

**CONVOCAATION NOTICE OF  
THE 147TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

June 6, 2017  
Sumitomo Electric Industries, Ltd.

On June 6, 2017, Sumitomo Electric Industries, Ltd. (“SEI”) has sent a notice convening the 147th Ordinary General Meeting of Shareholders (the “Notice”) to its shareholders on record as of March 31, 2017. This document only provides translations of information contained in the Japanese original text of the Notice (except non-consolidated financial statements, independent auditor's reports, the report of Audit & Supervisory Board, instructions on exercise of voting rights and map) and of the notes to consolidated financial statements (the “Notes”) disclosed on the internet in relation to the Convocation notice of the 147th Ordinary General Meeting of Shareholders, solely for the purpose of identifying the items of information contained in the Notice and the Notes for reference. SEI does not represent or warrant that the information provided on this document (the “Information”) constitutes a summary of the Notice and the Notes or provides a complete and accurate record of the material information in the Notice and the Notes. No warranty is given to any user of the Information as to its accuracy or completeness or timeliness. In the event of a dispute or difference as to meaning or intent of the Information and the Japanese original text of the Notice and the Notes, the Japanese original text of the Notice and the Notes shall prevail. In order to accurately and completely understand the information contained in the Notice and the Notes, it is necessary to read the complete Japanese original text thereof. The shareholders of SEI are therefore requested to refer to the complete text of the Notice. The original Japanese text of the Notice and the Notes should be available on our Japanese Web site (<http://www.sei.co.jp/ir/meeting/>).

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

(Translation)

Securities Code: 5802

June 6, 2017

To the Shareholders

Sumitomo Electric Industries, Ltd.  
5-33, Kitahama 4-chome  
Chuo-ku, Osaka  
Represented by: Masayoshi Matsumoto  
President

**CONVOCAION NOTICE OF  
THE 147TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We are pleased to hereby inform you that the 147th Ordinary General Meeting of Shareholders will be held as set forth below, and to hereby request your attendance.

If you do not attend the Meeting, you can exercise your voting rights in writing or by electromagnetic means (the Internet, etc.). We cordially request that you exercise your voting rights (in doing so, please follow the "Instructions Regarding Voting" set forth on page 3 [of the Japanese original text]) by 5:15 p.m. of June 27, 2017 (Tuesday), after examining the Reference Document regarding the Ordinary General Meeting of Shareholders set out below.

1. **Date:** June 28, 2017 (Wednesday) at 10:00 a.m.
2. **Place:** "The Grand Ballroom" 2nd floor  
The Ritz-Carlton, Osaka  
5-25, Umeda 2-chome, Kita-ku, Osaka
3. **Purposes of the Meeting:**

Matters to be reported

1. Reporting on the Business Report, the Consolidated Financial Statements and the results of the examination of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 147th fiscal year (from April 1, 2016 to March 31, 2017)
2. Reporting on the Non-Consolidated Financial Statements for the 147th fiscal year (from April 1, 2016 to March 31, 2017)

Matters to be resolved

- First item: Disposition of surplus
- Second item: Appointment of three (3) Directors
- Third item: Appointment of two (2) Audit & Supervisory Board Members

Fourth item: Payment of bonus to the Directors

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- \* When you attend the Meeting, please submit the enclosed "Voting Instruction Form" at the reception desk.
- \* Substitutions are allowed only when the proxy is the Company's shareholder with voting rights, and one person for each shareholder. (The proxy must bring not only the "Voting Instruction Form" of the shareholder but also a certification for his or her authority.)
- \* The notes to the consolidated financial statements and the notes to non-consolidated financial statements, which are a part of the documents that should be provided together with this Convocation Notice, are disclosed through postings on our website (<http://www.sei.co.jp/ir/>) pursuant to laws and regulations and the provision of Article 15 of the Articles of Incorporation, and are therefore not described in the attachment to this Convocation Notice. Accordingly, the consolidated financial statements and the non-consolidated financial statements attached to this Convocation Notice are part of the consolidated financial statements and the non-consolidated financial statements that were subject to audit by the Audit & Supervisory Board Members for the purpose of an auditors' report, as well as an audit by the Accounting Auditor for the purpose of an accounting auditor's report.
- \* When the reference document regarding the ordinary general meeting of shareholders, the business report, the consolidated financial statements or the non-consolidated financial statements need modification by the day before the Meeting, we will notify the shareholders in writing by mail or by notice on our website (<http://www.sei.co.jp/ir/>).

