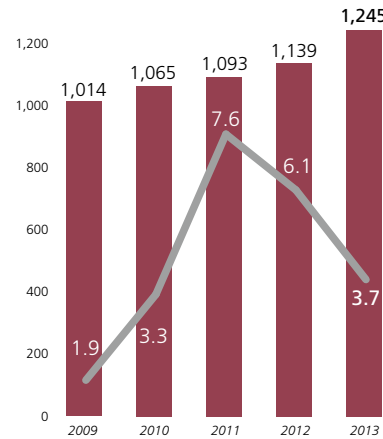
(%)



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

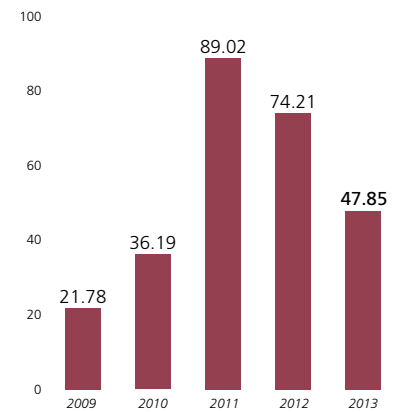
(Billions of yen)

(%)



### Net Income per Share

(Billions of yen)



Message from the President



**Masayoshi Matsumoto**  
*President and CEO*

# Business Conditions and Results in the Year Ended March 31, 2013

## Business Conditions

At the end of March 2013, the Japanese economy maintained moderate recovery momentum, supported by public investment despite a decline in exports. The global economy was depressed by fiscal concerns in the United States and Southern Europe, while economic growth in emerging markets slowed due to falling exports. Although there were signs of a brighter outlook toward the end of the fiscal year, with the depreciation of the yen and the rising stock market in Japan as well as the strong recovery sentiment in the United States, as a whole the year was an extremely difficult one.

Likewise, the business environment surrounding the Group was harsh despite a global increase in demand chiefly for automotive components. This was mainly because of reduced sales by Japanese companies in China, due to political conflicts between the two countries. As a result, it has led to a stagnation centered in the communication infrastructure-related market in Japan, and a further intensification of international price competition.

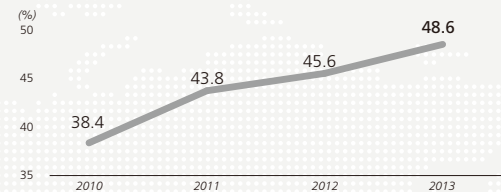
## Review of Operations

Against this background, sales of the Group increased 4.9% year-on-year to ¥2.16 trillion, on a recovery in demand chiefly for automotive and electronics products.

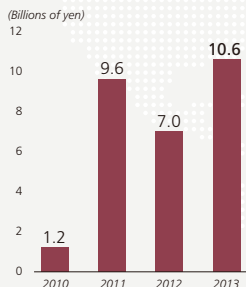
However, operating income dropped 11.7% year-on-year to ¥76.8 billion. A raft of negative factors outweighed the increase in sales chiefly in the Automotive and Electric Wire & Cable, Energy segments, and the Group's thoroughgoing cost-cutting drive, including increased depreciation and amortization expenses, research and development and other direct costs relating to prior investments for growth and reconfiguration of our global production and marketing networks. Other negatives were increased price competition, the high yen, and the undermining of profitability of the Information & Communications and Electronics segments, amid a fall in sales of Japanese manufacturers of automotive components due to political problems between Japan and China.

## Overseas Sales Ratio / Operating Income by Region

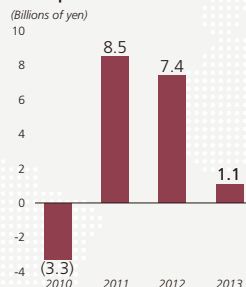
### Overseas Sales Ratio



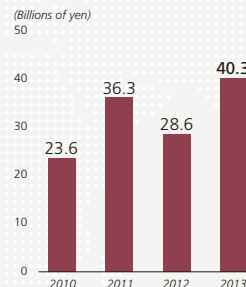
### N&S America



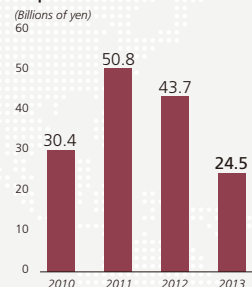
### Europe



### Asia



### Japan



\*Years ended March 31, 2010 to 2013

# Results of VISION 2012 / Targets of VISION 2017

## Results of VISION 2012

The end of March 2013 was the final fiscal year of VISION 2012, our mid-term management plan launched in April 2008. Over these five years, we have made some progress in developing global markets, but we fell far short of our sales and operating income targets of ¥3 trillion and ¥210 billion, due to external factors such as the financial crisis following the collapse of Lehman Brothers, the Great East Japan Earthquake, Thai flooding, and other major natural disasters. The sustained and unprecedented rise of the yen, as well as internal factors such as falling profitability in certain segments and an increase in the cost of prior capital investment, as explained previously, in global plant and research and development were also external factors. By segment, earnings were steady at Automotive and Electric Wire & Cable, Energy, with the latter posting record high earnings. However, performance in the Industrial Materials & Others segment fell short of our target in VISION 2012, though a solid earnings comeback is now underway. At the same time, Information & Communications and Electronics both posted steep declines in operating income performance — leading to target shortfalls in VISION 2012, which had assumed growth in both segments.

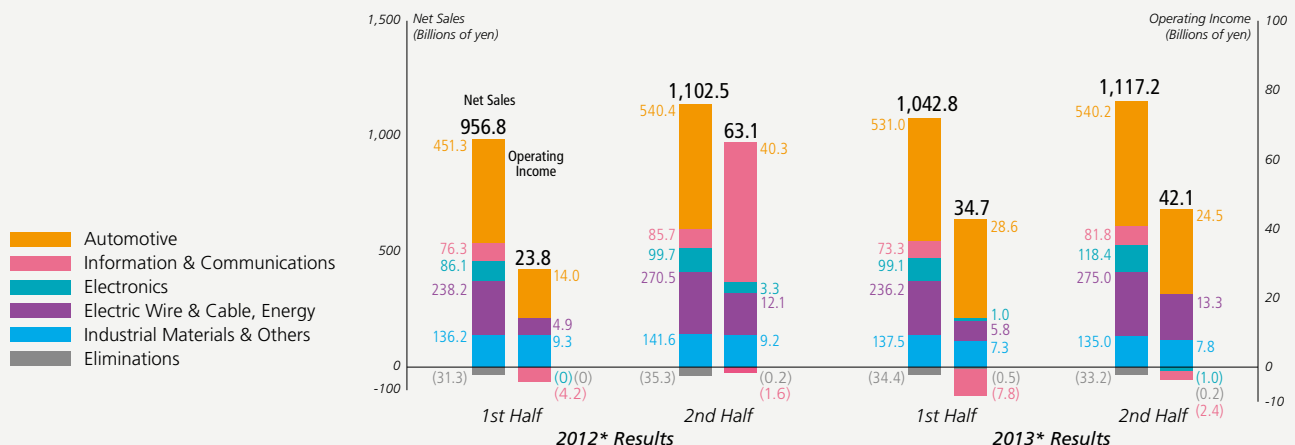
## Targets of VISION 2017

VISION 2017, our new mid-term management plan launched in April 2013, aims to match last year's record earnings or reach even higher levels through the prior investments made in capital assets and research and development in the Automotive, Environment and Energy\*, and Industrial Materials segments. We regard the early return to profitability of the Information & Communications and Electronics segments as matters of urgency.

\*In the year ended March 2014, Electric Wire & Cable, Energy will become Environment and Energy.

VISION 2017 targets consolidated sales of ¥3 trillion, operating income of ¥180 billion and ROA of 9% at the end of March 2018. For a more detailed discussion of these targets, please see Pages 12 and 13 of this publication.

## Net Sales and Operating Income by Segment



\*Years ended March 31

## Measures for the Year Ending March 31, 2014

### Future Economic Trends

Although the global economy remains in moderate recovery mode, it is beset by risks. In Europe, anxiety continues to smolder over sovereign debt issues in southern Europe, and there are also fears of a slowdown in personal spending in the United States due to a rise in taxes. In China, likewise, issues such as inflationary pressure and serious environmental problems are expected to buffet the economy. In Japan, there are fears of a cooling of personal spending amid a decline in domestic production due to rising electricity costs and the slow pace of improvement in real incomes following introduction of inflation targets.

### Forecast

Based on these trends, we forecast an 11.1% increase in sales to ¥2.4 trillion, due to increased demand for wiring harnesses and flexible printed circuits, including the payback from acquisition of two European companies by Tokai Rubber Industries, Ltd., a Group subsidiary. We see operating income increasing 30.2% to ¥100 billion despite increased depreciation and amortization expenses, due to the rising demand spurred by the weaker yen. At the end of March 2014, we forecast a dividend of ¥21.00 per share for the year, an increase of ¥1.00 (announced May 10, 2013).

### Looking Ahead

As mentioned earlier, the world economy is beset by risk. Through renewed commitment to SEQCDD (Safety, Environment, Quality, Cost, Delivery and Research & Development), the Group will continue with thoroughgoing cost-cutting efforts, including operational streamlining and productivity improvements, while proceeding with priority investments in global marketing operations covering the newly emerging markets and in new growth fields such as environment and energy. Looking ahead, we will accelerate initiatives for sustainable growth through further reinforcement of our corporate structure, globalization and early commercialization of the fruits of research and development to meet the targets of VISION 2017, which began in the current fiscal year.

Please see Review of Operations on Page 16 for an overview of measures in each segment.

I would like to take this opportunity to ask all our shareholders and investors for their continued support for our endeavors.

President

### 2014\* Forecast

Preconditions for Forecast    Forex: ¥90/\$    ¥120/€  
Copper: ¥0.7 million/t    LME US\$8,000/t

Billions of yen	2013* Actual	2014*			% Growth
		1H Forecast ①	2H Forecast ②	Year Total ①+②	
Net Sales	2,159.9	1,100.0	1,300.0	2,400.0	+11%
Operating Income	76.8	30.0	70.0	100.0	+30%
Equity in Net Income	22.1	10.0	14.0	24.0	
Ordinary Income	94.1	40.0	80.0	120.0	+28%
Net Extraordinary Income (Loss)	16.7	(4.0)	(4.0)	(8.0)	
Income before Income Taxes and Minority Interests	84.1	36.0	76.0	112.0	+33%
Income Taxes, Minority Interests	(46.1)	(16.0)	(36.0)	(52.0)	
Net Income	38.0	20.0	40.0	60.0	+58%

\*For the years ending March

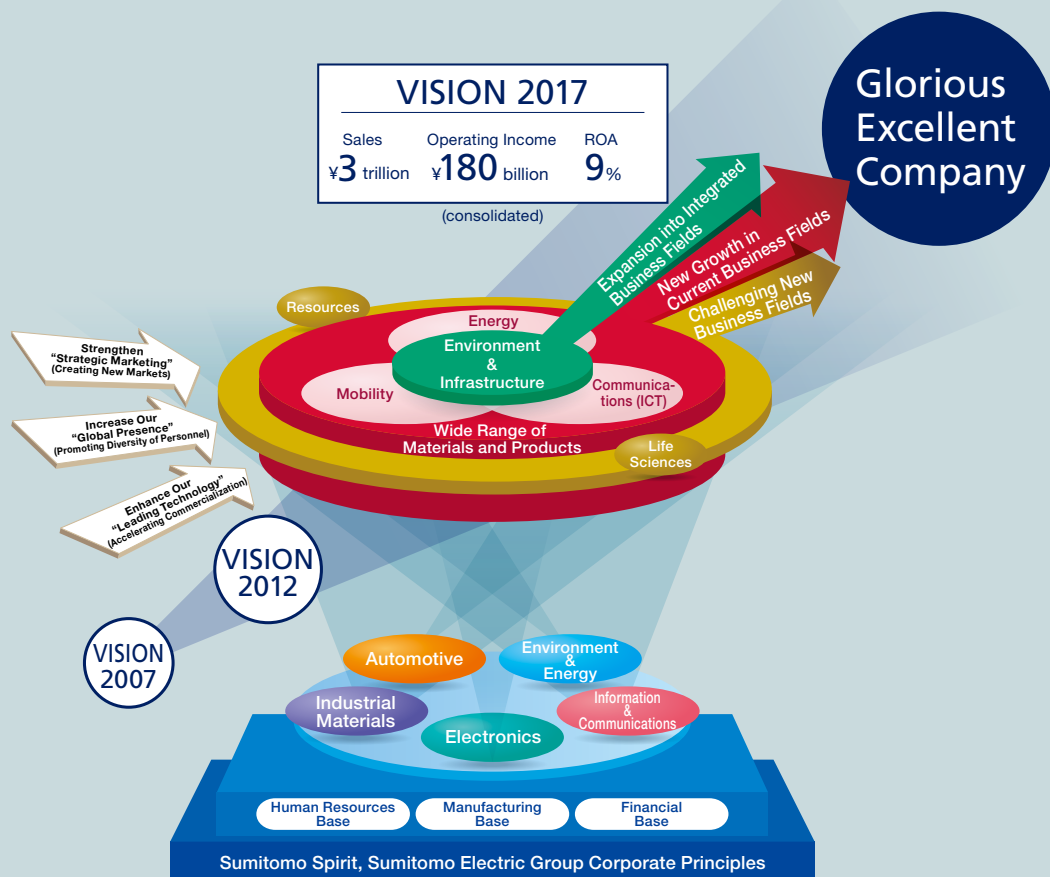
# New Mid-term Management Plan “VISION 2017”

In VISION 2017, our group will leverage our outstanding technology and focus on six fields of business which are essential for society—the three fields of “Mobility,” “Energy,” and “Communications” (ICT) as the current business fields, “Environment & Infrastructure” as the integrated business field that embodies the first three, and “Life-Science” and “Materials & Resources” as the new business fields. Under VISION 2017, we aim to continuously innovate and provide global services in these fields, creating new value from raw materials to systems and solutions.

## Overall Strategy

We aim to take a further step toward becoming a Glorious Excellent Company by:

- 1 Making the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles the basis of our business activities and holding fast to the three bases of our group’s business: human resources, manufacturing, and finances;
- 2 Raising the banner of “innovation” as our keyword, we will continue to overhaul and expand current business fields while expanding into integrated business fields and addressing the challenge of developing new business fields;
- 3 Making high-priority efforts to strengthen “strategic marketing,” increasing our “global presence” and enhancing our “leading technologies,”
- 4 Attaining our numerical targets of ¥3 trillion in sales, ¥180 billion in operating income and 9% ROA.



## Target

	2013* Results	2016* Targets	2018* Targets (VISION 2017)
Net sales	¥2,159.9 billion	¥2,600.0 billion	¥3 trillion
Operating income (Ratio)	¥76.8 billion (3.6%)	¥130.0 billion (5.0%)	¥180.0 billion (6.0%)
ROA	4.8%	7%	9%

\*End of March 31

### Other Indicators

- We plan to increase the proportions of overseas sales and production to 60% or more.
- We aim to target a new product sales ratio of 30%.

\*Our goal for integrated and new business fields is total combined sales of the order of ¥150 billion.

## Growth Strategy in Three Domains

### Expansion into Integrated Business Fields

We plan to integrate these business fields across group and departmental boundaries, and use our all-round strengths to develop our "Environment & Infrastructure" business.

### New Growth in Current Business Fields

By overhauling and developing five established business segments — automotive, environment and energy, information & communications, electronics, and industrial materials — we aim to create new value in the business fields of "Mobility," "Energy," and "Communications (ICT)," as well as in the materials and product groups that support them.

### Challenging New Business Fields

We are also addressing the challenge of opening up two new business fields, "Life-Sciences" and "Materials & Resources," by making full use of the Group's wide-ranging technological capabilities.

## Priority Initiatives

### 1 Strengthen "Strategic Marketing" (Creating New Markets)

In addition to strengthening our services for both established and new markets and customers, we are focusing on strengthening our solutions proposal capability, and continuously creating and fostering new markets.

### 2 Increase Our "Global Presence" (Promoting Diversity of Personnel)

We are strengthening our global organizational systems and promoting diversity.

### 3 Enhance Our "Leading Technology" (Accelerating Commercialization)

In addition to accelerating the commercialization of research and development projects, we are building the core businesses of the future.

## Three Bases

### Human Resources Base

- Based on the Global Human Resources Management (HRM) Policy, we are committed to higher standards of recruitment, evaluation and incentivization, deployment and promotion, as well as human resources development.
- Promoting diversity.

### Manufacturing Base

- Greater competitiveness. We are raising standards in quality, cost and delivery, accelerating mass production and commercialization, and strengthening technological development.
- Strengthening basic manufacturing infrastructure and systems. We are creating a production system that is safe, clean, stable and reliable.
- Training human resources with practical skills.

### Financial Base

- Creating a sound and resilient financial position (shareholders' equity to total assets ratio of 50%, and a dividend payout ratio of 30%).

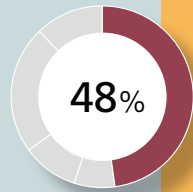
# At a Glance

Performance of Five Major Segments

Net Sales Breakdown

Market Environment

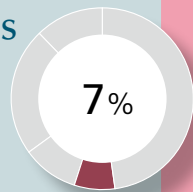
## Automotive



¥1071.2  
Billion

According to the Organisation Internationale des Constructeurs d'Automobiles (OICA), global automobile production increased by about 5% year-on-year in 2012 to over 84 million units. According to Japan Automobile Manufacturers Association, Inc. (JAMA) automobile production in Japan increased by 3% year-on-year to 9.55 million units at the end of March 2013. This was the first year of growth in two years, due partly to government stimulus policies such as subsidies for eco-cars.

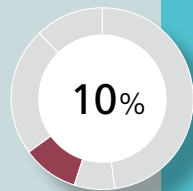
## Information & Communications



¥155.1  
Billion

Global telecommunications traffic continues to expand based on the growth in Internet users, the spread of smartphones and tablet PCs, and the increase in volume of video content. Moves to strengthen telecommunications infrastructure were accompanied by active development of new telecommunications standards.

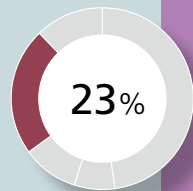
## Electronics



¥217.6  
Billion

Worldwide mobile phone sales in 2012 were down slightly year-on-year in volume terms, but smartphone sales grew strongly.

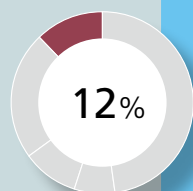
## Electric Wire & Cable, Energy



¥511.2  
Billion

Public needs are growing worldwide for use of renewable energy sources such as solar and wind power, and improved energy saving and energy efficiency.

## Industrial Materials & Others



¥272.5  
Billion

Given the global expansion of car production, demand for automotive components and tools for component processing was buoyant.



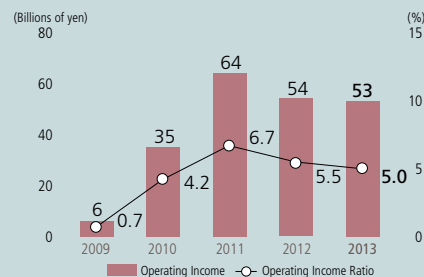
Sumitomo Electric Industries, Ltd. (TSE: 5802) and its subsidiaries and affiliates globally undertake product development, manufacturing and marketing, as well as service provision in the five business segments: "Automotive," "Information & Communications," "Electronics," "Electric Wire & Cable, Energy," and "Industrial Materials & Others."

The Group strives to develop original new business and products through research and development. We are also committed to identifying and developing research themes that will carry our Group to the next stage. With over 200,000 employees in approximately 30 countries around the world, we will continue to develop as a global company.

## Performance

## Operating Income and Operating Income Ratio

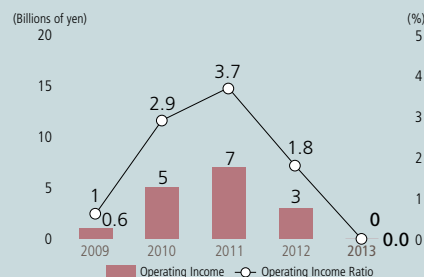
Although sales were lower due to sluggishness in the European market and political problems between Japan and China, sales in this segment grew 8.0% or ¥79.5 billion, to ¥1,071.2 billion year-on-year, mainly due to a recovery in production by Japanese automakers following the Great East Japan Earthquake and Thailand flooding disasters and recovery in the US market. However, operating income fell ¥1.2 billion to ¥53.1 billion, due to an increase in depreciation and amortization costs arising from construction of a new global production system and a concentration of resources on new product development expenses.



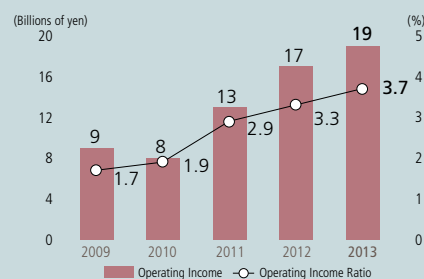
In the optical fiber and cable business, demand for opto-electronic devices and network equipment declined significantly during the year, despite an increase in our share of the Japanese market and increased revenues on China and other emerging market demand. Sales in this segment slipped 4.2% or ¥6.9 billion to ¥155.1 billion. The operating loss worsened to ¥10.3 billion from ¥5.9 billion, due to falling demand combined with a steep drop in profitability in the opto-electronic device business.