(Translation)

**REFERENCE DOCUMENTS  
REGARDING THE ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Agendas and Reference Information

**First item: Disposition of surplus**

Based on maintenance of stable dividends, the Company has the basic policy of making distribution of profits to shareholders after taking into consideration the consolidated business results, the dividend payout ratio, the accumulation level of the retained earnings and other matters.

As for the year-end dividend for the 147th fiscal year, in consideration of the business results for this fiscal year and other matters, the Company proposes to distribute in the amount of twenty-three yen (¥23) per share, which is three yen (¥3) year-end dividend per share more than that of the preceding fiscal year, plus two yen (¥2) commemorative dividend celebrating the Company's 120th year of business marked in April this year. As a result, the dividend for this fiscal year, including the interim dividend (seventeen yen (¥17)), is forty yen (¥40) per share (thirty-eight yen (¥38) ordinary dividend and two yen (¥2) commemorative dividend), which is five yen (¥5) per share more than that of the preceding fiscal year.

1. Matters concerning the year-end dividend

(1) Type of properties to be distributed:

Cash

(2) Matter concerning the allocation of properties to be distributed and the total amount thereof:

Twenty-three yen (¥23) (twenty-one yen (¥21) ordinary dividend and two yen (¥2) commemorative dividend) per ordinary share of the Company  
Total amount of dividends: 17,942,004,634 yen

(3) Effective date of distribution of surplus:

June 29, 2017

2. Other matters concerning the disposition of surplus

Not applicable.

**Second item: Appointment of three (3) Directors**

Director Mr. Atsushi Yano will resign upon the closing of this Meeting, and Director Mr. Fumiyoshi Kawai resigned as of March 31 this year. Approval is hereby requested for the appointment of three (3) Directors in part to fill these vacancies.

The nominees for the offices of Directors are as follows:

Nominee Number	Name (Birth Date)	Number of the Company Shares Owned
	<p style="text-align: center;">Osamu Inoue (August 25, 1952)</p> <p style="text-align: center; border: 1px solid black; display: inline-block;">Newly Appointed</p>	14,410 shares
1	<b>Career Summary, Position, Areas of Responsibility and Important Concurrent Post</b>	
	Apr 1975	Joined the Company
	Jan 2001	General Manager, Automotive Unit
	Jul 2003	General Manager, Administrative Department, Automotive Business Unit
	Jun 2004	Executive Officer Deputy General Manager, Automotive Business Unit General Manager, Administrative Department, Automotive Business Unit
	Jan 2006	Executive Officer, General Manager, Sumitomo Wiring Systems, Ltd.
	Jun 2006	Director, Managing Executive Officer, General Manager, Planning Unit, General Manager, Group Management Unit, Sumitomo Wiring Systems, Ltd.
	Jun 2007	Director, Senior Managing Executive Officer, Sumitomo Wiring Systems, Ltd.
	Jun 2008	Managing Director, General Manager, Automotive Business Unit of the Company
	Apr 2009	Director of the Company President, Sumitomo Electric Bordnetze GmbH (present Sumitomo Electric Bordnetze SE)
Jun 2012	Deputy General Manager, Automotive Business Unit of the Company Director, President, Sumitomo Wiring Systems, Ltd.	
Apr 2017	Managing Executive Officer of the Company Director, Sumitomo Wiring Systems, Ltd.	
(currently maintained)		
Important Concurrent Post:		
Director, Sumitomo Wiring Systems, Ltd.		
<b>Reason Why the Company Nominates the Nominee as a Director</b>		
The Company has selected him as a nominee for the office of Director because he served as General Manager of Automotive Business Unit as Managing Director from June 2008, then as President of an overseas subsidiary of the Company, and played an important role in the management of the Company group as President of Sumitomo Wiring Systems, Ltd., one of the Company's important subsidiaries, from June 2012 through March this year, and the Company has considered him to be qualified for a Director in light of the Company's "Policy to Nominate Candidates for Director and Audit & Supervisory Board Member."		

Nominee Number	Name (Birth Date)	Number of the Company Shares Owned
2	<p style="text-align: center;">Hideo Hato (September 3, 1957)</p> <p style="text-align: center; border: 1px solid black; display: inline-block;">Newly Appointed</p>	5,000 shares
	<b>Career Summary, Position, Areas of Responsibility and Important Concurrent Post</b>	
	Apr 1981	Joined the Ministry of International Trade and Industry
	Apr 2007	Deputy Director-General, Ministry of Economy, Trade and Industry
	Apr 2008	Director General, Energy Conservation and Renewable Energy Department, Agency for Natural Resources and Energy
Sep 2009	Director General, Consumer Affairs Agency	
Jul 2011	President, Administrative Agency New Energy and Industrial Technology Development Organization (present National Research and Development Agency New Energy and Industrial Technology Development Organization)	
Jun 2013	Commissioner, Patent Office	
Jul 2014	Retired from office	
Jun 2016	Managing Executive Officer of the Company	
(currently maintained)		
<b>Reason Why the Company Nominates the Nominee as a Director</b>		
<p>The Company has selected him as a nominee for the office of Director because he held important posts including President of National Research and Development Agency, New Energy and Industrial Technology Development Organization and Commissioner of Patent Office and has rich experience, and has also supervised the Corporate Staff Group, including Public Relations Department, Corporate Planning Department, and Intellectual Property Department as Managing Executive Officer of the Company since June 2016, and the Company has considered him to be qualified for a Director in light of the Company's "Policy to Nominate Candidates for Director and Audit &amp; Supervisory Board Member."</p>		

Nominee Number	Name (Birth Date)	Number of the Company Shares Owned
3	Masaki Shirayama (November 29, 1961)  <u>Newly Appointed</u>	6,000 shares
	<b>Career Summary, Position, Areas of Responsibility and Important Concurrent Post</b>	
	Apr 1985	Joined the Company
	Jun 2012	General Manager, New Business Development Unit
	Jun 2013	Executive Officer, Deputy General Manager, Network Business Unit, General Manager, New Business Marketing & Promotion Division General Manager, Marketing & Promotion Department, New Business Development Unit
	Jun 2014	Managing Executive Officer, General Manager, Social Infrastructure Sales & Marketing Unit  (currently maintained)
<b>Reason Why the Company Nominates the Nominee as a Director</b>		
The Company has selected him as a nominee for the office of Director because he has extensive business experience in sales departments of infrastructure businesses including electricity, and has served as the General Manager of Social Infrastructure Sales & Marketing Unit as Executive Manager since June 2014 and the Company has considered him to be qualified for a Director in light of the Company's "Policy to Nominate Candidates for Director and Audit & Supervisory Board Member."		

Notes:

1. The nominees for the offices of Directors do not have business connections with the Company.
2. The Director nominee Mr. Osamu Inoue is to resign as Director of Sumitomo Wiring Systems, Ltd. on June 23, 2017.

**Third item: Appointment of two (2) Audit & Supervisory Board Members**

Audit & Supervisory Board Member Mr. Hideaki Inayama will resign upon the closing of this Meeting, and the term of office of Audit & Supervisory Board Member Mr. Katsuaki Watanabe expires upon the closing of this Meeting. Approval is hereby requested for the appointment of two (2) Audit & Supervisory Board Members.

The nominees for the office of Audit & Supervisory Board Member are as follows, and this agenda has already been approved by the Audit & Supervisory Board.