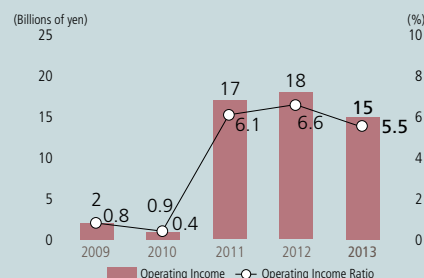
Sales in this segment came to ¥217.6 billion, up 17.1% or ¥31.8 billion from the previous term, as a result of the increased demand for FPC, which are used in smartphones and tablet PCs. However, operating income was a mere ¥5 million, a decline of ¥3,284 million from ¥3,289 million in the previous year, due to product portfolio changes and intensifying price competition.



Sales in this segment came to ¥511.2 billion, an increase of 0.5% or ¥2.6 billion. A decline in demand for wire coils and the impact of falling copper prices were outweighed by increased demand for electrical installation works by Sumitomo Densetsu Co., Ltd., mainly in Southeast Asia and an increase in demand for porous metal CELMET™ for hybrid electric vehicle batteries. Operating income increased by ¥2.2 billion to ¥19.1 billion, due to a strong performance by the low-pressure cable business and increased earnings at Sumitomo Densetsu.



Sales in this segment came to ¥272.5 billion, a decline of 1.9% or ¥5.4 billion over the previous year. Despite an increase in demand for sintered components and cemented carbide tools for automotive component processing, aligned with the increase in global automotive production, demand has slipped back for special steel saw wires and for electronic parts and heat sinks made by subsidiary A.L.M.T. Corporation. Operating income likewise declined ¥3.4 billion to ¥15.1 billion, partly due to falling demand and an increase in expenses connected with expansion of overseas manufacturing and marketing bases.





## Automotive

### Aluminum wiring harnesses

Automotive weight reduction has become a major issue in recent years, as demand grows for greater fuel efficiency and lower carbon dioxide emissions amid deepening environmental concerns. This has led to demands for smaller and lighter wiring harnesses. The Sumitomo Electric Group is developing new electric wires and technologies for better connectivity and corrosion resistance. Moreover, one result is the successful launch of mass production of aluminum wiring harnesses.



### Household charging connectors for electric vehicles

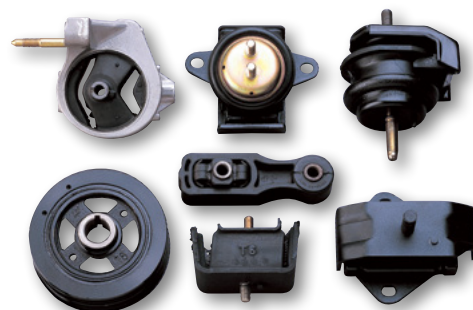
We expect environment-friendly electric vehicles and plug-in hybrid vehicles to spread in the future. Sumitomo Electric has developed charging plugs and automotive connectors that can distribute electricity to the car chassis from the charger of such eco-cars.

## Segment Overview

With the aim of creating an automotive society characterized by safety, comfort, and environmentally friendly, we supply the global market with a broad range of products including wiring harnesses for in-vehicle data and energy transmission and automotive anti-vibration rubber.

## Performance in 2013\*

- Sales in this segment increased by ¥79.4 billion to ¥1,071.1 billion on expanded demand for wiring harnesses in Japan, North America, and Southeast Asia. Operating income fell ¥1.2 billion year-on-year to ¥53.1 billion, due to fallout from political stress with China and increased costs of depreciation and amortization and research and development in connection with earlier investments.



### Anti-vibration rubber

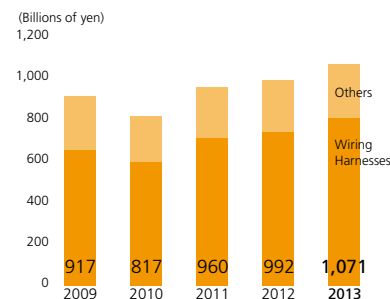
Anti-vibration rubber which absorb and suppress vibration from the engine and the road surface are important functional components for ensuring a safe, comfortable drive. In recent years, we have been increasing our ranges of these highly functional products combined with electronic control systems.

- In 2013\*, we increased our share of the global market for wiring harnesses by 26%, after meeting our medium-term management plan target of 25% in 2011\* (market shares are Company estimates).
- In light of the expected increase in demand for aluminum automotive wire in Southeast Asia and China, driven by growing demand for aluminum wiring harness, we have decided to establish the Group's first overseas production base for this product in Thailand. The facility for automotive aluminum wire is being built at SEI Thai Electric Conductor Co., Ltd., and will begin mass production in September 2014. By further refining our advanced technologies developed over many years in Japan, we aim to aggressively capture demand in the growing markets of Asia.

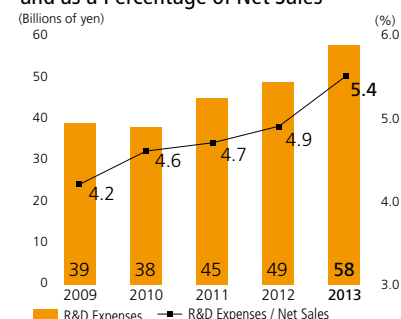
## Initiatives in 2014\*

- We plan to strengthen marketing capabilities by expanding business with emerging market and non-Japanese affiliated automakers.
- We aim to become the world's No.1 in this industry by aggressively developing new products, such as high-voltage harnesses for environment-friendly vehicles, aluminum wiring harnesses that reduce vehicle weight, and reactors that enhance HEV and EV performance by contributing to the improvement of the automotive converter.
- At the same time, we plan to continue expanding production bases in Mexico, Morocco, Southeast Asia and other areas, and further strengthening our cost competitiveness by setting up a global production system for optimized mass production.
- Our subsidiary Tokai Rubber Industries, Ltd. is expanding marketing globally, by leveraging synergy effects through acquisition of Italian hose manufacturer Dytech-Dynamic Fluid Technologies S.p.A (takeover procedures were completed in February 2013) and German anti-vibration rubber manufacturer Anvis Group GmbH (takeover procedures were completed in May 2013). This will help us to further develop and market products for more compact, lightweight applications, and further cut cost of sales.

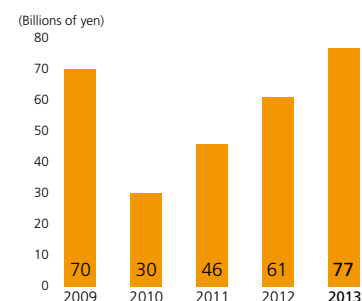
### Net Sales



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



### Capital Expenditure



## Strategic Topics

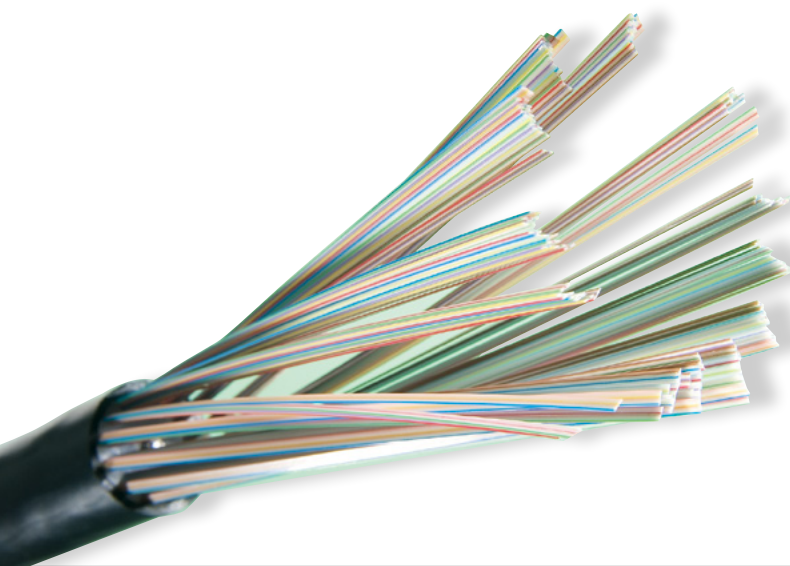
### Establishment of joint venture for development of electric vehicle charging connectors

In a joint venture with REMA Lipprandt GmbH & Co. KG (REMA), a German manufacturer of charging connectors, Sumitomo Electric and Sumitomo Wiring Systems established SUMI REMA EV Solutions GmbH in November 2012. The joint venture will handle development and design of charging connectors for electric vehicles.

Automakers in Europe and the United States are pioneering the development of charging connectors using the Combined Charging System (Combo) for rapid charging of electric vehicles. We have established our own development company under the joint venture, having acquired basic technological know-how regarding charging connectors from REMA (who is on the charging connector standards committee and other industry organization). This will enable us to prepare a development system at an early date for Combo standard charging connectors, enabling us to make better proposals to customers and increase sales.



# Information & Communications



### Multicore optical fiber cable

Optical fiber comprises of fine glass fibers as thin as a human hair. It is a highly effective transmission medium, enabling an optical signal within an optical fiber to be relayed several dozen kilometers. Unaffected by electromagnetic induction noise, these fibers ensure highly stable communication at high speeds and over long transmission distances.

## Segment Overview

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

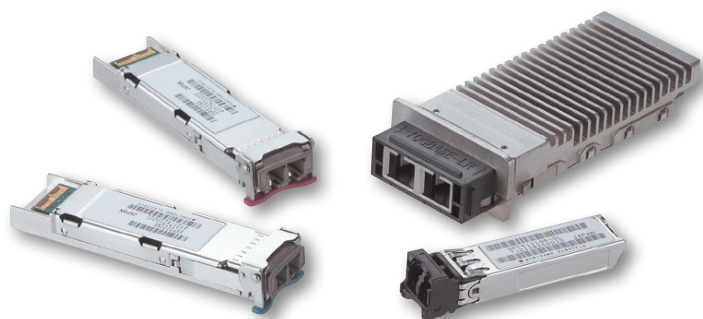
## Performance in 2013\*

- Overall sales in this segment fell 4.2% year-on-year to ¥155.1 billion due to sharp declines in demand for opto-electronic devices and network equipment despite higher revenues from optical fibers and cables on recovery demand in Japan and new demand in emerging markets. The operating loss worsened by ¥4.4 billion to ¥10.3 billion, due to the poor profitability of the opto-electronic device business in addition to the demand slump.
- Restructuring has been launched in the opto-electronic devices business, with the principal policies to restore profitability being an accelerated shift to overseas production, consolidation and closure of some production bases in Japan, and withdrawal from unprofitable businesses accompanied by a renewed focus



### Optical fiber fusion splicer

Using electrical discharge, optical fiber fusion splicers connect glass optical fibers together. Sumitomo Electric Group's Handy Splicer TYPE-201 series is the world's smallest and lightest optical fiber fusion splicers (as of February 22, 2013; according to in-house research), offering excellent high-speed connectivity and environmental resistance characteristics, and contributing to greater efficiency in optical fiber connection works. Shipments of Handy Splicer TYPE-201 began in April 2013.

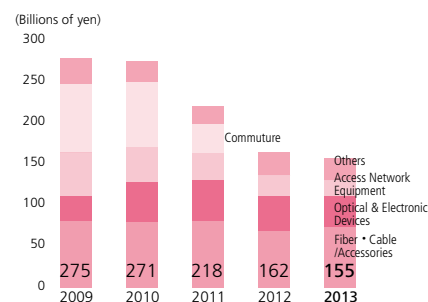


### Optical data links

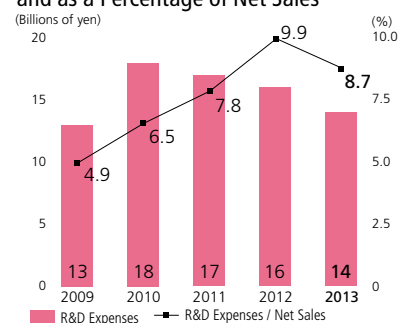
Optical data links are one of the most basic components used in optical communications. They enable large-capacity data transmission by converting electrical signals into optical signals. They are used widely in data center and other broadband networks.

on development themes. At the same time, we have been shifting personnel to other units within the Group to increase efficiency. As part of these initiatives, we integrated and transferred optical device development and manufacturing operations carried out at the Osaka plant of our subsidiary Sumitomo Electric Device Innovations, Inc. (SEDI) to Sumitomo Electric Photo-Electronics Components (Suzhou), Ltd., and folded production of the mother factory into SEDI's Yamanashi plant. At the end of June 2013, we closed the SEDI Osaka plant.

### Net Sales



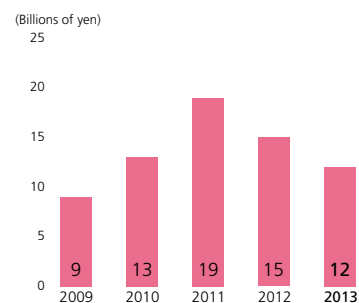
### R&D Expenses and as a Percentage of Net Sales



## Initiatives in 2014\*

- In optical fibers and cables, Sumitomo Electric aims to establish global production and marketing systems geared to capture growing demand primarily in emerging markets such as China, where the demand for optical fiber is the greatest. At the same time, we are aggressively expanding the marketing of new products such as low-loss optical fiber cable for submarine optical cable systems and new, compact optical fiber fusion splicers.
- In opto-electronic devices, we continue to pare costs through restructuring. In measures to further increase profitability, by drawing on the strengths of the Group, we are focusing resources on new product development in areas such as 40/100Gbps and other high-speed optical devices, as well as electronic devices for next-generation mobile phone base stations.
- In network equipment, we will work to capture demand related to CATV systems overseas.

### Capital Expenditure

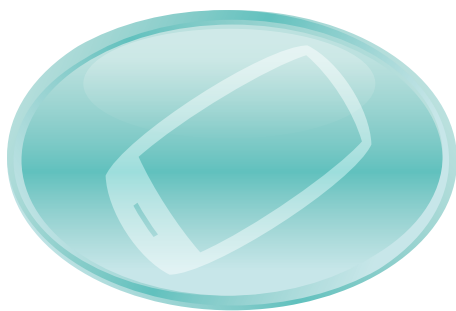


### Strategic Topics

## Low-loss optical fiber sets new world record, shipments of extremely low-loss optical fiber launched

Based on our proprietary low-loss technologies for optical fiber, Sumitomo Electric has set a new world record for transmission loss of 0.149dB/km (at wavelength of 1550nm). This technology has enabled us to launch shipments of (1) Z-PLUS Fiber™ ULL, for which typical transmission loss has improved from 0.16dB/km to 0.154dB/km (over mass produced fiber), and (2) Z-PLUS Fiber™ 130 ULL with an expanded effective core area. These two technologies are the ideal optical fiber options for rapidly spreading technologies for high-speed, large-capacity digital coherent communication. They are particularly suited for submarine optical cable systems, not only compatible with growing transmission capacity and lengthening transmission distances, but also expected to contribute to lower overall system costs through a reduction in the number of optical amplification repeaters.

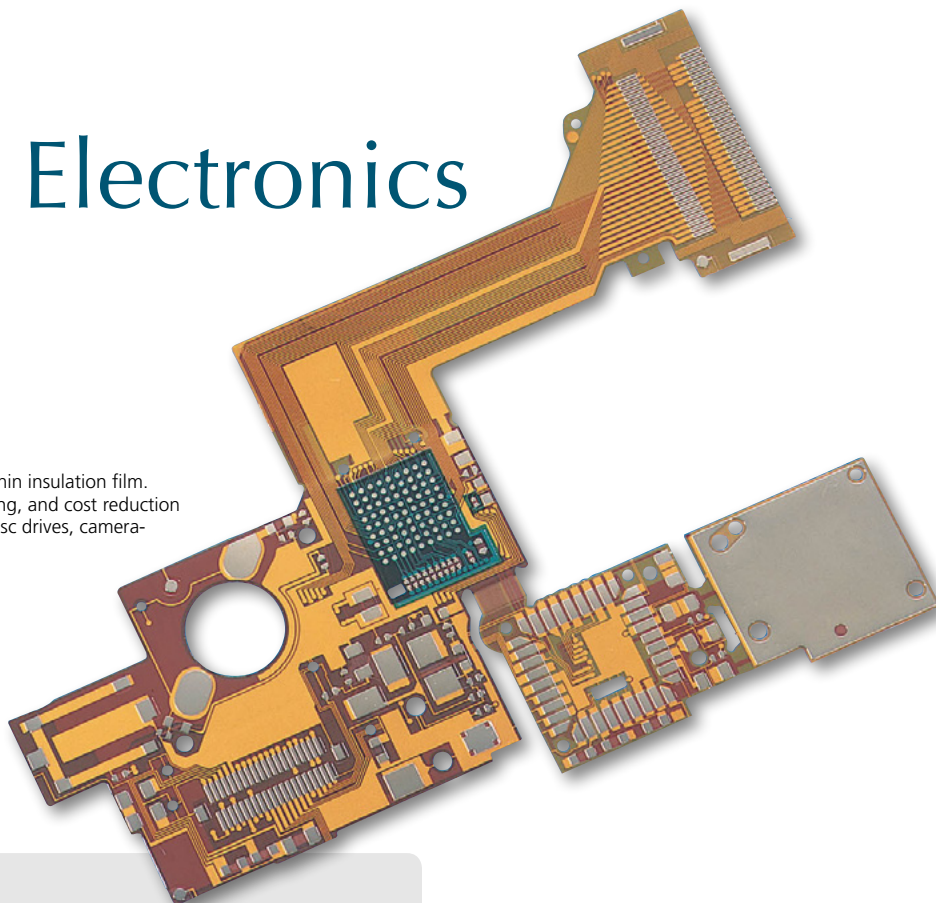
## Review of Operations



# Electronics

### Flexible Printed Circuits (FPCs)

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

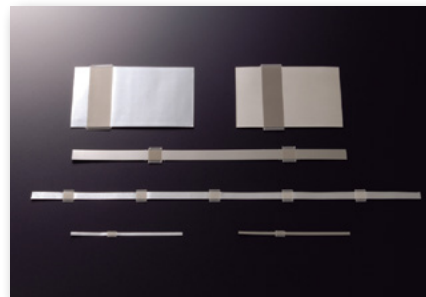


### Segment Overview

The Sumitomo Electric Group's electronics segment supplies manufacturers of smartphones, flat-screen televisions, and other highly advanced electronics equipment. Products include base material, wiring, and components for compact and lightweight devices with high functionality and performance, such as flexible printed circuits (FPCs), electronic wires, heat-shrinkable tubing, fine polymer products, and compound semiconductors.

### Performance in 2013\*

- Sales in this segment rose 17.1% year on year, due to increased demand for FPCs for smartphones. Operating income fell ¥3.3 billion to ¥5 million due to falling prices and increased costs in line with product portfolio changes and production consolidation.
- In FPCs, we increased our production capacity primarily in the Asian region to meet growing global demand particularly from China and Southeast Asia. In October 2012, we acquired all the shares from Sumitomo Bakelite Co., Ltd. of its Vietnam FPC production subsidiary and relaunched it as SEI Electronic Components (Vietnam), Ltd.
- In electronic wires, we developed high-speed Thunderbolt cables and established the mass production system.
- In compound semiconductors, in January 2013, Sumitomo Electric concluded a licensing agreement for the use of Smart Cut, Soitec's proprietary engineered wafer technology. We aim to use this technology to manufacture and market thin-film gallium nitride (GaN) substrates for high-density LED lighting applications.

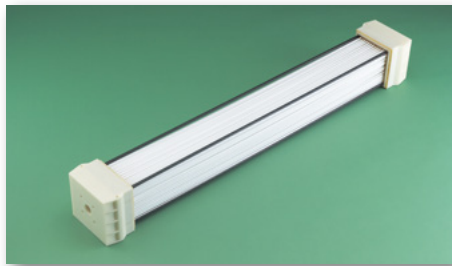


### Tab-Lead

Tab-Lead is used to draw electricity from lithium-ion batteries or electric double layer capacitors covered with aluminum laminated film. This wire is remarkably resistant to battery electrolyte. Also, its insulating layer prevents heat deformation. These characteristics provide excellent sealing reliability.

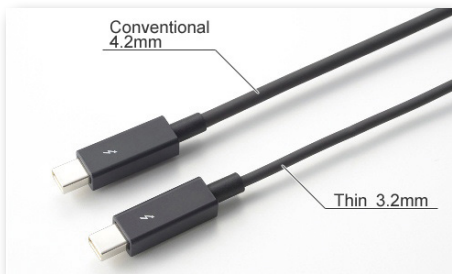
### POREFLON™ water treatment module

We have commercialized a membrane module based on its proprietary technologies using a porous separation membrane made of highly chemical-resistant, heat-resistant, and durable polytetrafluoroethylene (PTFE). It is suitable for a wide range of applications, including wastewater treatment, purification and decontamination, gas dissolution and degassing.

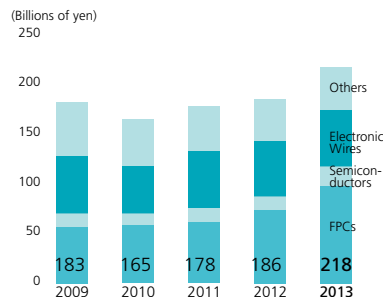


### Thin Thunderbolt Cable

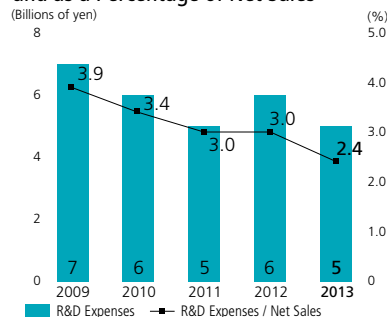
In May 2013, we became the first in the world to obtain certification for thin Thunderbolt cable from Intel Corporation, and launched the mass production. The cable has an outer diameter about 25% smaller than conventional products, and is about 42% smaller in cross-sectional area. The miniaturization enables greater flexibility and convenience, and satisfies current 10Gbps high-speed transmission requirements.



### Net Sales



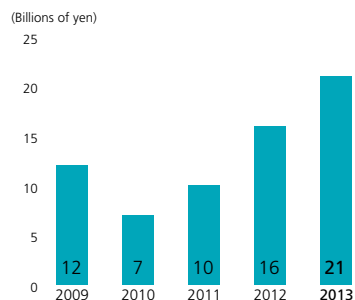
### R&D Expenses and as a Percentage of Net Sales



## Initiatives in 2014\*

- In FPCs, the focus is on meeting increased demand from smartphone and tablet PC manufacturers and strengthening our global marketing and production capabilities, while further reducing the overall cost of sales by optimizing production.
- In electronic wire products, we are expanding sales of electronic wires for automotive applications and Tab-Lead for lithium-ion (polymer) batteries, including thin Thunderbolt cable and other products.
- In addition, we are expanding development and marketing of exciting new products such as large low-cost GaN substrates for compound semiconductors and chemical-resistant, highly-resilient superfine filtration membrane modules for pharmaceutical and water treatment systems.

### Capital Expenditure

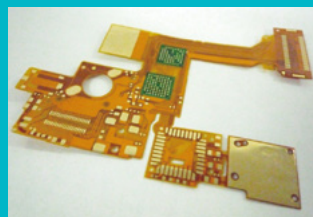


### Strategic Topics

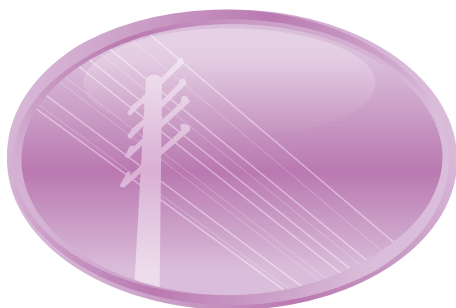
#### Mass production of FPCs with conductive paste connections that enable slimmer circuit boards and increased wiring density

Sumitomo Electric has developed an FPC conductive paste connection based on our original metal nano-particle technology for inter-layer applications in FPCs. In April 2013, we began shipments of double-sided FPCs after the launch of full-scale operation of its mass-production line at the Minakuchi Works of Sumitomo Electric Printed Circuits, Inc.

FPCs with conductive paste connections are 30% thinner than conventional FPCs with electroplating connections, and they are significantly more flexible. They can increase wiring density by high-precision circuit pattern formation. The newly developed FPC is expected to improve the wiring design flexibility of mobile terminals and other electronic devices and to save space. Looking ahead, this innovation will bring about further evolution of these devices by enhancing their designability, operability, and performance in the future.



## Review of Operations



# Electric Wire & Cable, Energy



### CHAdeMO-Compliant Quick Charger Connector for EV Applications

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

## Segment Overview

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

## Performance in 2013\*

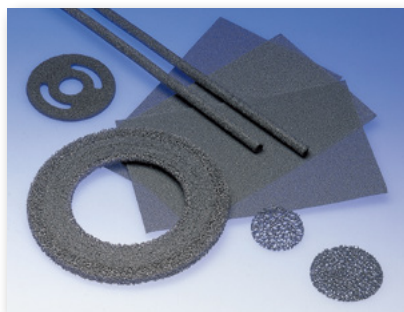
- Sales in this segment came to ¥511.1 billion, an increase of 0.5%. A decline in demand for magnet wires and the impact of falling copper prices were outweighed by increased demand for overseas electrical works by Sumitomo Densetsu Co., Ltd., and an increase in demand for porous metal CELMET™ for hybrid vehicle batteries. Operating income likewise grew 12.8% to ¥19.1 billion due to a robust performance by the low-voltage cable business and increased earnings at Sumitomo Densetsu.
- At our Yokohama Works, we began a trial operation for demonstration purposes in July 2012 for our megawatt-class power generation/storage system comprising of one of the world's largest redox flow batteries and one of Japan's largest concentrator photovoltaic units. In superconducting products, we launched Japan's first trial operation of in-grid superconducting cable in October 2012 at Tokyo Electric Power Co., Ltd.'s substation in Asahi Substation in Yokohama. (Please refer to Strategic Topics for more details.) In January 2013, at our Osaka Works, we launched a long-term demonstration test for the high-temperature superconducting cable.



### Wire Rods

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





### CELMET™

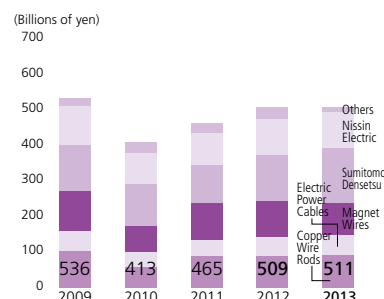
This porous material features high-porosity and continuous pores, and is used mainly in the electrodes of nickel-hydrogen batteries.



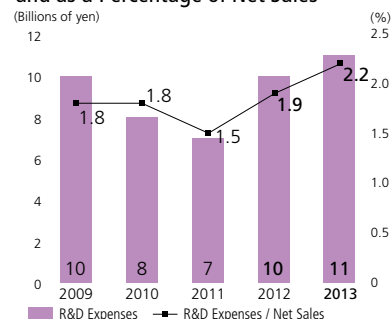
### Cross-Linked Polyethylene (XLPE) Insulated Cables

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

### Net Sales



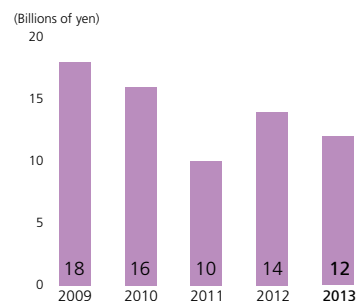
### R&D Expenses and as a Percentage of Net Sales



## Initiatives in 2014\*

- In our copper wire rod businesses, the focus is on expansion of sales by using production bases established last year in Thailand to meet growing demand in Asian markets.
- Our subsidiary Sumitomo Densetsu Co., Ltd., is expanding and increasing overseas operations in Southeast Asia and other areas, while aggressively developing our energy-saving diagnosis and other environment-related businesses.
- Our another subsidiary Nissin Electric Co., Ltd., is expanding marketing of new energy- and environment-related equipment such as power conditioners.
- We are proactively marketing products that contribute to active use of renewable energy sources and improvement of energy supply efficiency, such as low-transmission loss electric power cables, high-temperature superconducting wires, and power conditioners (systems that convert direct into alternating current). In the automotive field, we are developing and marketing products that improve fuel efficiency, such as scratch-resistant magnet wire for environment-friendly car motors and porous metal CELMET™ for battery electrode materials.

### Capital Expenditure



## Strategic Topics

### Launch of trial operation of Japan's first in-grid high-temperature superconducting cable

On October 29, 2012, Japan's first in-grid high-temperature superconducting cable demonstration project was launched at the Asahi Substation (Yokohama) of Tokyo Electric Power Company, Inc. (TEPCO).

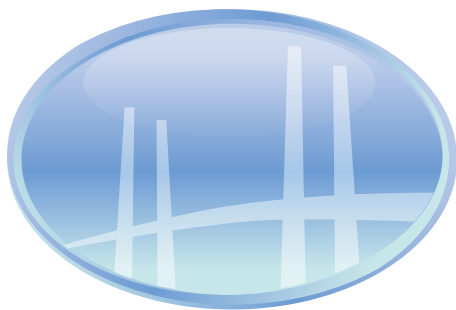
This trial is a 7-year joint development project forming part of the High-Temperature Superconducting Cable Demonstration Project launched by New Energy and Industrial Technology Development Organization (NEDO)<sup>\*1</sup> in 2007. In this project, 240m of high-temperature superconducting cable installed in the Asahi Substation is connected to a live power grid. The aim is to confirm the operability, reliability and stability of high-temperature superconducting cable in practical grid application.

In this trial, high-temperature superconducting cables with one of the highest capacities in the world (200,000kVA class) was used for three-core-in-one cryostat type<sup>\*2</sup> superconducting cable. The wiring material was an improved version of the DI-BSCCO™ (Dynamically Innovative BSCCO) wire developed by Sumitomo Electric in 2004.<sup>\*3</sup>

\*1 NEDO: An independent administrative agency in Japan.

\*2 Three-core-in-one cryostat type: A configuration in which the insulation tube of a single cable houses three high-temperature superconducting cable cores.

\*3 Sumitomo Electric further improved the DI-BSCCO™ (Dynamically Innovative BSCCO) wire developed in 2004 by drawing on the findings of the NEDO project. By making the wiring slimmer and more compact, we aimed to reduce AC loss. The word BSCCO refers to the oxide superconductor compound formula (Bi2Sr2Ca2Cu3O10). The compound is composed of bismuth (Bi), strontium (Sr), calcium (Ca), copper (Cu), and oxygen (O).



# Industrial Materials & Others



### Cutting tools (IGETALLOY™ and SUMIBORON™/SUMIDIA™)

When metals need to be cut, ground or polished, or otherwise processed, cutting tools are necessary. Our IGETALLOY™ super-hard alloy is second to diamond in hardness and steely toughness, and our SUMIBORON™ and SUMIDIA™ tools have edges of cubic boron nitride and ultrafine diamond particles. These tools can contribute to improved productivity and lower processing costs in the machining industry.



### SUMI ALTOUGH™ high-performance aluminum alloy

SUMI ALTOUGH™ is an aluminum alloy made of rapidly solidified alloy powders. Compared with conventional aluminum products, it has excellent strength, abrasion resistance, heat resistance and machinability. It is an ideal new material for helping automakers and other manufacturers achieve more lightweight mechanical parts.

## Segment Overview

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

## Performance in 2013\*

- Sales in this segment came to ¥272.5 billion, a decline of 1.9% over the previous year. Despite an increase in demand for sintered components and cemented carbide tools for automotive component processing, along with the increase in global automotive production, demand slipped back for saw wires and for electronic parts and heat sinks made by subsidiary A.L.M.T. Corp. Operating income likewise declined 18.2% to ¥15.1 billion, due to falling demand and an increase in expenses connected with expansion of overseas manufacturing and marketing bases.
- As part of our expansion of sales of cutting tools to newly emerging markets, the hardmetal business established marketing bases in Brazil, Indonesia, and Turkey. Full-scale production was launched in May 2012 at our new factory in Hokkaido, where Hokkaido Sumiden Precision Co., Ltd. has introduced super-high-efficiency production lines. The Hokkaido factory is our global production base for cemented



### Steel tire cords

Steel tire cords are used as a reinforcement material in radial tires. In addition to strengthening the tires, they also ensure stable driving and support comfortable ride from the ground up.



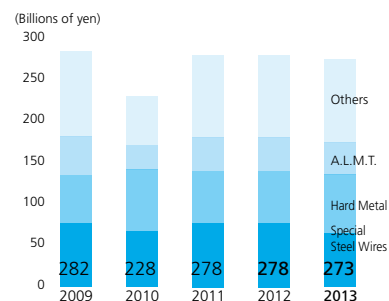
### Prestressed concrete steel wires

Prestressed concrete is a technology for high-strength concrete members using high-strength steel wires to generate high compressive force. It is used in construction of large bridges and tanks. The Sumitomo Electric Group is involved in many civil engineering and construction projects using the DYWIDAG™ method, for which it has acquired licensing in Japan.

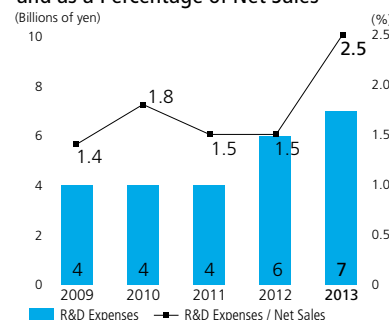
carbide indexable inserts. Combining thoroughgoing labor saving with a highly efficiency layout, the super-high-efficiency production lines have doubled output per employee and increased productivity per unit of space by 30%. Production lead times for these cemented carbide indexable inserts have been halved from prior levels to 6 days.

- In the sintered parts business, we have established a manufacturing and marketing joint venture with WLK Group and Santini Group, both industry leaders in Indonesia.
- In the special steel wire business, we launched operations at Sumiden Hyosung Steel Cord (Thailand) Co., Ltd., a joint venture set up for the manufacturing of steel tire cords with Hyosung Group of South Korea, in November 2012. In addition to supplying the domestic market in Thailand, this company will serve as an export base supplying steel cords globally.

### Net Sales



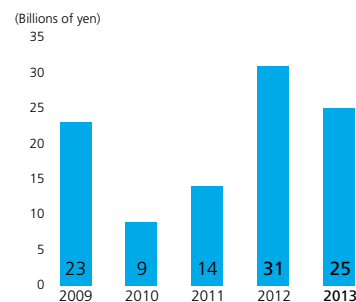
### R&D Expenses and as a Percentage of Net Sales



## Initiatives in 2014\*

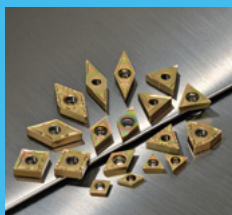
- Production facilities in Indonesia for cutting tools and sintered parts are forecast to come onstream smoothly in the first half of 2013. At the same time, we will globally expand the marketing of powder alloys using upgraded marketing bases chiefly in emerging markets.
- In cemented carbide tools, we are working to promote tungsten recycling in Japan, and secure a stable supply of raw materials.
- A.L.M.T. Corp. is also accelerating new product development and marketing in the electronics field, including precision diamond tools essential to semiconductor nano- and micro-processing.
- In special steel wires, we aim to capture rising demand in the Asian region, by securing orders for prestressed concrete steel wires used in restoration work in Japan and leveraging new production facilities at Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.

### Capital Expenditure



### Strategic Topics

#### T1500Z cutting cermet coated with Brilliant Coat™ next-generation film



In February 2013, the new general purpose coated cermet material T1500Z went on sale. Coated with the industry's first next-generation lubrication film Brilliant Coat™, it ensures a beautifully finished surface when cutting steel.

Cermet, which is made mainly of titanium alloy, has a low affinity with iron and can achieve a beautifully finished sheen surface when used on iron-based metals. This material has attracted public attention recently because it is sparing in its use of tungsten, a rare nonrenewable resource.

To achieve the beautiful luster and stable surface roughness cermet is noted for, we have developed material and coating technologies that suppress reactions with ferrous metals.

# Research & Development

In line with our commitment in our Corporate Principles to building up technical expertise, realizing changes and striving for consistent growth, we focus on growth in existing areas while developing original businesses and new products with strong earning potential. With a view to future technological needs, we are also committed to identifying and developing new research themes that will drive next-generation growth for the Sumitomo Electric Group.

Consolidated R&D expenses during the year under review totaled ¥94.3 billion.

## Automotive

In the year under review, R&D expenses in this field totaled ¥57.9 billion.

As an environment-friendly initiative, we have developed aluminum wiring harnesses that contribute to weight reduction in automobiles and started their mass production. While exploring further applications of these aluminum harnesses, we are also engaged in the development of high-voltage wiring harnesses, connectors, and other products for hybrid electric vehicles (HEVs) and electric vehicles (EVs). In the automotive electronic equipment, we are developing various products including power distributors, semiconductor devices and on-board electronic control units, as well as next-generation automotive local area networks and related software.



High-voltage wiring harness for HEVs

module with wavelength division multiplexing transmission compatibility, a transmission speed of 10Gbps, and a transmission distance of 80km. To meet the need for even faster speeds, a 100Gbps module was commercialized.

In safety and security technology, developments included driving safety support systems using traffic control algorithms and cooperative driving safety support systems, as well as, in the security field, imaging and radio wave sensors.

## Electronics

In the year under review, R&D expenses in the field totaled ¥5.2 billion.

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

In the electronics materials and parts field, we have developed high-conductivity paste using metal nano-powder, nano-ink for forming inkjet printing circuits, and materials for high-density mounting, including anisotropic conductive film for fine-pitch electrodes, etc. We are also engaged in the development of compact electronic circuit boards for mobile equipment, module components, and heat dissipation materials, which all draw on our unique adhesive material and fine circuit pattern formation technologies.

We have also established the world's first manufacturing technology for strong, corrosion-resistant, new magnesium alloy sheet, AZ91, for lightweight applications, as an energy-saving and environment-friendly initiative. In November 2012, we began mass production of AZ91 alloy for the casting in personal computers.



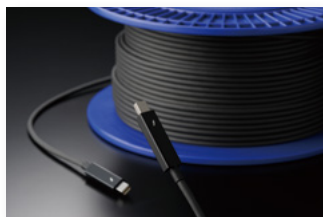
Magnesium alloy sheet

## Information & Communications

In the year under review, R&D expenses in this field totaled ¥13.5 billion.

In optical communications-related products, we continued to develop and research multicore optical fiber cables and low-loss / low-nonlinearity optical fibers to meet demand for high-speed, large-volume optical fiber communication. Another development area is high-speed wiring communication technologies for equipment-internal connection and connection between information devices and servers, etc. at transmission speeds of 10Gbps and higher. As a result, we have successfully commercialized the world's first optical Thunderbolt active cable. (Thunderbolt and Thunderbolt logo are trademarks or registered trademarks of Intel Corporation in the U.S.)

In the optical devices business, we have developed a compact, power-saving



Optical Thunderbolt cable

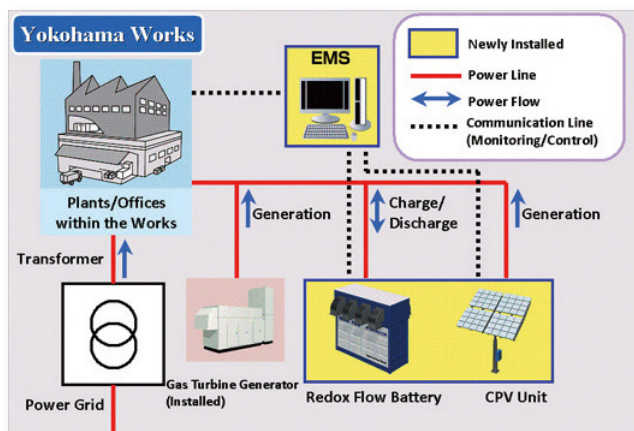
## Electric Wire & Cable, Energy

In the year under review, R&D expenses in this field totaled ¥11.0 billion.

In the superconducting field, we are embarking on full-fledged, commercial-basis marketing of superconducting wires, having substantially improved the performance and mass production potential of bismuth-based high-temperature superconducting wires. Deliveries are planned for cable projects and motor and magnet developments in countries all around the world. In superconducting cable systems, we launched the first in-grid trial operation in Japan in October 2012, installing a high-temperature superconducting power distribution system at our Osaka Works. As a continuation, a long-term demonstration test began in January 2013 to focus on improving the technological capabilities of superconducting wires for commercialization.

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

In the storage battery field, we are developing a molten salt electrolyte battery that comprises nonflammable material and makes a compact assembled battery a real possibility. In addition, we have developed the porous aluminum material Aluminum-CELMET™, and are currently focusing on developing mass production technology with a view to its use in lithium-ion batteries and storage devices such as capacitors.



Megawatt-class power generation/storage system

## Industrial Materials & Others

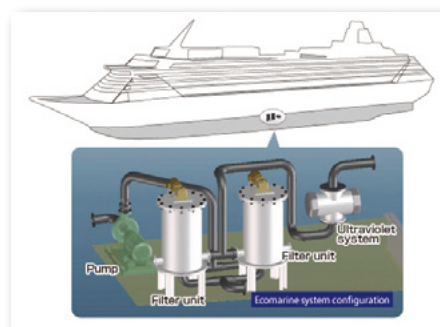
In the year under review, R&D expenses in this field totaled ¥6.8 billion.