Name (Birth Date)	Number of the Company Shares Owned
<p style="text-align: center;">Akira Hayashi (June 30, 1958)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Newly Appointed</div>	17,400 shares
<b>Career Summary, Position, and Important Concurrent Post</b>	
<p>Apr 1981      Joined the Company</p> <p>Jul 2009      General Manager, Internal Auditing Department</p> <p>May 2011      General Manager, Accounting Division</p> <p>Jan 2016      General Manager</p> <p>(currently maintained)</p>	
<b>Reason Why the Company Nominates the Nominee as an Audit &amp; Supervisory Board Member</b>	
<p>The Company has selected him as a nominee for the office of Audit &amp; Supervisory Board Member because he has extensive business experience in the accounting and financial departments of the Company, and has supervised the accounting, financial, and internal auditing sections as General Manager since January 2016, and the Company has considered him to be qualified for an Audit &amp; Supervisory Board Member in light of the Company’s “Policy to Nominate Candidates for Director and Audit &amp; Supervisory Board Member.”</p>	



Name (Birth Date)	Number of the Company Shares Owned																				
<p style="text-align: center;">Katsuaki Watanabe (February 13, 1942)</p> <div style="border: 1px solid black; padding: 2px; margin: 5px auto; width: fit-content;"> <p style="text-align: center;">Nominee for an Outside Audit &amp; Supervisory Board Member</p> </div>	<p>7,500 shares</p>																				
<b>Career Summary, Position, and Important Concurrent Post</b>																					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; vertical-align: top;">Apr 1964</td> <td>Joined Toyota Motor Co., Ltd. (present Toyota Motor Corporation)</td> </tr> <tr> <td style="vertical-align: top;">Sep 1992</td> <td>Director, Toyota Motor Corporation</td> </tr> <tr> <td style="vertical-align: top;">Jun 1997</td> <td>Managing Director, Toyota Motor Corporation</td> </tr> <tr> <td style="vertical-align: top;">Jun 1999</td> <td>Senior Managing Director, Toyota Motor Corporation</td> </tr> <tr> <td style="vertical-align: top;">Jun 2001</td> <td>Executive Vice President, Toyota Motor Corporation</td> </tr> <tr> <td style="vertical-align: top;">Jun 2005</td> <td>President, Toyota Motor Corporation</td> </tr> <tr> <td style="vertical-align: top;">Jun 2009</td> <td>Vice Chairman, Toyota Motor Corporation</td> </tr> <tr> <td style="vertical-align: top;">Jun 2011</td> <td>Senior Advisor, Toyota Motor Corporation</td> </tr> <tr> <td style="vertical-align: top;">Jun 2013</td> <td>Senior Advisor, Toyota Motor Corporation Audit &amp; Supervisory Board Member (Outside Audit &amp; Supervisory Board Member) of the Company</td> </tr> <tr> <td style="vertical-align: top;">Jun 2015</td> <td>Advisor, Toyota Motor Corporation Audit &amp; Supervisory Board Member (Outside Audit &amp; Supervisory Board Member) of the Company</td> </tr> </table> <p>(currently maintained)</p> <p>Important Concurrent Post:</p> <ul style="list-style-type: none"> <li>Advisor, Toyota Motor Corporation</li> <li>Director (Outside Director), Kyushu Financial Group, Inc.</li> </ul>		Apr 1964	Joined Toyota Motor Co., Ltd. (present Toyota Motor Corporation)	Sep 1992	Director, Toyota Motor Corporation	Jun 1997	Managing Director, Toyota Motor Corporation	Jun 1999	Senior Managing Director, Toyota Motor Corporation	Jun 2001	Executive Vice President, Toyota Motor Corporation	Jun 2005	President, Toyota Motor Corporation	Jun 2009	Vice Chairman, Toyota Motor Corporation	Jun 2011	Senior Advisor, Toyota Motor Corporation	Jun 2013	Senior Advisor, Toyota Motor Corporation Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company	Jun 2015	Advisor, Toyota Motor Corporation Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of the Company
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<b>Reason Why the Company Nominates the Nominee as an Outside Audit &amp; Supervisory Board Member</b>																					
<p>He was involved for a long time in the management of a company conducting its business globally, and has extensive experience and great insight in relation to overall corporate management, and the Company has selected him as a nominee for the office of Outside Audit &amp; Supervisory Board Member because the Company has considered him to be qualified for an Outside Audit &amp; Supervisory Board Member in light of the Company's "Policy to Nominate Candidates for Director and Audit &amp; Supervisory Board Member. Since he was appointed as an Audit &amp; Supervisory Board Member of the Company in 2013, in addition to his statements at the Board of Directors and Audit &amp; Supervisory Board mentioned in page 33 he has proactively expressed objective and useful opinions from an independent standpoint in many situations, such as various meetings of the Company and inspections of offices of the Company and affiliated companies. He has contributed to sustainable growth and mid- and long-term improvement of corporate value of the Company, not only in auditing, but also in implementing mid-term and annual plans, and improving the efficiency of management, such as business management, including management of affiliated companies, and factory management.</p>																					