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

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

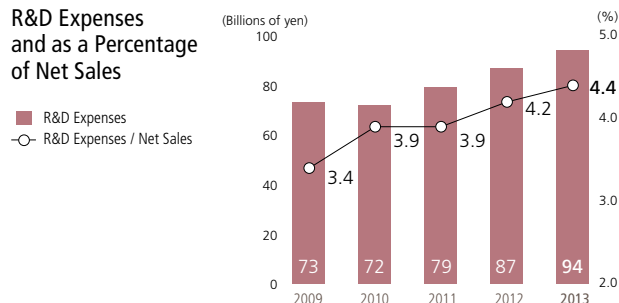
The Group is also developing technology for the recycling of tungsten, cobalt, and other materials as well as resource-recovery process that reduces environmental load, through collaboration with government agencies and universities.

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



Ballast water treatment equipment

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

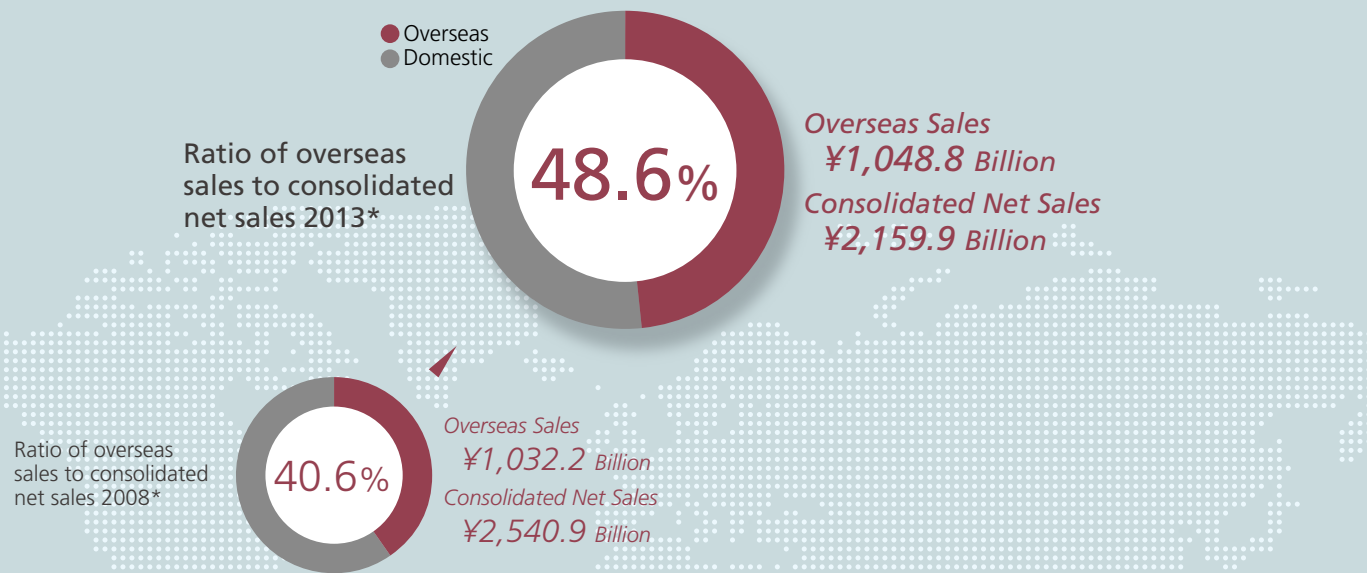


# Expanding Business on the World Stage

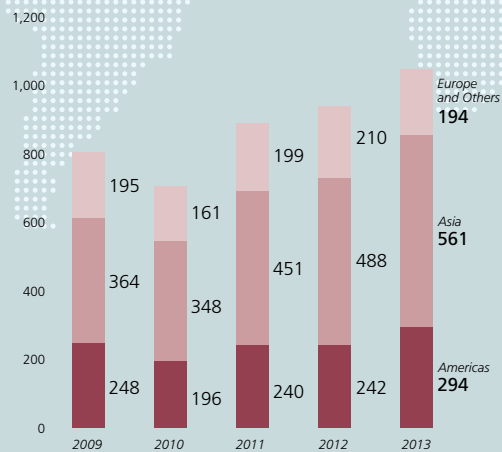
The Sumitomo Electric Group is expanding marketing bases and optimally reconfiguring its network around the world, to respond more accurately to growing global demand driven by the emerging economies.

As a result, sales of the Company and its consolidated subsidiaries outside Japan (overseas sales) totaled ¥1,048.8 billion at the end of March 2013, an increase of ¥108.9 billion from the previous year. Overseas sales now account for 48.6% of total sales on a consolidated basis, a year-on-year increase of 3 percentage points.

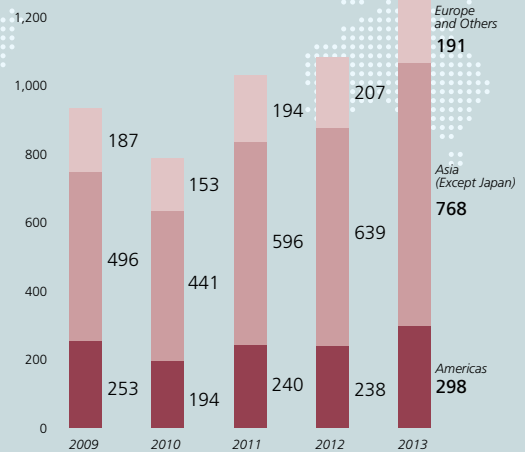
Overseas sales by consolidated subsidiaries outside Japan accounted for 46.1% of all consolidated sales in the year ended March 2013, a 3.7 point increase. Operating income generated by such subsidiaries accounted for 68.1% of all consolidated operating income, a year-on-year increase of 18.4 points.



**Overseas Sales**  
(Billions of yen)



**Geographical Segment Sales**  
(Billions of yen)



\*For the years ended March  
(Please refer to Fact Book)

## Americas

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Sales in this region increased by ¥52.4 billion year-on-year to ¥294.0 billion (accounting for 13.6% of all consolidated sales) at the end of March 2013, as a result of the expansion of transactions with non-Japanese auto-manufacturers in wiring harnesses and other automotive products, and recovery in the US market.

Meanwhile, sales of consolidated subsidiaries in the United States and elsewhere (to external customers) increased ¥59.5 billion year-on-year to ¥293.9 billion, while operating income increased ¥3.6 billion to ¥10.6 billion in the year ended March 2013. Operating income generated in the region accounted for 13.8% of consolidated operating income.

## Asia

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Sales in China increased by ¥36.4 billion year-on-year to ¥292.4 billion (accounting for 13.6% of all consolidated sales). Sales in other Asian markets increased ¥36.3 billion to ¥268.6 billion, accounting for 12.4% of total sales on a consolidated basis.

Sales of consolidated subsidiaries in Asia, including China, (to external customers) at the end of March 2013 totaled ¥519.8 billion, an increase of ¥89.5 billion from the previous year. The principal reasons for this trend were steadily increasing sales of wiring harnesses, sintered parts and other industrial materials, for which demand has been buoyant, and a significant increase in electrical installation works by Sumitomo Densetsu Co., Ltd. Operating income also increased ¥11.7 billion year-on-year to ¥40.3 billion. Operating income generated in this region accounted for 52.7% of total operating income on a consolidated basis.

## Europe and others

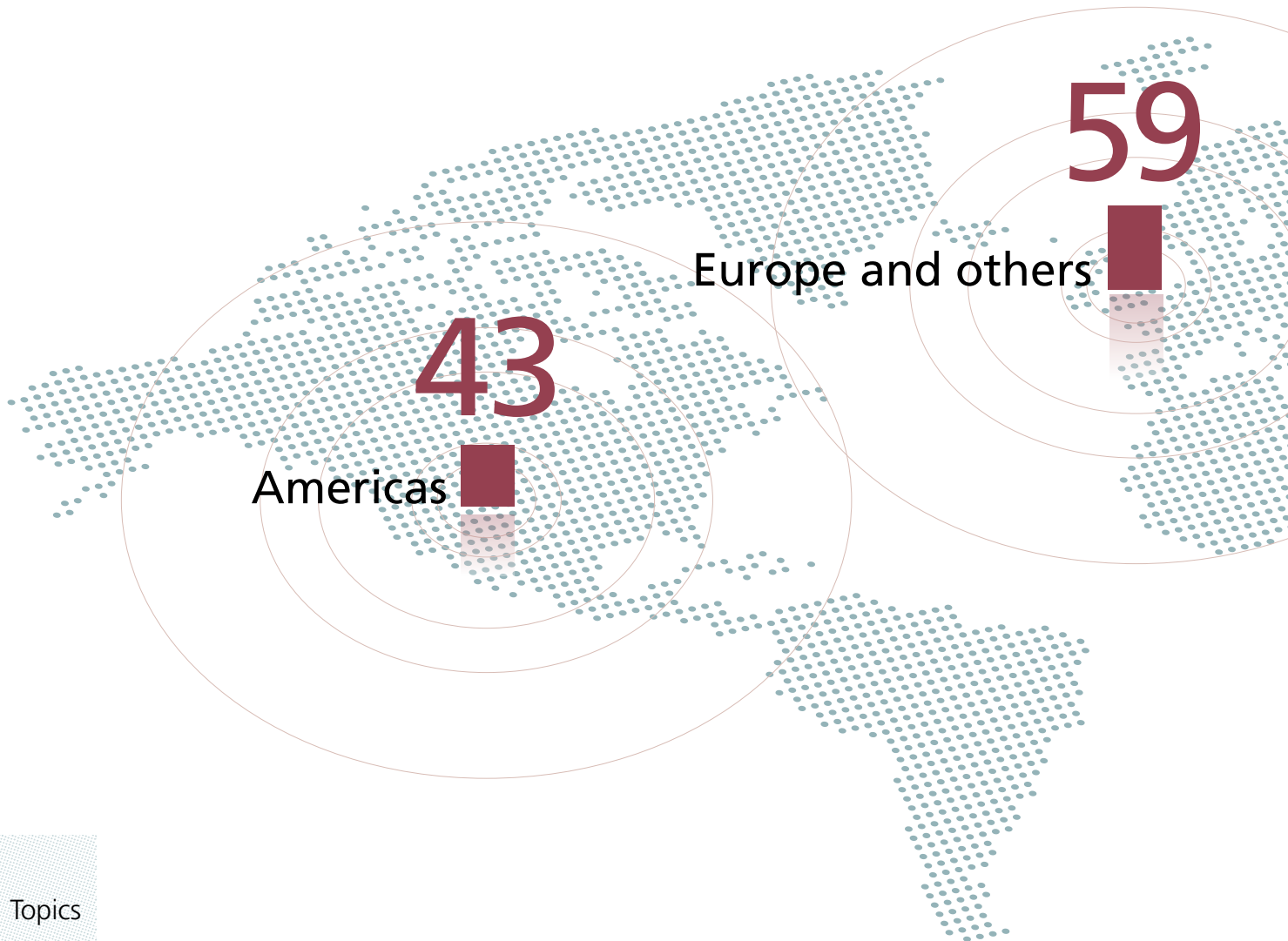
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Sales in Europe fell ¥16.3 billion to ¥193.8 billion (accounting for 9.0% of total consolidated sales) in the year ended March 2013, and earnings also fell due partly to weak sales of automotive wiring harnesses amid the slowdown in European markets.

At the same time, sales of consolidated subsidiaries in the region (to external customers) declined ¥20.2 billion to ¥184.9 billion, and earnings also dipped. Operating income was ¥1.1 billion, down ¥6.2 billion. Operating income generated in this region accounted for 1.5% of total operating income on a consolidated basis.

# Expanding Business on the World Stage

Total of consolidated subsidiaries and affiliates by the equity method,  
as of March 31, 2013: 353



## Topics

### Global Human Resource Management Policy

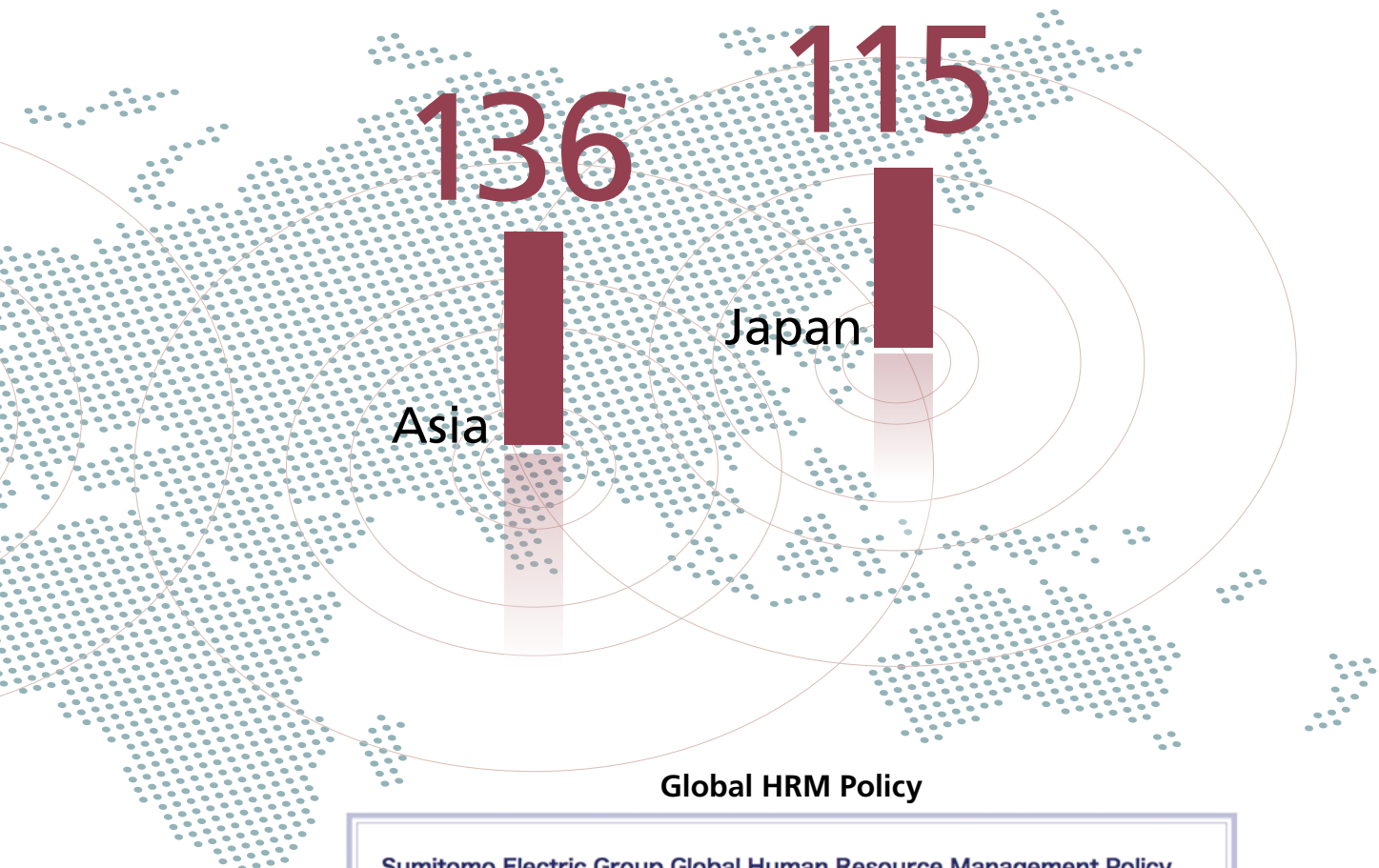
Currently, the Sumitomo Electric Group employs around 200,000 people in diversified technological and regional occupations in over 30 countries. It is essential for us to make full use of all of our resources if we are to survive and thrive amid global competition in terms of technology, products and business model. Also, it is vital to secure and mobilize highly talented human resources to support our business.

The Group has long emphasized the importance of human resources, as stated in the Sumitomo Spirit. In September 2011, the Group compiled a Global Human Resource Management Policy, clearly laying down basic human resource policy.

This policy explicitly commits Sumitomo Electric to further accelerating the globalization of human resources and organizational systems, and providing training for fostering global players and leaders and career opportunities regardless of nationality, race, ethnicity, religion or gender. The policy has been widely promulgated internally and externally.

We are promoting specific policies for cross-border personnel exchange and training, and for compilation of global guidelines for personnel deployment.





## Global HRM Policy

### Sumitomo Electric Group Global Human Resource Management Policy

#### グローバルHRMポリシー

**We provide workplaces where all the employees can work actively, grow both personally and professionally through work, achieve self-actualization, and contribute to society.**

あらゆる人材が住友電工グループの一員として活躍し、仕事を通じて成長し、自己実現し、社会に貢献できる会社を目指します。

**We offer various career opportunities and pursue globally "the right person in the right position" regardless of nationality, race, ethnicity, religion, age or gender.**

国籍、人種、民族、宗教、年齢、性別にかかわらず、様々なキャリア機会を提供し、グローバルな適材適所の実現を目指します。

**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.**

組織の創造性を高め、永続的に発展するため、多様性を重視し、ダイバーシティの推進に取り組みます。

**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.**

グローバルな事業展開を支えるグローバルリーダーの育成に取り組みます。グローバルリーダーとは、住友事業精神と住友電工グループ経営理念を理解し、ダイバーシティに富んだチームをリードできる人を意味します。

Website: <http://global-sei.com/ghrm/>

# Corporate Governance

## Basic Policy for Corporate Governance

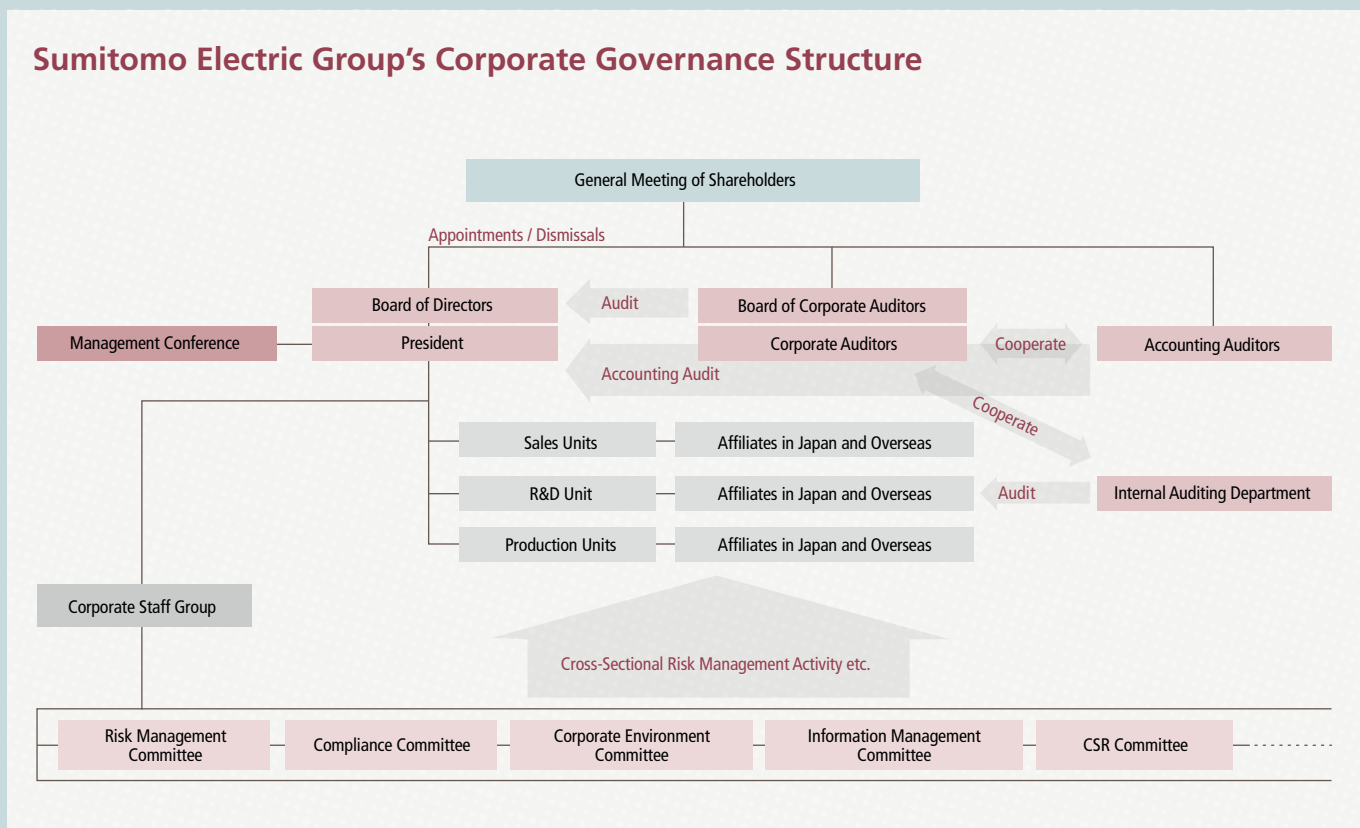
The consistent basic policy of the Sumitomo Electric Group is to continue to create a positive contribution to society through the pursuit of fair business activities, align with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. To develop our business and enhance our corporate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

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

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

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

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



## Board of Directors

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

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

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

## Audits by Corporate Auditors and Internal Audits

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

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

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

Our Accounting Auditors and Internal Auditors are KPMG AZSA LLC.

## Outside Director and Outside Corporate Auditors

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Sumitomo Electric has one Outside Director and three Outside Corporate Auditors. No particular conflict of interest issues exist between the Company and the Outside Director or the Outside Corporate Auditors. The Company has selected an Outside Director to further enhance the supervising functions of the Board of Directors with an external viewpoint and to improve the transparency and objectiveness of the management. We have also appointed independent Outside Corporate Auditors with expertise in various fields and a multifaceted perspective. To reinforce the monitoring system that ensures lawful and proper management of our company, such Corporate Auditors represent the majority of the Board of Corporate Auditors. These outside officers provide useful opinions from a multifarious standpoint at Board meetings and other occasions.

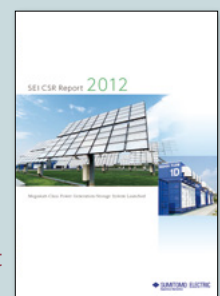
# Corporate Social Responsibility

We believe that contributing to the community through our business activities is the basis of CSR, therefore, we have set targets in each of the following five priority areas.

## Sumitomo Electric Group CSR Basic Policy

The Sumitomo Spirit, which gives top priority to upholding public trust and corporate ethics, is deeply instilled in the Sumitomo Electric Group. The Sumitomo Spirit, embodied into the Sumitomo Electric Group Corporate Principles, serve as the basic value standards that guide us. We believe that the Sumitomo Electric Group's basic CSR policy is to contribute to the community through our business operations, while ensuring full compliance.

We have specified five priority categories on which we focus our CSR efforts: environmental preservation; procurement and logistics; safety and quality; employees and human rights; and community contribution. Based on this approach, we will establish strong relationships with stakeholders and continue sustained growth with the aim of becoming a Glorious Excellent Company.



Sumitomo Electric Group CSR Report  
SEI CSR Report 2012

For more information about CSR activities of our Group, please see our website.

<http://global-sei.com/csr/index.html>

Our CSR report 2013 will be issued in November 2013.

## Highlights of 2013

### Activities of the SEI Group CSR Foundation

Established in April 2009 for the purpose of promoting human resources training and academic development in various fields in Japan and overseas, the SEI Group CSR Foundation obtained official recognition in February 2010 from the Prime Minister of Japan and His Cabinet as a Public Interest Incorporated Foundation.

At the end of March 2012, the Company made a total outlay of ¥635 million (of which ¥500 million went into endowment funding and ¥135 million were operational donations) in the following three projects.

#### 1. Monetary contributions to university courses ¥84 million in total

In our university course support activities, we continued contributions from the last year to 6 courses, as follows:

- Laboratory of Plant Bioengineering for Bioenergy, Osaka University
- Manufacturing engineer and researcher training course, Osaka University
- Solution study of plant biomass, Kyoto University
- Nano-Interface Photonics Institute, Kyoto University
- Power frontier course, The University of Tokyo
- Research on neuroimaging, Tohoku University

#### 2. Support of Academic and research activities ¥20 million in total

We invited applicants to the program to support academic and research activities, and received 80 applications. Out of 80 applications, 16 were approved and awarded grants, as they met the conditions of being cases of seed research being undertaken as basic scientific projects by young researchers in need of funding.

In addition to these funding activities, the Company made contributions to support recovery in areas affected by the Great East Japan Earthquake and Thailand flooding disasters, including contributions in support of arts and cultural activities, regional development, and other causes.

#### 3. Granting of scholarships: 19 million yen in total

We provided scholarships for 13 international students studying in Japan and 80 local students studying at overseas universities.

### Resource-saving and recycling

The Sumitomo Electric Group is committed to activities that reduce the emissions rate ultimately to zero. Up to the end of March 2012, the target rate was 0.5% or less in Japan and 5% or less overseas. (Emission rate is the volume of waste processed by simple incineration or landfill / total volume of waste output X 100.)

#### Topics

PT. Sumiden Serasi Wire Products (SSWP) in Indonesia manages sludge waste and waste acids, and other B3 waste generated by our wire surface treatment and wastewater processing facilities. As part of recycling initiatives, we promote use of sludge as a substitute raw material for cement manufacturers, and waste acids as wastewater processing agents.

SSWP sells much of the waste metal, waste paper, waste plastic, and other waste as valuable materials, but general unsorted waste material is still sent to landfill. We are working to reduce landfill use through recovery of unsorted waste paper and plastics, and through composting of trees, leaves and other organic waste. At the end of March 2012, the emission rate was 11%.



To prevent the disclosure of information from confidential files, we use shredders if documents are routine and small in volume, and incinerators and dissolution treatment if the documents are large in volume. Sumiden Friend, Ltd., a special subsidiary of the Sumitomo Electric Group, introduced shredding and dissolution systems in the end of March 2012, and began carrying out in-house processing of confidential documents at its Osaka Head Office and Itami Works. The dissolved document residue is sold to paper manufacturers and recycled into raw material for toilet paper and other products.



### Sumitomo Electric Group Citizenship Activity Smile Relay

In May 2011, Sumitomo Electric opened Sumitomo Electric Group Citizenship Activity Smile Relay, a blog to introduce community-based corporate citizen activities performed by Group companies and their employees. This blog features the various CSR initiatives conducted by Group companies and employees in Japan and other countries described in their own words, while introducing the characteristic features of particular countries and regions.

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



# Compliance

## Compliance Committee

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

The Committee engages in various activities, including preparing and distributing the Sumitomo Electric Group Compliance Manual and organizing compliance training seminars. In addition, the Committee identifies and analyzes Group-wide compliance risks, disseminates preventive measures Group-wide, and monitors compliance activities implemented by each division and subsidiary. At the end of March 2013, the Committee convened four times, in May, August, and November 2012, and in March 2013.

## Compliance Manual

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

## Compliance Education

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

By the end of March 2013, prior to the start-up of the anti-bribery program, special compliance training courses were held for employees including specialists, in lieu of core training for employees in key positions held every spring, as part of our commitment to root out bribery and ensure compliance with the Competition Law.

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

## Speak-Up System

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

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

## Strengthened Competition Law Compliance System

### 1. Developed Competition Law Compliance Rules

In June 2010, new Competition Law Compliance Regulations, including rules that restrict contact with competitors, were established and put into effect. Similar regulations and rules were in place at subsidiaries in Japan and overseas by the end of March 2013.

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

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

Under the Compliance Committee, the Competition Law Compliance Office closely collaborates with the dedicated organizations or managers assigned at each unit that actually engages in businesses activities. By operating the rules to restrict contact with competitors based on Competition Law Compliance Regulations and promoting related activities such as monitoring and auditing of compliance with the Competition Law and Competition Law Regulations, will be put in place as effective framework, including front-line players to prevent recurrence of legal violations.

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

### 3. Enhanced and Continuous Competition Law Training

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

In compliance training sessions held on a regular basis, we will give priority to Competition Law issues and bring about a fundamental change in attitudes among employees. By the end of March 2014, we will launch an e-learning system and strengthen training systems for employees in our overseas subsidiaries.

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

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

# Business Risks

The following major categories of risk could affect the business performance and financial position of the Sumitomo Electric Group. Forward-looking statements in this section represent judgments made by the Group's management on a consolidated basis as of March 31, 2013.

## Political and economic situations and demand fluctuations

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

## Changes in laws and regulations

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

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

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

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

In January 2009, the Sumitomo Electric Group was subjected to an on-site investigation by the Japan Fair Trade Commission (JFTC) with regard to collusion and cartel allegations in the submarine and underground power cables businesses. Sumitomo Electric had transferred its development, manufacturing and export businesses in this field to J-Power Systems Corporation, our 50-50 joint venture with Hitachi Cable, Ltd., in October 2001, with sales

operations targeting domestic power companies transferred in October 2004. Regulatory authorities in the EU, U.S. and later Australia also started investigations into these allegations. In January 2010, the JFTC issued a cease and desist order and an order for payment of an administrative surcharge totaling ¥228 million against J-Power Systems Corporation. Further, in July 2011, the European Commission issued a statement of objections to both J-Power Systems and Sumitomo Electric concerning the investigation.

With respect to the business of automotive wiring harnesses and related products, Sumitomo Electric is also under scrutiny of overseas competition authorities of the EU, U.S., and other countries. In July 2013, Sumitomo Electric received notification from the European Commission of its decision finding infringements of EU competition law. The European Commission granted immunity from fines to the Sumitomo Electric Group as a result of the companies' cooperation in the investigation. Furthermore Sumitomo Electric has been cooperating with authorities conducting investigations in the U.S., Canada and Australia. Sumitomo Electric does not expect to be criminally or administratively fined or otherwise sanctioned by these authorities. Also, class action lawsuits have been filed in countries including the U.S. against the Sumitomo Electric and its subsidiaries for damages caused by violation of the competition law in the same segment. Sumitomo Electric is also in negotiation with some of automakers for compensation. Spot inspections by the JFTC were also carried out in November 2012 and March 2013 at Sumitomo Densetsu Co., Ltd., with regard to orders for construction of overhead power lines and underground transmission lines, and at TEC, in which the Company has a 33% stake, over overhead power line construction.

## Natural disasters

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

## Industrial accidents

Any event of fire, explosion or other industrial accident or of



environmental or other pollution at a Group production site, severely affecting Group operations or local communities, could result in a loss of public trust. The costs of accident response, including compensation, and opportunity losses due to suspension of production activities and customer compensation, could adversely affect the earnings performance and financial condition of the Group.

### **Interest-rate changes**

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

For this reason, the Group has relatively little exposure to short-term fluctuations in interest rates, but medium- to long-term rises in interest rates can push up the costs of funding via long-term borrowing and other sources, which could in turn adversely affect the business performance and financial position of the Group.

### **Exchange-rate fluctuations**

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

The Group carries out its manufacturing and sales activities in countries all over the world (overseas sales accounted for 48.6% of total sales for the year ended March 2013 on a consolidated basis). The Group minimizes risk from short-term exchange-rate fluctuations by using forward exchange contracts and similar instruments, but substantial exchange-rate fluctuations over the medium-to-long term could adversely affect the business performance and financial position of the Group.

### **Raw materials procurement**

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

For the procurement of other raw and secondary materials such as non-ferrous metals, steel and petrochemicals, the Group is strengthening measures to purchase at more advantageous terms, for example through joint purchasing. However, a rapid rise

in market prices or a sharp drop in the inventory prices of such raw and secondary materials could adversely affect the financial performance and business standing of the Group. Difficulty may also be experienced in procuring needed volumes of rare metals because rare metal deposits and suppliers are limited. Supplies of such raw materials and secondary materials may also be difficult to obtain in the needed volumes for reasons such as bankruptcy of the supplier, natural disaster, war, terrorism, strike, and transportation system failure.

### **Valuation losses on securities held for business purposes**

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

### **Intellectual property**

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

### **Information leakage**

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

### **Defective products and inferior services**

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

# Directors, Corporate Auditors and Executive Officers



**Masayoshi Matsumoto**  
*President and CEO*



**Hiroyuki Takenaka**  
*Executive Vice President*



**Fumikiyo Uchioko**  
*Executive Vice President*



**Mitsuo Nishida**  
*Senior Managing Director*



**Shigeru Tanaka**  
*Senior Managing Director*



**Hideaki Inayama**  
*Senior Managing Director*



**Atsushi Yano**  
*Managing Director*



**Makoto Nakajima**  
*Managing Director*



**Akito Kubo**  
*Managing Director*



**Naoyuki Yamabayashi**  
*Managing Director*



**Fumiyoishi Kawai**  
*Managing Director*



**Nozomi Ushijima**  
*Managing Director*



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

*President and CEO*

**Masayoshi Matsumoto**

*Executive Vice Presidents*

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

*Senior Managing Directors*

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

*Managing Directors*

**Atsushi Yano**  
**Makoto Nakajima**  
**Akito Kubo**  
**Naoyuki Yamabayashi**  
**Fumiyoishi Kawai**  
**Nozomi Ushijima**

*Director*

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

*Corporate Auditors*

**Shintaro Mitake**  
**Kazuyoshi Hasegawa**  
**Takashi Kakimi**  
**Kan Hayashi**  
**Katsuaki Watanabe**

*Managing Executive Officers*

**Shosuke Hongo**  
**Masamichi Yokogawa**  
**Hiroyasu Torii**  
**Shigeo Saito**  
**Yasushi Kida**  
**Kenji Miyazaki**  
**Takahiro Nakano**  
**Junji Itoh**  
**Yoshitomo Kasui**

*Executive Officers*

**Yoshihiro Minato**  
**Makoto Tani**  
**Satoru Ogura**  
**Takashi Yoshioka**  
**Toshiaki Kakii**  
**Kenichi Urushibata**  
**Kazuhiko Hayashi**  
**Kunihiro Tomita**  
**Mamoru Moritani**

**Kikaku Tokumaru**  
**Tetsuya Hayashi**  
**Akira Nishimura**  
**Yutaka Nishide**  
**Yasuhiro Miyata**  
**Kazushi Shimizu**  
**Masaki Shirayama**

(As of June 2013)

# Financial Section 2013

## Five-Year Financial Data and Indexes

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

For the five years in the period ended March 31, 2013

	Millions of yen					Thousands of U.S. dollars
	2013	2012	2011	2010	2009	2013
<b>For the Year:</b>						
Net sales .....	<b>¥2,159,942</b>	¥2,059,344	¥2,033,827	¥1,836,352	¥2,121,978	<b>\$22,965,890</b>
Cost of sales .....	<b>1,785,052</b>	1,688,370	1,656,750	1,516,688	1,814,447	<b>18,979,819</b>
Selling, general and administrative expenses ...	<b>298,100</b>	284,028	273,267	267,936	284,004	<b>3,169,590</b>
Operating income.....	<b>76,790</b>	86,946	103,810	51,728	23,527	<b>816,481</b>
Income before income taxes and minority interests .....	<b>84,084</b>	99,941	113,781	55,425	41,126	<b>894,035</b>
Net income.....	<b>37,955</b>	58,861	70,614	28,708	17,237	<b>403,562</b>
Capital expenditures.....	<b>160,242</b>	148,799	107,620	81,943	143,182	<b>1,703,796</b>
Depreciation and amortization .....	<b>90,629</b>	77,954	96,760	103,848	108,168	<b>963,626</b>
R&D expenses.....	<b>94,287</b>	86,582	79,026	72,259	72,988	<b>1,002,520</b>
<b>At Year-End:</b>						
Total assets .....	<b>2,297,567</b>	2,072,064	1,956,284	1,939,935	1,868,174	<b>24,429,208</b>
Working capital.....	<b>458,616</b>	411,551	457,833	402,081	313,591	<b>4,876,300</b>
Total interest-bearing liabilities.....	<b>485,569</b>	363,995	341,923	355,586	405,477	<b>5,162,881</b>
Total net assets*1 .....	<b>1,244,695</b>	1,138,931	1,092,610	1,064,575	1,014,082	<b>13,234,397</b>
<b>Per Share Data:</b>						
Net income*2:						
Basic.....	<b>¥ 47.85</b>	¥ 74.21	¥ 89.02	¥ 36.19	¥ 21.78	<b>\$ 0.509</b>
Diluted .....	<b>—</b>	74.20	89.02	36.19	21.32	<b>—</b>
Cash dividends.....	<b>20.00</b>	19.00	19.00	16.00	18.00	<b>0.213</b>
Owner's equity*3 .....	<b>1,352.09</b>	1,245.57	1,196.46	1,139.84	1,086.79	<b>14.376</b>
Weighted average number of shares outstanding (in thousands).....	<b>793,206</b>	793,210	793,225	793,241	791,414	
Number of employees (at year-end)*4 .....	<b>206,323</b>	194,734	182,773	157,203	152,547	
Average number of temporary employees .....	<b>(30,317)</b>					
<b>Financial Indexes:</b>						
R&D expenses / net sales (%).....	<b>4.4</b>	4.2	3.9	3.9	3.4	
Net income / net sales (%).....	<b>1.8</b>	2.9	3.5	1.6	0.8	
Return on owner's equity (%).....	<b>3.7</b>	6.1	7.6	3.3	1.9	
Current ratio (Times).....	<b>1.7</b>	1.6	1.9	1.7	1.6	
Owner's equity ratio (%).....	<b>46.7</b>	47.7	48.5	46.6	46.1	
Total assets turnover (Times).....	<b>1.0</b>	1.0	1.0	1.0	1.0	
Inventory turnover (Times).....	<b>6.6</b>	6.9	7.6	7.1	7.3	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥94.05 to U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2013.

\*1 See Note 9.

\*2 For the year ended March 31, 2013, there were no dilutive potential common shares.

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

\*4 For the year ended March 31, 2013, the average number of temporary employees is stated in parentheses as the number of temporary employees is over 10% of the total number of employees.

# Management's Discussion and Analysis

## Business Conditions in Fiscal 2013

During fiscal 2013, the Japanese economy saw only moderate recovery, with support from public investment offset somewhat by a fall in exports due to a slowdown in overseas markets and political friction with China. Growth in the global economy likewise slowed amid concerns over national finances such as the "fiscal cliff" crisis in the United States and the risk of government bond default in certain southern European countries, which held back economic recovery, combined with a fall in exports from the previously fast-growing emerging economies of China and India. Overall, the Japanese economy had a difficult year, despite brighter signs in winter such as the weakening yen and rising stock prices, as well as stronger recovery sentiment in the United States. The business environment facing the Group was likewise tough. Despite an increase in global demand for our automotive components and other products, sales of Japanese companies in China were hit by political conflict between Japan and China, while sales of telecommunications infrastructure equipment in Japan were sluggish and global price competition grew still harsher.

## Review of Operations in Fiscal 2013

Against this backdrop, the Group focused on further strengthening marketing capabilities, as well as paring down costs across the board and developing and rolling out new technologies and products, to capture global demand. As a result of these endeavors, sales in the fiscal year under review grew to ¥2,159.9 billion, up 4.9% from ¥2,059.3 billion in the previous term. However, earnings were hit by an increase

in depreciation and amortization expenses, arising from additional investments in manufacturing facilities around the world, and an increase in expenses such as research and development for future growth. As a result, earnings in all categories fell. Operating income declined 11.7% to ¥76.8 billion, compared with ¥86.9 billion in the previous term, ordinary income dropped 11.8% to ¥94.1 billion, from ¥106.7 billion, and net income came in at ¥38.0 billion, down 35.5% from ¥58.9 billion.

## Segment Information

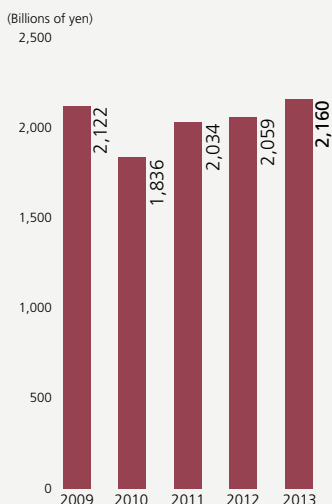
### • Automotive:

Although sales were lower due to sluggishness in the European market and political problems between Japan and China, sales in this segment grew 8.0% or ¥79.5 billion, to ¥1,071.2 billion year-on-year, mainly due to a recovery in production by Japanese automakers following the Great East Japan Earthquake and Thailand flooding disasters and recovery in the US market. However, operating income fell ¥1.2 billion to ¥53.1 billion, due to an increase in depreciation and amortization costs arising from construction of a new global production system and a concentration of resources on new product development expenses. The operating income ratio declined by 0.5 of a percentage point to 5.0%.

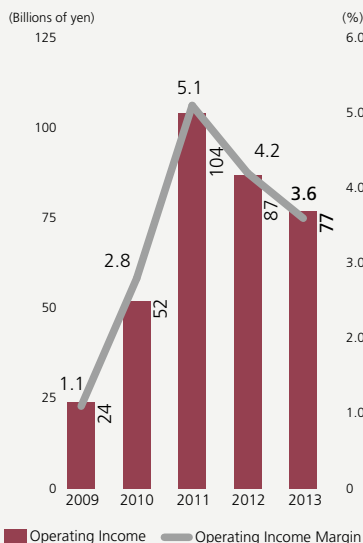
### • Information & Communications:

In the optical fiber and cable business, demand for opto-electronic devices and network equipment declined significantly during the year, despite an increase in our share of the Japanese market and increased revenues on China and other emerging market demand. Sales in this segment

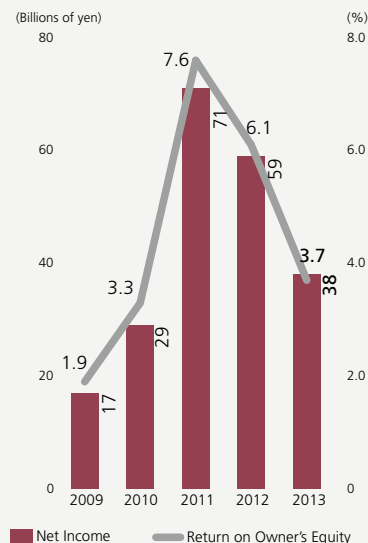
**Net Sales**



**Operating Income and Operating Income Margin**



**Net Income and Return on Owner's Equity**



slipped 4.2% or ¥6.9 billion to ¥155.1 billion. The operating loss worsened to ¥10.3 billion from ¥5.9 billion, due to falling demand combined with a steep drop in profitability in the opto-electronic device business.

**• Electronics:**

Sales in this segment came to ¥217.6 billion, up 17.1% or ¥31.8 billion from the previous term, as a result of the increased demand for FPC, which are used in smartphones and tablet PCs. However, operating income was a mere ¥5 million, a decline of ¥3,284 million from ¥3,289 million in the previous year, due to product portfolio changes and intensifying price competition. The operating income ratio declined by 1.8 percentage points to 0.0%.

**• Electric Wire & Cable, Energy:**

Sales in this segment came to ¥511.2 billion, an increase of 0.5% or ¥2.6 billion. A decline in demand for wire coils and the impact of falling copper prices were outweighed by increased demand for electrical installation works by Sumitomo Densetsu Co., Ltd., mainly in Southeast Asia and an increase in demand for porous metal CELMET™ for hybrid electric vehicle batteries. Operating income increased by ¥2.2 billion to ¥19.1 billion, due to a strong performance by the low-pressure cable business and increased earnings at Sumitomo Densetsu. The operating income ratio improved by 0.4 of a percentage point to 3.7%. The value of orders for installation work and plants came to ¥266.5 billion for a year-on-year increase of ¥32.7 billion (14.0%).

**• Industrial Materials & Others:**

Sales in this segment came to ¥272.5 billion, a decline of 1.9% or ¥5.4 billion over the previous year. Despite an

increase in demand for sintered components and cemented carbide tools for automotive component processing, aligned with the increase in global automotive production, demand has slipped back for special steel saw wires and for electronic parts and heat sinks made by subsidiary A.L.M.T. Corporation. Operating income likewise declined ¥3.4 billion to ¥15.1 billion, partly due to falling demand and an increase in expenses connected with expansion of overseas manufacturing and marketing bases. The operating income ratio declined by 1.1 percentage points to 5.5%.

**Cash Flows**

The term-end balance of cash and cash equivalents increased by ¥34.2 billion year-on-year to ¥176.5 billion.

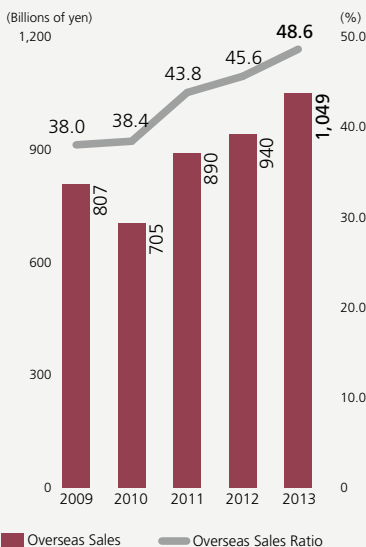
Net cash provided by operating activities increased by ¥38.8 billion to ¥124.8 billion. The main factors were income before income taxes and minority interests of ¥84.1 billion and depreciation and amortization expenses of ¥88.9 billion, adjusted for increases and decreases in working capital.

Net cash used in investing activities increased ¥42.8 billion to ¥172.1 billion. The main factor was a ¥151.7 billion acquisition of tangible fixed assets under capital investment plans.

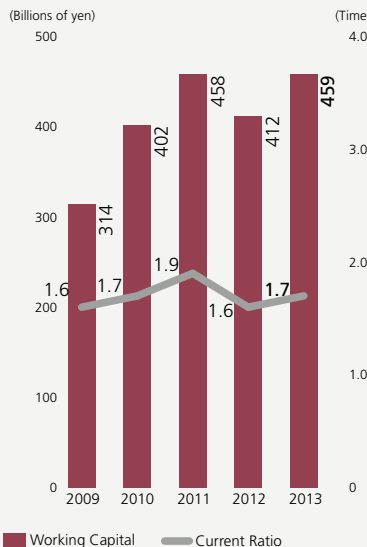
Free cash flow – combined net cash flows provided from operating activities and investing activities – was a negative ¥47.2 billion, compared with a negative ¥43.2 billion in the previous term.

Net cash provided by financing activities totaled ¥64.9 billion compared with the outflow of ¥2.4 billion in the previous fiscal year. The main factors here were an increase in interest-bearing liabilities and deduction of dividend payments.

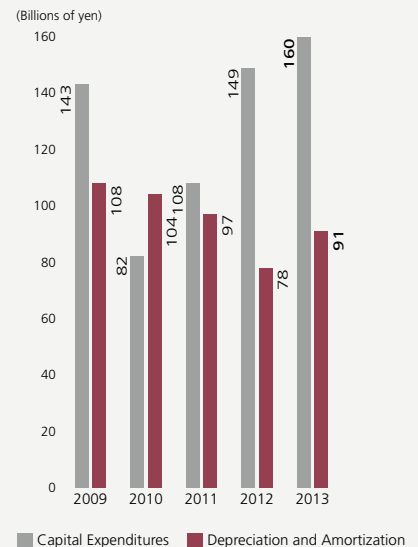
**Overseas Sales and Overseas Sales Ratio**



**Working Capital and Current Ratio**



**Capital Expenditures and Depreciation and Amortization**



# Consolidated Balance Sheets

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
As of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and time deposits (Notes 3 and 4).....	¥ 172,637	¥ 132,657	\$ 1,835,587
Trade notes and accounts receivable (Note 4) .....	502,000	500,857	5,337,586
Securities (Notes 3, 4 and 5) .....	4,164	12,288	44,274
Inventories (Note 7) .....	343,766	310,086	3,655,141
Deferred income taxes (Note 12) .....	32,028	30,683	340,542
Other current assets (Note 3) .....	63,876	62,690	679,172
Allowance for doubtful receivables .....	(2,710)	(1,831)	(28,814)
Total current assets .....	1,115,761	1,047,430	11,863,488
<b>Non-Current Assets:</b>			
<b>Property, Plant and Equipment (Note 8):</b>			
Buildings and structures.....	533,021	483,377	5,667,421
Machinery, equipment and others.....	1,266,690	1,133,978	13,468,262
Land .....	83,325	79,265	885,965
Construction in progress .....	38,558	32,149	409,973
	1,921,594	1,728,769	20,431,621
Accumulated depreciation.....	(1,270,543)	(1,185,053)	(13,509,229)
Net property, plant and equipment .....	651,051	543,716	6,922,392
<b>Intangible Assets</b> .....	37,045	27,255	393,886
<b>Investments and Other Assets:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 4).....	224,420	201,975	2,386,178
Investment securities (Notes 4, 5 and 8).....	164,414	154,574	1,748,155
Deferred income taxes (Note 12) .....	18,572	16,935	197,469
Other .....	87,713	81,774	932,621
Allowance for doubtful receivables .....	(1,409)	(1,595)	(14,981)
Total investments and other assets.....	493,710	453,663	5,249,442
Total non-current assets .....	1,181,806	1,024,634	12,565,720
Total assets .....	¥2,297,567	¥2,072,064	\$24,429,208

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade notes and accounts payable (Note 4).....	¥ 300,669	¥ 316,584	\$ 3,196,906
Short-term debt (Notes 4 and 8).....	167,961	140,064	1,785,869
Current portion of bonds (Notes 4 and 8) .....	20,000	20,000	212,653
Accrued income taxes.....	18,227	16,891	193,801
Provision for surcharge (Note 19) .....	—	2,102	—
Other current liabilities (Note 12).....	150,288	140,238	1,597,959
Total current liabilities.....	657,145	635,879	6,987,188
<b>Non-Current Liabilities:</b>			
Bonds (Notes 4 and 8) .....	56,850	51,850	604,466
Long-term debt (Notes 4 and 8) .....	238,608	150,608	2,537,033
Deferred income taxes (Note 12) .....	54,450	49,930	578,947
Accrued pension and severance costs (Note 13).....	33,260	31,622	353,642
Other non-current liabilities .....	12,559	13,244	133,535
Total non-current liabilities.....	395,727	297,254	4,207,623
Total liabilities.....	1,052,872	933,133	11,194,811
<b>Contingent Liabilities (Note 14)</b>			
<b>NET ASSETS (Note 9)</b>			
<b>Shareholders' Equity:</b>			
Common stock;			
Authorized—3,000,000 thousand shares in 2013 and 2012			
Issued—793,941 thousand shares in 2013 and 2012.....	99,737	99,737	1,060,468
Capital surplus .....	171,020	171,020	1,818,394
Retained earnings .....	763,159	741,192	8,114,397
Treasury stock, at cost; 738 thousand shares in 2013 and 732 thousand shares in 2012.....	(649)	(645)	(6,901)
Total shareholders' equity .....	1,033,267	1,011,304	10,986,358
<b>Accumulated Other Comprehensive Income:</b>			
Net unrealized holding gains on available-for-sale securities .....	66,687	57,306	709,059
Deferred gains or losses on hedges .....	(1,254)	(192)	(13,333)
Foreign currency translation adjustments .....	(26,215)	(80,420)	(278,735)
Total accumulated other comprehensive income .....	39,218	(23,306)	416,991
Share Warrants .....	—	10	—
Minority Interests .....	172,210	150,923	1,831,048
Total net assets .....	1,244,695	1,138,931	13,234,397
Total liabilities and net assets.....	¥2,297,567	¥2,072,064	\$24,429,208

# Consolidated Statements of Income

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>Net Sales</b> .....	<b>¥2,159,942</b>	¥2,059,344	<b>\$22,965,890</b>
<b>Cost of Sales</b> .....	<b>1,785,052</b>	1,688,370	<b>18,979,819</b>
Gross profit.....	374,890	370,974	3,986,071
<b>Selling, General and Administrative Expenses</b> .....	<b>298,100</b>	284,028	<b>3,169,590</b>
Operating income.....	76,790	86,946	816,481
<b>Other Income (Expenses):</b>			
Interest and dividend income.....	4,151	4,218	44,136
Interest expense.....	(5,065)	(5,378)	(53,854)
Equity in net income.....	22,115	20,527	235,141
Loss on claims.....	(2,593)	(986)	(27,570)
Gain on sales of property, plant and equipment.....	—	259	—
Gain on sales of investment securities.....	6,682	6,790	71,047
Loss on disposal of property, plant and equipment.....	(3,307)	(2,191)	(35,162)
Loss on valuation of investment securities.....	(1,720)	(2,162)	(18,288)
Impairment losses of fixed assets (Note 15).....	(2,586)	—	(27,496)
Restructuring expenses (Note 16).....	(9,101)	—	(96,768)
Loss on disaster (Note 18).....	—	(7,349)	—
Provision for surcharge (Note 19).....	—	(2,102)	—
Other, net.....	(1,282)	1,369	(13,632)
	7,294	12,995	77,554
<b>Income before Income Taxes and Minority Interests</b> .....	<b>84,084</b>	99,941	<b>894,035</b>
<b>Income Taxes</b> (Note 12):			
Current.....	35,562	29,406	378,118
Deferred.....	(816)	1,004	(8,676)
	34,746	30,410	369,442
<b>Income before Minority Interests</b> .....	<b>49,338</b>	69,531	<b>524,593</b>
<b>Minority Interests</b> .....	<b>(11,383)</b>	(10,670)	<b>(121,031)</b>
<b>Net Income</b> .....	<b>¥ 37,955</b>	¥ 58,861	<b>\$ 403,562</b>
		Yen	U.S. dollars (Note 1)
<b>Per Share of Common Stock</b> (Note 10):			
Net income (basic).....	¥47.85	¥74.21	\$0.509
Net income (diluted).....	—	74.20	—
Cash dividends.....	20.00	19.00	0.213

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

# Consolidated Statements of Comprehensive Income

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>Income before Minority Interests</b> .....	<b>¥ 49,338</b>	¥69,531	<b>\$ 524,593</b>
<b>Other Comprehensive Income</b> (Note 11):			
Net unrealized holding gains on available-for-sale securities.....	10,111	(3,424)	107,507
Deferred gains or losses on hedges.....	(356)	227	(3,785)
Foreign currency translation adjustments.....	52,819	(2,853)	561,605
Share of other comprehensive income of affiliates accounted for using equity method.....	10,073	(4,276)	107,103
Total other comprehensive income.....	72,647	(10,326)	772,430
<b>Comprehensive Income</b> .....	<b>¥121,985</b>	¥59,205	<b>\$1,297,023</b>
Comprehensive income attribute to:			
Owners of the Company.....	99,169	48,291	1,054,429
Minority interests.....	22,816	10,914	242,594

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



# Consolidated Statements of Changes in Net Assets

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2013 and 2012

	Millions of yen									
	Shareholders' Equity				Accumulated Other Comprehensive Income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Share warrants	Minority interests	Total net assets (Note 9)
<b>Balance at Beginning of Fiscal 2012</b> .....	¥99,737	¥171,020	¥696,776	¥(640)	¥61,184	¥ (35)	¥(78,996)	¥17	¥143,547	¥1,092,610
Effect arising from change in closing period of consolidated subsidiaries .....			2,366							2,366
Cash dividends .....			(15,075)							(15,075)
Net income for the year .....			58,861							58,861
Purchases of treasury stock .....				(5)						(5)
Disposal of treasury stock .....		(0)		0						0
Effect arising from net change in scope of consolidation .....			73							73
Other.....			(1,809)		(3,878)	(157)	(1,424)	(7)	7,376	101
<b>Balance at End of Fiscal 2012</b> .....	¥99,737	¥171,020	¥741,192	¥(645)	¥57,306	¥ (192)	¥(80,420)	¥10	¥150,923	¥1,138,931
<b>Balance at Beginning of Fiscal 2013</b> .....	¥99,737	¥171,020	¥741,192	¥(645)	¥57,306	¥ (192)	¥(80,420)	¥10	¥150,923	¥1,138,931
Cash dividends .....			(15,867)							(15,867)
Net income for the year .....			37,955							37,955
Purchases of treasury stock .....				(4)						(4)
Disposal of treasury stock .....		0		0						0
Effect arising from net change in scope of consolidation .....			1,423							1,423
Other.....			(1,544)		9,381	(1,062)	54,205	(10)	21,287	82,257
<b>Balance at End of Fiscal 2013</b> .....	¥99,737	¥171,020	¥763,159	¥(649)	¥66,687	¥(1,254)	¥(26,215)	¥—	¥172,210	¥1,244,695

	Thousands of U.S. dollars (Note 1)									
	Shareholders' Equity				Accumulated Other Comprehensive Income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Share warrants	Minority interests	Total net assets (Note 9)
<b>Balance at Beginning of Fiscal 2013</b> .....	\$1,060,468	\$1,818,394	\$7,880,829	\$(6,858)	\$609,314	\$ (2,041)	\$(855,077)	\$106	\$1,604,711	\$12,109,846
Cash dividends .....			(168,708)							(168,708)
Net income for the year .....			403,562							403,562
Purchases of treasury stock .....				(43)						(43)
Disposal of treasury stock .....		0		0						0
Effect arising from net change in scope of consolidation .....			15,130							15,130
Other.....			(16,416)		99,745	(11,292)	576,342	(106)	226,337	874,610
<b>Balance at End of Fiscal 2013</b> .....	\$1,060,468	\$1,818,394	\$8,114,397	\$(6,901)	\$709,059	\$(13,333)	\$(278,735)	\$ —	\$1,831,048	\$13,234,397

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

# Consolidated Statements of Cash Flows

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests .....	¥ 84,084	¥ 99,941	\$ 894,035
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization.....	88,916	76,653	945,412
Impairment losses of fixed assets .....	5,213	508	55,428
Interest and dividend income .....	(4,151)	(4,218)	(44,136)
Interest expense .....	5,065	5,378	53,854
Equity in net income .....	(22,115)	(20,527)	(235,141)
Increase (decrease) in accrued pension and severance costs .....	283	1,496	3,009
Loss on disposal of property, plant and equipment .....	3,595	2,192	38,224
Gain on sales of investment securities.....	(6,682)	(6,679)	(71,047)
Loss on valuation of investment securities.....	1,720	2,162	18,288
Increase (decrease) in provision for loss on disaster .....	—	(4,114)	—
Provision for surcharge .....	—	2,102	—
(Increase) decrease in trade notes and accounts receivable .....	43,405	(47,628)	461,510
(Increase) decrease in inventories.....	(2,998)	(20,174)	(31,877)
Increase (decrease) in trade notes and accounts payable .....	(33,556)	17,331	(356,789)
Other, net.....	(7,622)	2,955	(81,041)
Subtotal .....	155,157	107,378	1,649,729
Interest and dividend received.....	7,897	9,140	83,966
Interest paid.....	(4,897)	(5,480)	(52,068)
Payments for surcharge .....	(2,102)	—	(22,350)
Income taxes paid .....	(34,875)	(29,338)	(370,813)
Income tax refunds .....	3,669	4,351	39,011
Net cash provided by operating activities.....	124,849	86,051	1,327,475
<b>Cash Flows from Investing Activities:</b>			
Purchase of property, plant and equipment .....	(151,725)	(121,411)	(1,613,238)
Proceeds from sales of property, plant and equipment .....	1,579	2,115	16,789
Purchase of investment securities .....	(10,239)	(12,803)	(108,868)
Proceeds from sales and redemption of investment securities.....	10,501	10,710	111,653
Purchase of investments in subsidiaries .....	(828)	(2,403)	(8,804)
Special dividend distribution received from an affiliate.....	—	4,723	—
Net cash for the acquisition of shares of newly consolidated subsidiaries (Note 3).....	(7,357)	(229)	(78,224)
Payments for long-term loans.....	(2,258)	(807)	(24,009)
(Increase) decrease in short-term loans .....	(1,269)	(87)	(13,493)
Other, net .....	(10,470)	(9,031)	(111,322)
Net cash used in investing activities.....	(172,066)	(129,223)	(1,829,516)
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term debt .....	3,141	33,823	33,397
Proceeds from bonds and long-term debt.....	132,061	26,264	1,404,157
Repayment of bonds and long-term debt.....	(48,750)	(42,776)	(518,341)
Proceeds from issuance of stock to minority shareholders .....	1,627	786	17,299
Purchase of treasury stock.....	(2)	(2)	(21)
Sale of treasury stock.....	0	0	0
Cash dividends paid.....	(15,867)	(15,075)	(168,708)
Cash dividends paid to minority shareholders.....	(6,535)	(4,772)	(69,484)
Other, net .....	(753)	(639)	(8,007)
Net cash provided by (used in) financing activities .....	64,922	(2,391)	690,292
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents ...</b>	<b>10,058</b>	<b>541</b>	<b>106,943</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>27,763</b>	<b>(45,022)</b>	<b>295,194</b>
<b>Cash and Cash Equivalents at Beginning of Year .....</b>	<b>142,359</b>	<b>192,092</b>	<b>1,513,652</b>
<b>Increase (Decrease) in Cash and Cash Equivalents from Change in Closing Period of Consolidated Subsidiaries.....</b>	<b>—</b>	<b>(7,610)</b>	<b>—</b>
<b>Cash and Cash Equivalents of Newly Consolidated Subsidiaries ...</b>	<b>6,724</b>	<b>3,273</b>	<b>71,494</b>
<b>Cash and Cash Equivalents of Deconsolidated Subsidiaries .....</b>	<b>(303)</b>	<b>(374)</b>	<b>(3,221)</b>
<b>Cash and Cash Equivalents at End of Year (Note 3) .....</b>	<b>¥176,543</b>	<b>¥142,359</b>	<b>\$1,877,119</b>

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

# Notes to Consolidated Financial Statements

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2013 and 2012

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥94.05 to U.S. \$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Consolidation

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

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

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

All but 19 of the overseas consolidated subsidiaries that have a fiscal year ending other than March 31 have processed additional financial closings at March-end for consolidation purposes, aiming at a more appropriate disclosure.

19 overseas consolidated subsidiaries that have a fiscal year ending December 31 reported on a calendar year for consolidation purpose in fiscal 2013. Any significant transactions that occurred between January 1 and March 31, 2013, have been adjusted for, if necessary.

### b) Translation of Foreign Currencies

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

### c) Cash and Time Deposits

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

### d) Securities

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

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

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

securities which do not have fair values are stated at average cost. Realized gains or losses on sales of such securities are computed using average cost.

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

#### **e) Derivatives and Hedging Transactions**

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

Derivative financial instruments are stated at fair value. If derivative financial instruments meet certain hedging criteria, the Company and its consolidated subsidiaries defer the recognition of gains or losses until the hedged transactions occur. Certain foreign currency forward exchange contracts, currency options and foreign currency swap contracts, meeting certain conditions, are accounted for as a part of translating foreign currency monetary assets and liabilities in the consolidated balance sheets. In case where an interest rate swap contract is used as a hedge and meets certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

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

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

#### **f) Allowance for Doubtful Receivables**

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

#### **g) Inventories**

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

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

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

#### **i) Revenue Recognition**

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

For construction contracts, when the outcome of individual contracts can be estimated reliably, the percentage-of-completion method is applied, otherwise the completed-contract method is applied. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

#### **j) Research and Development**

Expenses related to research and development activities are charged to income as incurred and totaled ¥94,287 million (US\$1,002,520 thousand) and ¥86,582 million for the years ended March 31, 2013 and 2012, respectively.

#### **k) Accrued Pension and Severance Costs**

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

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

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

#### **l) Income Taxes**

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

**m) Leases**

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

**n) Consolidated Statements of Cash Flows**

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

**o) Appropriation of Retained Earnings**

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

**p) Use of Estimates**

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

**q) Reclassifications and Restatement**

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

**r) Unapplied Accounting Standards**

- Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan ("ASBJ") Statement No.26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012)

## (1) Summary

Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments. For determining the method of attributing the expected benefit to periods, the new standard now allows to choose benefit formula basis, as well as straight-line basis. Method for determination of discount rate has also been amended.

## (2) The date as at which the Company plans to apply the accounting standards initially

The Company plans to apply them at March 31, 2014, except amendments related to a determination of retirement benefit obligations and current service costs which will be applied from the beginning of fiscal 2015.

## (3) Impact of application of the standards

The Company and its consolidated subsidiaries are currently in the process of estimating the effects of these new standards on the consolidated financial statements.

### 3. CASH AND CASH EQUIVALENTS

#### a) Reconciliations

The reconciliations between cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and time deposits.....	¥172,637	¥132,657	\$1,835,587
Securities maturing within three months from the acquisition dates .....	4,164	12,278	44,274
Other current assets (Short-term loan).....	465	—	4,945
Deposits placed with banks with a maturity of over three months.....	(723)	(2,576)	(7,687)
Cash and cash equivalents.....	¥176,543	¥142,359	\$1,877,119

#### b) Obtaining Control of Subsidiary

In fiscal 2013, the Company and its consolidated subsidiaries obtained control of Dytech-Dynamic Fluid Technologies S.p.A. and some other companies due to acquisition of the shares.

Assets and liabilities of these companies at the time of consolidation in connection with acquisition cost and net cash paid for the acquisition are as follows:

2013	Millions of yen	Thousands of U.S. dollars
Current assets.....	¥14,365	\$152,738
Non-current assets.....	14,810	157,469
Goodwill.....	7,409	78,777
Current liabilities.....	(23,416)	(248,974)
Non-current liabilities.....	(4,142)	(44,040)
Minority interests.....	(444)	(4,721)
Acquisition cost.....	8,582	91,249
Cash and cash equivalents....	(824)	(8,761)
Acquisition cost unpaid in cash.....	(401)	(4,264)
Net cash paid for the acquisition.....	¥ 7,357	\$ 78,224

### 4. FINANCIAL INSTRUMENTS

#### a) Qualitative Information on Financial Instruments

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

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

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

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

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

**b) Fair Value of Financial Instruments**

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet at March 31, 2013 and 2012 are as follows. Financial instruments whose fair value is hard to determine are not included in the table.

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits.....	¥172,637	¥172,637	¥ —	¥132,657	¥132,657	¥ —	\$1,835,587	\$1,835,587	\$ —
Trade notes and accounts receivable .....	502,000	502,000	—	500,857	500,857	—	5,337,586	5,337,586	—
Securities, investments in unconsolidated subsidiaries and affiliates and investment securities .....	269,199	348,523	79,324	251,079	282,350	31,271	2,862,297	3,705,721	843,424
Total assets .....	943,836	1,023,160	79,324	884,593	915,864	31,271	10,035,470	10,878,894	843,424
Trade notes and accounts payable .....	300,669	300,669	—	316,584	316,584	—	3,196,906	3,196,906	—
Short-term debt.....	167,961	167,961	—	140,064	140,064	—	1,785,869	1,785,869	—
Bonds .....	76,850	77,890	1,040	71,850	73,136	1,286	817,119	828,177	11,058
Long-term debt .....	238,608	241,462	2,854	150,608	152,980	2,372	2,537,033	2,567,379	30,346
Total liabilities.....	784,088	787,982	3,894	679,106	682,764	3,658	8,336,927	8,378,331	41,404
Derivative transactions.....	(223)	(223)	—	369	369	—	(2,371)	(2,371)	—

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

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

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

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

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

**Trade notes and accounts payable:**

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

**Short-term debt:**

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

**Bonds:**

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

**Long-term debt:**

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

**Derivative transactions:**

See Note 6.

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted securities (available-for-sale securities) .....	¥ 8,031	¥ 8,561	\$ 85,391
Unlisted investments in unconsolidated subsidiaries and affiliates .....	115,768	109,197	1,230,920

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

## 5. SECURITIES

The carrying amounts of securities in current assets and investment securities at March 31, 2013 and 2012 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Securities in current assets:</b>			
Available-for-sale securities .....	¥ 4,164	¥ 12,278	\$ 44,274
Held-to-maturity debt securities .....	—	10	—
	¥ 4,164	¥ 12,288	\$ 44,274
<b>Investment securities:</b>			
Available-for-sale securities .....	¥164,414	¥154,574	\$1,748,155
Held-to-maturity debt securities .....	—	—	—
	¥164,414	¥154,574	\$1,748,155

Available-for-sale securities with fair value or quoted market values included in investment securities at March 31, 2013 and 2012 are as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
<b>2013</b>				
Equity securities .....	¥31,065	¥115,580	¥(923)	¥145,722
Other .....	10,000	661	—	10,661
	¥41,065	¥116,241	¥(923)	¥156,383
	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
<b>2012</b>				
Equity securities .....	¥31,405	¥106,349	¥(2,271)	¥135,483
Other .....	10,000	530	—	10,530
	¥41,405	¥106,879	¥(2,271)	¥146,013
	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
<b>2013</b>				
Equity securities .....	\$330,303	\$1,228,921	\$(9,814)	\$1,549,410
Other .....	106,326	7,028	—	113,354
	\$436,629	\$1,235,949	\$(9,814)	\$1,662,764

Proceeds from sales of available-for-sale securities were ¥9,922 million (US\$105,497 thousand) and ¥9,469 million for the years ended March 31, 2013 and 2012, respectively. The net realized gains on those sales were ¥6,682 million (US\$71,047 thousand) and ¥6,306 million for the years ended March 31, 2013 and 2012, respectively. Impairment losses of securities during fiscal 2013 amounted to ¥2,069

million (US\$21,999 thousand), which consist of ¥1,720 million (US\$18,288 thousand) for the available-for-sale securities and ¥349 million (US\$3,711 thousand) for the investments in non-consolidated subsidiaries. Impairment losses of securities during fiscal 2012 amounted to ¥2,162 million, all of which are for the available-for-sale securities.



## 6. DERIVATIVE TRANSACTIONS

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

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

Additional information for derivative transactions as of and for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen									
	2013					2012				
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*		Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*	
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Foreign currency forward exchange contracts:										
Buy.....	¥ 4,816	¥(44)	¥(44)	¥29,796	¥ 151	¥ 3,346	¥ 2	¥ 2	¥16,065	¥532
Sell.....	4,868	(25)	(25)	13,898	(354)	4,401	(5)	(5)	11,153	(232)
Commodity forward contracts (copper and nickel):										
Buy.....	1,755	0	0	71	(1)	1,715	(1)	(1)	—	—
Sell.....	1,791	6	6	75	(0)	1,702	0	0	—	—
Commodity swap contracts (copper).....	—	—	—	1,509	44	—	—	—	872	73
	<b>¥13,230</b>	<b>¥(63)</b>	<b>¥(63)</b>	<b>¥45,349</b>	<b>¥(160)</b>	<b>¥11,164</b>	<b>¥(4)</b>	<b>¥(4)</b>	<b>¥28,090</b>	<b>¥373</b>

	Thousands of U.S. dollars				
	2013				
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*	
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Foreign currency forward exchange contracts:					
Buy.....	\$ 51,207	\$(468)	\$(468)	\$316,810	\$ 1,606
Sell.....	51,760	(266)	(266)	147,773	(3,764)
Commodity forward contracts (copper and nickel):					
Buy.....	18,660	0	0	755	(11)
Sell.....	19,043	64	64	797	(0)
Commodity swap contracts (copper).....	—	—	—	16,045	468
	<b>\$140,670</b>	<b>\$(670)</b>	<b>\$(670)</b>	<b>\$482,180</b>	<b>\$(1,701)</b>

\* Certain interest rate swap contracts (contracted amount ¥126,164 million (US\$1,341,457 thousand) and ¥63,142 million for the years ended March 31, 2013 and 2012, respectively) meeting certain hedging criteria are excluded from the table above. Certain foreign currency forward exchange contracts (contracted amount "Buy" ¥19,599 million (US\$208,389 thousand) and ¥13,625 million, "Sell" ¥124,686 million (US\$1,325,742 thousand) and ¥107,156 million for the years ended March 31, 2013 and 2012, respectively) meeting certain hedging criteria are excluded from the table above. See Note 4.

## 7. INVENTORIES

Inventories at March 31, 2013 and 2012 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Merchandise and finished goods .....	¥102,693	¥ 87,257	\$1,091,898
Work in process .....	122,668	122,897	1,304,285
Raw materials and supplies .....	118,405	99,932	1,258,958
	¥343,766	¥310,086	\$3,655,141

## 8. INTEREST-BEARING LIABILITIES

### a) Short-Term Debt and Bonds in Current Liabilities

Short-term debt and bonds in current liabilities at March 31, 2013 and 2012 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Short-term debt, principally from banks (with a weighted-average interest rate of 1.66% at March 31, 2013).....	¥143,734	¥112,437	\$1,528,272
Current portion of long-term debt, principally from banks and insurance companies (with a weighted-average interest rate of 1.79% at March 31, 2013) .....	24,227	27,627	257,597
Current portion of bonds, interest rate of 1.10%-1.61% .....	20,000	20,000	212,653
	¥187,961	¥160,064	\$1,998,522

### b) Bonds and Long-Term Debt

Bonds and long-term debt at March 31, 2013 and 2012 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unsecured bonds, due 2012 to 2023, interest rate of 0.288%-1.75% .....	¥ 76,850	¥ 71,850	\$ 817,119
Long-term debt, principally from banks and insurance companies, due 2012-2023 (with a weighted-average interest rate of 0.88% at March 31, 2013) .....	262,835	178,235	2,794,630
	339,685	250,085	3,611,749
Current portion of bonds and long-term debt .....	(44,227)	(47,627)	(470,250)
	¥295,458	¥202,458	\$3,141,499

The aggregate annual maturities of bonds and long-term debt at March 31, 2013 are as follows:

(Bonds)

March 31	Millions of yen	Thousands of U.S. dollars
2014 (=current portion).....	¥20,000	\$212,653
2015 .....	10,620	112,919
2016 .....	10,620	112,919
2017 .....	10,610	112,812
2018 .....	15,000	159,490
2019 and thereafter .....	10,000	106,326
	¥76,850	\$817,119

(Long-term debt)

March 31	Millions of yen	Thousands of U.S. dollars
2014 (=current portion).....	¥ 24,227	\$ 257,597
2015 .....	73,118	777,438
2016 .....	15,628	166,167
2017 .....	34,974	371,866
2018 .....	10,437	110,973
2019 and thereafter .....	104,451	1,110,589
	¥262,835	\$2,794,630

The following assets were pledged as collateral for short-term debt and long-term debt, including the current portion, at March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investment securities .....	¥ 9,090	¥6,580	\$ 96,651
Property, plant and equipment, net of accumulated depreciation .....	2,332	2,068	24,795
	¥11,422	¥8,648	\$121,446

### c) Lease Obligations

The aggregate annual maturities of lease obligations at March 31, 2013 are as follows:

March 31	Millions of yen	Thousands of U.S. dollars
2014 (=current portion).....	¥ 795	\$ 8,453
2015 .....	677	7,198
2016 .....	352	3,743
2017 .....	200	2,126
2018 .....	117	1,244
2019 and thereafter .....	9	96
	¥2,150	\$22,860

## 9. NET ASSETS

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

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

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

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

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

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

### a) Stock Information

Changes in number of shares issued and outstanding during the years ended March 31, 2013 and 2012 are as follows:

Common stock outstanding

	Thousands of shares	
	2013	2012
Balance at beginning .....	793,941	793,941
Balance at end .....	793,941	793,941

Treasury stock outstanding

	Thousands of shares	
	2013	2012
Balance at beginning .....	732	728
Increase due to purchase of odd-lot stocks.....	3	2
Other, net .....	3	2
Balance at end .....	738	732

### b) Dividend Information

Dividends paid in fiscal 2013

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
The shareholders' meeting on June 27, 2012	March 31, 2012	June 28, 2012	¥7,933	\$84,349
The board of directors on October 31, 2012	September 30, 2012	December 3, 2012	¥7,933	\$84,349

Dividend paid after March 31, 2013 with respect to fiscal 2013

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
The shareholders' meeting on June 26, 2013	March 31, 2013	June 27, 2013	¥7,933	\$84,349

## Dividends paid in fiscal 2012

Resolution	Record date	Effective date	Total amount
			Millions of yen
The shareholders' meeting on June 24, 2011	March 31, 2011	June 27, 2011	¥7,933
The board of directors on October 28, 2011	September 30, 2011	December 1, 2011	¥7,140

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

Resolution	Record date	Effective date	Total amount
			Millions of yen
The shareholders' meeting on June 27, 2012	March 31, 2012	June 28, 2012	¥7,933

**10. EARNINGS PER SHARE**

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

For the year ended March 31, 2013, there were no dilutive potential common shares.

**11. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Net Unrealized Holding Gains on Available-for-Sale Securities:</b>			
Increase (decrease) during the year .....	¥18,599	¥(11,652)	\$197,757
Reclassification adjustments.....	(5,062)	(4,222)	(53,823)
Subtotal, before tax .....	13,537	(15,874)	143,934
Tax effects .....	(3,426)	12,450	(36,427)
Subtotal, net of tax .....	¥10,111	¥ (3,424)	\$107,507
<b>Deferred Gains or Losses on Hedges:</b>			
Increase (decrease) during the year .....	¥ (521)	¥ 918	\$ (5,540)
Reclassification adjustments.....	(4)	(506)	(42)
Adjustments for acquisition cost of hedged items.....	—	(75)	—
Subtotal, before tax .....	(525)	337	(5,582)
Tax effects .....	169	(110)	1,797
Subtotal, net of tax .....	¥ (356)	¥ 227	\$ (3,785)
<b>Foreign Currency Translation Adjustments:</b>			
Increase (decrease) during the year .....	¥52,795	¥ (3,850)	\$561,350
Reclassification adjustments.....	24	997	255
Subtotal, before tax .....	52,819	(2,853)	561,605
Tax effects .....	—	—	—
Subtotal, net of tax .....	¥52,819	¥ (2,853)	\$561,605
<b>Share of Other Comprehensive Income of Affiliates Accounted for Using Equity Method:</b>			
Increase (decrease) during the year .....	¥ 9,931	¥ (4,754)	\$105,593
Reclassification adjustments.....	142	478	1,510
Subtotal, net of tax .....	10,073	(4,276)	107,103
Total other comprehensive income .....	¥72,647	¥(10,326)	\$772,430

## 12. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to several taxes based on income which, in the aggregate, result in statutory tax rates of approximately 37.9% and 40.6% for the years ended March 31, 2013 and 2012, respectively.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2013 and 2012:

	2013	2012
Statutory tax rate.....	<b>37.9%</b>	40.6%
Equity in net income .....	<b>(9.9)</b>	(8.3)
Expenses not deductible for tax purposes .....	<b>0.5</b>	0.4
Dividend income from overseas consolidated subsidiaries .....	<b>0.9</b>	0.9
Tax credits.....	<b>(0.9)</b>	(1.7)
Effect of lower tax rates for overseas consolidated subsidiaries .....	<b>(8.9)</b>	(7.4)
Valuation allowance .....	<b>9.0</b>	(1.0)
Intercompany profits.....	<b>0.0</b>	0.1
Undistributed earnings of consolidated subsidiaries and affiliates.....	<b>4.7</b>	1.2
Amortization of goodwill .....	<b>0.3</b>	0.6
Provision for surcharge .....	<b>—</b>	0.9
Adjustment of deferred tax assets and liabilities due to change in corporate tax rate .....	<b>—</b>	1.8
Other.....	<b>7.7</b>	2.3
Effective tax rate.....	<b>41.3%</b>	30.4%

Deferred tax assets and liabilities included in the consolidated balance sheets at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred income taxes (current assets).....	<b>¥32,028</b>	¥30,683	<b>\$340,542</b>
Deferred income taxes (investments and other assets) .....	<b>18,572</b>	16,935	<b>197,469</b>
Other current liabilities .....	<b>(106)</b>	(223)	<b>(1,127)</b>
Deferred income taxes (non-current liabilities) .....	<b>(54,450)</b>	(49,930)	<b>(578,947)</b>
	<b>¥ (3,956)</b>	¥ (2,535)	<b>\$ (42,063)</b>

Significant components of the deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Deferred tax assets:</b>			
Net operating loss carryforwards.....	¥ 41,324	¥ 30,578	\$ 439,383
Fixed assets.....	18,461	17,340	196,289
Accrued expenses.....	12,986	13,278	138,075
Accrued pension and severance costs.....	11,114	10,314	118,171
Intercompany profits.....	7,799	6,994	82,924
Inventories.....	7,762	6,798	82,531
Investment securities.....	4,510	3,830	47,953
Allowance for doubtful receivables.....	929	752	9,878
Accrued contributions of transfer to defined contribution plans.....	336	723	3,573
Other.....	21,044	18,664	223,754
	<b>126,265</b>	<b>109,271</b>	<b>1,342,531</b>
Less—valuation allowance.....	(47,076)	(37,311)	(500,543)
Total deferred tax assets.....	<b>79,189</b>	<b>71,960</b>	<b>841,988</b>
<b>Deferred tax liabilities:</b>			
Net unrealized holding gains on available-for-sale securities.....	(40,718)	(37,572)	(432,940)
Undistributed earnings of consolidated subsidiaries and affiliates.....	(18,047)	(14,028)	(191,887)
Prepaid pension cost.....	(12,307)	(12,336)	(130,856)
Excess of fair value over the book value of assets and liabilities of consolidated subsidiaries at the acquisition dates.....	(4,334)	(4,336)	(46,082)
Accelerated depreciation of overseas consolidated subsidiaries.....	(3,688)	(2,624)	(39,213)
Reserve for deferred gains on sales of fixed assets.....	(1,376)	(1,453)	(14,631)
Other.....	(2,675)	(2,146)	(28,442)
Total deferred tax liabilities.....	<b>(83,145)</b>	<b>(74,495)</b>	<b>(884,051)</b>
Net deferred tax liabilities.....	<b>¥ (3,956)</b>	<b>¥ (2,535)</b>	<b>\$ (42,063)</b>

### 13. PENSION AND SEVERANCE COSTS

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

The following table sets forth the employee benefit obligations, plan assets and funded status of the Company and its consolidated subsidiaries at March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Benefit obligation at the end of the fiscal year.....	¥(273,815)	¥(252,293)	\$ (2,911,377)
Fair value of plan assets at the end of the fiscal year.....	261,956	222,670	2,785,284
Funded status:			
Plan assets in excess of (less than) benefit obligation.....	(11,859)	(29,623)	(126,093)
Unrecognized actuarial gains and losses.....	44,286	64,657	470,877
Unrecognized past service costs.....	(1,143)	(1,411)	(12,152)
Subtotal.....	<b>31,284</b>	<b>33,623</b>	<b>332,632</b>
Advances to funded pension plans.....	<b>63,432</b>	<b>63,729</b>	<b>674,450</b>
Accrued pension and severance costs for employees in the consolidated balance sheets.....	<b>¥ (32,148)</b>	<b>¥ (30,106)</b>	<b>\$ (341,818)</b>

In addition, retirement benefits for directors and corporate auditors of certain subsidiaries of ¥1,112 million (US\$11,824 thousand) and ¥1,516 million are included in accrued pension and severance costs as of March 31, 2013 and 2012, respectively.

Pension and severance costs of the Company and its consolidated subsidiaries consist of the following components for the years ended March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost .....	¥ 9,479	¥ 9,111	\$100,787
Interest cost .....	5,775	6,023	61,404
Expected return on plan assets .....	(2,835)	(2,853)	(30,144)
Amortization:			
Actuarial gains and losses .....	7,838	7,591	83,339
Past service costs .....	105	618	1,116
Net periodic pension and severance costs .....	¥20,362	¥20,490	\$216,502

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2013 and 2012 are as follows:

	2013	2012
Method of attributing benefits to periods of service.....	<b>Straight-line basis (Some subsidiaries adopt a point basis.)</b>	Straight-line basis (Some subsidiaries adopt a point basis.)
Discount rates .....	<b>Mainly 1.6%</b>	Mainly 2.5%
Long-term rates of expected return on plan assets.....	<b>0.0%–6.1%</b>	0.0%–5.6%
Amortization period for past service costs .....	<b>Mainly 15 years</b>	Mainly 15 years
Amortization period for actuarial gains and losses.....	<b>Average remaining service period or less (mainly 15 years)</b>	Average remaining service period or less (mainly 15 years)

#### 14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Notes receivable endorsed .....	¥ 342	¥ 470	\$ 3,636
Guarantees:			
Guarantees for debt of employees, unconsolidated subsidiaries and affiliates ....	7,927	4,357	84,285
Contingent guarantees for debt of unconsolidated subsidiaries and affiliates ...	459	209	4,880
Keepwell agreements and letters of awareness for debt of unconsolidated subsidiaries and affiliates .....	808	3,798	8,591

## 15. IMPAIRMENT LOSSES OF FIXED ASSETS

Details of impairment losses of fixed assets for the years ended March 31, 2013 are as follows:

2013	Millions of yen	Thousands of U.S. dollars
Machinery, equipment and others.....	¥3,250	\$34,556
Buildings and structures .....	950	10,101
Intangible assets.....	639	6,794
Construction in progress .....	224	2,382
Other.....	150	1,595
	¥5,213*	\$55,428*

\* The amount of ¥2,586 million (US\$27,496 thousand) is shown as "Impairment losses of fixed assets," and the amount of ¥2,627 million (US\$27,932 thousand) is included in "Restructuring expenses" (Note 16) in the consolidated statement of income for fiscal 2013.

The Company and its consolidated subsidiaries grouped long-lived assets into asset groups by business segment, and conducted impairment tests with the conclusion that the carrying amounts should be reduced by ¥5,213 million (US\$55,428 thousand) to the recoverable amounts in fiscal 2013.

The recoverable amount is the net selling price.

Figures of impairment losses of fixed assets for each reportable segment are disclosed in Note 20 b), for the year ended March 31, 2013.

## 16. RESTRUCTURING EXPENSES

In fiscal 2013, restructuring expenses are related mainly to the drastic reorganization of business structure in response to the rapid deceleration in the opto-electronic device business and the restructuring of manufacturing locations in the overseas automotive business as part of the business structure improvement.

Details of the expenses are as follows:

2013	Millions of yen	Thousands of U.S. dollars
Loss on valuation of inventories...	¥3,455	\$36,736
Impairment losses of fixed assets (Note 15).....	2,627	27,932
Other.....	3,019	32,100
	¥9,101	\$96,768

## 17. BUSINESS COMBINATIONS

Business combinations resulting from acquisitions during the year ended March 31, 2013

### a) Outline of business combination

- (1) Name and a description of the acquiree  
Dytech-Dynamic Fluid Technologies S.p.A.  
Production and sales of automotive hoses
- (2) Primary reasons for the business combination  
Through the conversion of Dytech into an owned subsidiary, acquired by Tokai Rubber Industries, Ltd. which is the consolidated subsidiary, the Company intends to extend the production areas mainly in Europe and South America and strengthen the supply structure globally in the automotive hoses business.
- (3) Date of business combination  
February 27, 2013
- (4) Legal form of the business combination  
Share acquisition by cash
- (5) Name of the Company after the business combination  
No change
- (6) Percentage of voting rights acquired  
100%

### b) Period of operation of the acquired company included in the accompanying consolidated financial statements

Since the Company regards the acquisition date as January 1, 2013, the earnings of acquired company are not included in consolidated financial statements.

### c) Acquisition cost and breakdown

2013	Millions of yen	Thousands of U.S. dollars
Acquisition price.....	¥6,423	\$68,293
Cost associated with acquisition...	471	5,008
Total .....	¥6,894	\$73,301

### d) Amount of goodwill recognized, the factors that make up the goodwill recognized and goodwill amortization method and period

#### (1) Amount of goodwill

2013	Millions of yen	Thousands of U.S. dollars
Amount of goodwill.....	¥7,484	\$79,575

- (2) Factors that make up the goodwill recognized  
Goodwill was recognized as the acquisition cost exceeded the net amount allocated to assets acquired and liabilities assumed.
- (3) Goodwill amortization method and period  
Straight-line amortization over 10 years



**e) Amounts recognized as of the date of the business combination for each major class of assets acquired and liabilities assumed**

2013	Millions of yen	Thousands of U.S. dollars
Current assets .....	¥13,039	\$138,639
Non-current assets .....	13,014	138,373
Total assets .....	¥26,053	\$277,012
Current liabilities .....	¥22,216	\$236,215
Non-current liabilities .....	4,036	42,913
Total liabilities.....	¥26,252	\$279,128

**f) Allocation of acquisition cost**

As allocation of the acquisition costs is incomplete as of March 31, 2013, provisional accounting treatment is applied based on a reasonable estimate according to the information available as of that date.

**g) Net sales and income or loss of the combined entity for the current reporting period as though the date of the business combination for all business combination that occurred during the year had been as of beginning of the annual reporting period and the calculation method**

2013	Millions of yen	Thousands of U.S. dollars
Net sales .....	¥29,563	\$314,333
Income before income taxes and minority interests .....	(3,147)	(33,461)
Net income.....	(1,474)	(15,673)

**(Calculation method of approximate impact)**

The amounts of approximate impact are calculated based on the appropriate amounts of profit and loss of the acquired company for its fiscal year ended December 31, 2012.

The amounts of approximate impact are unaudited.

**18. LOSS ON DISASTER**

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

**19. PROVISION FOR SURCHARGE**

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

**20. SEGMENT INFORMATION**

**a) Reportable Segments**

The reportable segments of the Company are business areas of which divided financial information is available for the President, the supreme decision-making body of the Company, to make decisions regarding management resources allocation and evaluate each business result.

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

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

**Automotive:**

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

**Information & Communications:**

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

**Electronics:**

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

**Electric Wire & Cable, Energy:**

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

**Industrial Materials & Others:**

Special steel wires, hard materials and sintered parts

Reportable segment information for the years ended March 31, 2013 and 2012 is as follows:

2013	Millions of yen						
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Adjustments	Consolidated
Sales to customers.....	¥1,070,650	¥153,188	¥207,048	¥496,077	¥232,979	¥ —	¥2,159,942
Intersegment sales .....	518	1,944	10,523	15,105	39,545	(67,635)	—
Net sales .....	¥1,071,168	¥155,132	¥217,571	¥511,182	¥272,524	¥(67,635)	¥2,159,942
Segment profit or loss .....	¥ 53,116	¥ (10,255)	¥ 5	¥ 19,084	¥ 15,100	¥ (260)	¥ 76,790
Segment assets .....	¥ 986,799	¥207,167	¥197,487	¥449,730	¥486,523	¥(30,139)	¥2,297,567
Depreciation and amortization ...	¥ 44,122	¥ 11,264	¥ 10,153	¥ 9,551	¥ 15,539	¥ —	¥ 90,629
Amortization of goodwill .....	240	102	219	620	39	—	1,220
Investments in equity method affiliates .....	87,833	31,564	408	44,880	36,605	—	201,290
Amount of increase in tangible and intangible fixed assets....	81,358	16,108	22,424	13,221	26,059	—	159,170

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

2013	Thousands of U.S. dollars						
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Adjustments	Consolidated
Sales to customers.....	\$11,383,838	\$1,628,793	\$2,201,467	\$5,274,609	\$2,477,183	\$ —	\$22,965,890
Intersegment sales .....	5,508	20,670	111,888	160,606	420,467	(719,139)	—
Net sales .....	\$11,389,346	\$1,649,463	\$2,313,355	\$5,435,215	\$2,897,650	\$(719,139)	\$22,965,890
Segment profit or loss .....	\$ 564,763	\$ (109,038)	\$ 53	\$ 202,913	\$ 160,554	\$ (2,764)	\$ 816,481
Segment assets .....	\$10,492,281	\$2,202,733	\$2,099,808	\$4,781,818	\$5,173,025	\$(320,457)	\$24,429,208
Depreciation and amortization ...	\$ 469,133	\$ 119,766	\$ 107,953	\$ 101,552	\$ 165,222	\$ —	\$ 963,626
Amortization of goodwill .....	2,552	1,085	2,329	6,592	414	—	12,972
Investments in equity method affiliates .....	933,897	335,609	4,338	477,193	389,208	—	2,140,245
Amount of increase in tangible and intangible fixed assets....	865,051	171,271	238,426	140,574	277,076	—	1,692,398

1. Segment profit or loss included in Adjustments of ¥(260) million (US\$(2,764) thousand) and ¥(186) million for fiscal 2013 and 2012, respectively, consists mainly of unrealized profits caused by intersegment transactions.
2. Segment assets included in Adjustments of ¥(30,139) million (US\$(320,457) thousand) and ¥(2,120) million at March 31, 2013 and 2012, respectively, consist mainly of elimination of receivables caused by intersegment transactions, cash and time deposits and investment securities owned by the Company.
3. Segment profit or loss corresponds to operating income in the consolidated statements of income.

**b) Related Information**

## Information about products and services

2013	Millions of yen		
	Wiring harnesses	Others	Total
Sales to customers.....	<b>¥809,080</b>	<b>¥1,350,862</b>	<b>¥2,159,942</b>

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

2013	Thousands of U.S. dollars		
	Wiring harnesses	Others	Total
Sales to customers.....	<b>\$8,602,658</b>	<b>\$14,363,232</b>	<b>\$22,965,890</b>

## Information about geographical areas

2013	Millions of yen					
	Japan	Asia			Americas	Europe and Others
Sales to customers.....	<b>¥1,111,131</b>	<b>¥292,420</b>	<b>¥268,624</b>	<b>¥293,999</b>	<b>¥193,768</b>	<b>¥2,159,942</b>
Net property, plant and equipment...	<b>¥ 372,628</b>	<b>¥ 86,172</b>	<b>¥ 90,890</b>	<b>¥ 51,602</b>	<b>¥ 49,759</b>	<b>¥ 651,051</b>

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

2013	Thousands of U.S. dollars					
	Japan	Asia			Americas	Europe and Others
Sales to customers.....	<b>\$11,814,258</b>	<b>\$3,109,197</b>	<b>\$2,856,183</b>	<b>\$3,125,986</b>	<b>\$2,060,266</b>	<b>\$22,965,890</b>
Net property, plant and equipment...	<b>\$ 3,962,020</b>	<b>\$ 916,236</b>	<b>\$ 966,401</b>	<b>\$ 548,666</b>	<b>\$ 529,069</b>	<b>\$ 6,922,392</b>

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

2013	Millions of yen					
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
Impairment losses of fixed assets .....	<b>¥2,372</b>	<b>¥872</b>	<b>¥217</b>	<b>¥543</b>	<b>¥1,209</b>	<b>¥5,213</b>

2013	Thousands of U.S. dollars					
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
Impairment losses of fixed assets .....	<b>\$25,221</b>	<b>\$9,272</b>	<b>\$2,307</b>	<b>\$5,773</b>	<b>\$12,855</b>	<b>\$55,428</b>

## Information about goodwill by reportable segment

2013	Millions of yen					
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
Amortization .....	¥ 240	¥102	¥219	¥620	¥ 39	¥1,220
Balance at end .....	¥7,514	¥ (22)	¥713	¥284	¥295	¥8,784

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

2013	Thousands of U.S. dollars					
	Automotive	Information & Communications	Electronics	Electric Wire & Cable, Energy	Industrial Materials & Others	Total
Amortization .....	\$ 2,552	\$1,085	\$2,329	\$6,592	\$ 414	\$12,972
Balance at end .....	\$79,894	\$ (234)	\$7,581	\$3,020	\$3,136	\$93,397

**21. RELATED PARTY INFORMATION**

Condensed financial information of a significant affiliate, Sumitomo Rubber Industries, Ltd., as of fiscal 2013 is as follows:

2013	Millions of yen	Thousands of U.S. dollars
Total current assets .....	¥356,174	\$3,787,071
Total non-current assets .....	381,353	4,054,790
Total current liabilities.....	252,671	2,686,560
Total non-current liabilities.....	213,753	2,272,759
Total net assets .....	271,102	2,882,542
Sales .....	710,246	7,551,792
Income before income taxes and minority interests .....	64,062	681,148
Net income.....	35,451	376,938

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

2012	Millions of yen
Total current assets .....	¥325,428
Total non-current assets .....	346,182
Total current liabilities.....	242,135
Total non-current liabilities.....	207,300
Total net assets .....	222,174
Sales .....	676,903
Income before income taxes and minority interests .....	43,779
Net income.....	28,386

**22. OTHER**

The Company is investigated by EU, U.S. and other overseas antitrust regulators concerning the Company's trade in automotive wiring harnesses-related products. Class action lawsuits have been filed in countries including the U.S. against the Company and its subsidiaries for damages caused by violation of antitrust law in the Automotive segment. Also, the Company is in negotiations with some automakers for compensation.

# Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Sumitomo Electric Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Electric Industries, Ltd. and its consolidated subsidiaries as at March 31, 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 26, 2013  
Osaka, Japan

# Company Information

## Corporate Directory

### Head Office (Osaka)

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

### Head Office (Tokyo)

Akasaka Center Building, 1-3-13,  
Motoakasaka, Minato-ku,  
Tokyo 107-8468, Japan  
Tel.: 81 (3) 6406-2600  
Fax: 81 (3) 6406-2700

### DOMESTIC WORKS

#### Osaka Works

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

#### Itami Works

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

#### Yokohama Works

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

## AUTOMOTIVE

### DOMESTIC CONSOLIDATED SUBSIDIARIES

#### • Tokai Rubber Industries, Ltd.

Main Products: Rubber isolators, hoses and resin products

#### • Sumitomo Wiring Systems, Ltd.

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

#### ★ AutoNetworks Technologies, Ltd.

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

### OVERSEAS CONSOLIDATED SUBSIDIARIES

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

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

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

Sao Paulo, Brazil  
Main Products: Wiring harnesses

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

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

#### • Sumitomo Electric Bordnetze GmbH

Wolfsburg, Germany  
Main Products: Wiring harnesses and components

#### • SEWS-CABIND S.p.A.

Collegno, Italy  
Main Products: Wiring harnesses and harness components

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

Guangdong, China  
Main Products: Wiring harnesses

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

Jiangsu, China  
Main Products: Wiring harnesses

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

Fujian, China  
Main Products: Wiring harnesses

#### • Sumidenso Vietnam Co., Ltd.

Hai Duong, Vietnam  
Main Products: Wiring harnesses

132 other companies

## INFORMATION & COMMUNICATIONS

### DOMESTIC CONSOLIDATED SUBSIDIARIES

#### • Kiyohara Sumiden, Ltd.

Main Products: Optical fibers

#### • SEI Optifrontier Co., Ltd.

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

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

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

#### • Sumitomo Electric Networks, Inc.

Main Products: Data communications equipment

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

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

### OVERSEAS CONSOLIDATED SUBSIDIARIES

#### • Sumitomo Electric Lightwave Corp.

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

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

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

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

Zhejiang, China  
Main Products: Optical fibers and preforms

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

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

#### • Sumitomo Electric Photo-Electronics Components (Suzhou), Ltd.

Jiangsu, China  
Main Products: Optical devices and optical transceivers

8 other companies

## ELECTRONICS

### DOMESTIC CONSOLIDATED SUBSIDIARIES

#### ★ Sumiden Shoji Co., Ltd.

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

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

Main Products: Electric wires and electric wire products

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

Main Products: Thin metallic wires and electronic part materials

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

Main Products: Compound semiconductor materials

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

Main Products: FPCs

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

Main Products: Fine polymer products

### OVERSEAS CONSOLIDATED SUBSIDIARIES

#### • Judd Wire, Inc.

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

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

22 other companies

## ELECTRIC WIRE & CABLE, ENERGY

### DOMESTIC CONSOLIDATED SUBSIDIARIES

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

### OVERSEAS CONSOLIDATED SUBSIDIARIES

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

48 other companies

## INDUSTRIAL MATERIALS & OTHERS

### DOMESTIC CONSOLIDATED SUBSIDIARIES

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

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

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

### OVERSEAS CONSOLIDATED SUBSIDIARIES

- ★ Sumitomo Electric U.S.A. Holdings Inc.  
New York, U.S.A.  
Corporate governance and administration services
- ★ Sumitomo Electric Finance U.S.A., Inc.  
New York, U.S.A.  
Finance company
- ★ Sumitomo Electric U.S.A., Inc.  
New York, U.S.A.  
Marketing of SEI Group products
- ★ Sumitomo Electric Carbide, Inc.  
Illinois, U.S.A.  
Main Products: Cemented carbide, CBN and PCD cutting tools
- ★ Sumitomo Electric Finance U.K. Ltd.  
London, U.K.  
Finance company
- ★ Sumitomo Electric Europe Ltd.  
London, U.K.  
Regional headquarter
- ★ Sumitomo Electric Hartmetall GmbH  
Willich, Germany  
Main Products: Cemented carbide, CBN and PCD cutting tools
- Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.  
Rayong, Thailand  
Main Products: Steel tire cords
- Sumitomo Electric Hardmetal Manufacturing (Changzhou) Co., Ltd.  
Jiangsu, China  
Main Products: Cemented carbide drills, sintered diamond indexable inserts

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

49 other companies

## SUBSIDIARIES AND AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD

### DOMESTIC

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

### ★ TECHNO ASSOCIE, Co., Ltd.

- Main Products: Threads and non-ferrous metal products

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

### • Sumitomo Rubber Industries, Ltd.

- Main Products: Automotive tires and sporting goods

- Daiden Corporation  
Main Products: Electric wires and cables

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

### ★ MIRAIT Holdings Corporation

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

### OVERSEAS

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

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

29 other companies

- Notes 1. Publicly listed companies are indicated in bold print.  
2. The number of the companies is as of March 31, 2013.

- Manufacturing / Construction company
- ★ Sales company / Others

# Company Information

## History

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

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



# Investor Information

## Sumitomo Electric Industries, Ltd. (As of March 31, 2013)

### HEAD OFFICE (OSAKA)

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

### HEAD OFFICE (TOKYO)

Akasaka Center Building, 1-3-13, Motoakasaka, Minato-ku, Tokyo 107-8468, Japan

### INCORPORATED

December 1920

### NUMBER OF EMPLOYEES

206,323

### COMMON STOCK

Authorized: 3,000,000,000 shares

Issued: 793,940,571 shares

### NUMBER OF SHAREHOLDERS

70,582

### STOCK EXCHANGE LISTINGS

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

### SHAREHOLDER REGISTER MANAGER

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

### SUMITOMO ELECTRIC VIA THE INTERNET

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

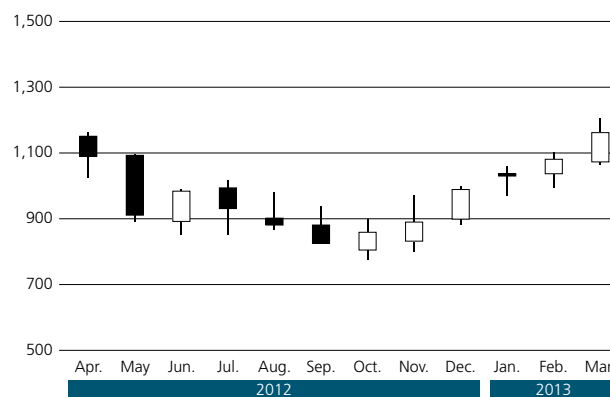
### PRINCIPAL SHAREHOLDERS

	Shareholdings (Thousands)	Outstanding voting share (%)
The Master Trust Bank Japan, Ltd. (Trust Account)	52,111	6.57
Japan Trustee Services Bank, Ltd. (Trust Account)	47,681	6.01
Nippon Life Insurance Company	28,903	3.64
Japan Trustee Services Bank, Ltd. (Trust Account 9)	20,232	2.55
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	18,073	2.28
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	15,965	2.01
Sumitomo Life Insurance Company	15,556	1.96
Sumitomo Mitsui Banking Corporation	12,551	1.58
STATE STREET BANK AND TRUST COMPANY 505225	12,172	1.53
Japan Trustee Services Bank, Ltd. (Trust Account 4)	10,488	1.32
Total	233,738	29.46

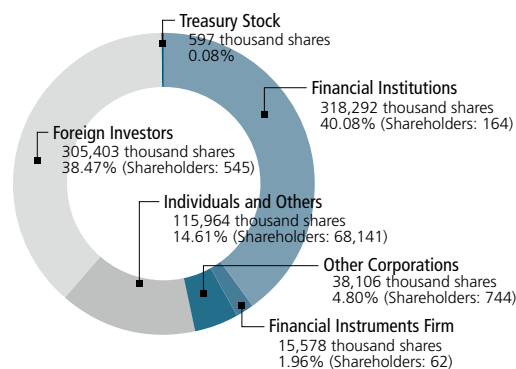
### SHARE PRICE RANGE (Yen)

Year	Month	High	Low	
2012	Apr.	1,163	1,026	
	May	1,096	890	
	Jun.	987	850	
	Jul.	1,015	850	
	Aug.	1,100	993	
	Sep.	937	823	
	Oct.	897	775	
	Nov.	970	797	
	Dec.	999	882	
	2013	Jan.	1,057	968
		Feb.	1,100	993
		Mar.	1,206	1,064

### SHARE PRICE (Yen)



### BREAKDOWN OF SHAREHOLDERS





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

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Fax: +81 (6) 6222-3380

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

### **Ingenious Dynamics™**

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