**Notes:**

1. The nominees for the office of Audit & Supervisory Board Members have no business connections with the Company.

2. The nominee for an Audit & Supervisory Board Member, Mr. Akira Hayashi, will be appointed to fill Audit & Supervisory Board Member, Mr. Hideaki Inayama
3. Mr. Katsuaki Watanabe is a nominee for an Outside Audit & Supervisory Board Member and for an Outside Officer defined by Tokyo Stock Exchange, Inc., etc.
4. Matters to be described specifically regarding the Outside Audit & Supervisory Board Member nominee (Mr. Katsuaki Watanabe) are as follows:

- (1) Facts that the Company violated laws and regulations or its articles of incorporation, or other facts that unjust business was being executed for the Company, during an Outside Director nominee's last term of office of Outside Audit & Supervisory Board Member nominee of the Company, as well as acts conducted by the nominee to prevent the occurrence of such facts or cope after such facts occurred.

After Mr. Katsuaki Watanabe was appointed as Audit & Supervisory Board Member of the Company in June 2013, the Company received a cease-and-desist order, etc. from the Japan Fair Trade Commission in December 2013 because the Company violated the Antimonopoly Act with respect to construction orders for the aerial electric transmission for Tokyo Electric Power Company, Incorporated. However, it is recognized that the violation had ceased before the commencement of the above term.

In addition, as a sanction in response to violations before 2008 and 2009 with respect to the Company's trade of automotive wiring harnesses and their related components, the Company received a decision in July 2013 from the European Commission holding that the Company had violated competition laws and also received an administrative monetary penalty payment order in August 2014 pursuant to the China Antimonopoly Act from the National Development and Reform Commission of China. Furthermore, the European Commission imposed a fine on the Company and J-Power Systems Corporation for alleged action that violated EU competition law concerning the transaction of high-voltage and extra-high-voltage power cables in April 2014.

In light of changes to global regulations or scandals in other companies, Mr. Katsuaki Watanabe has always confirmed and expressed opinions on the internal control system and specific policies in respect of compliance. Particularly, he is making statements on the improvement and enhancement of the competition law compliance system for the entire group and its thoroughness and organization with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.

- (2) The Outside Audit & Supervisory Board Member nominee's duration as an Outside Audit & Supervisory Board Member of the Company

Mr. Katsuaki Watanabe will have held office as an Outside Audit & Supervisory Board Member for four (4) years at the time of the closing of this Meeting.

- (3) Outline of the substance of the limited liability contract

The Company has entered into a limited liability contract with Mr. Katsuaki Watanabe. The contract provides, with respect to the liability stipulated under Article 423, paragraph 1 of the Companies Act, that Mr. Katsuaki Watanabe owes liability for damages limited to the higher amount of either 10 million yen or the minimum liability amount stipulated under Article 425, paragraph 1 of the act, if he was without knowledge and not grossly negligent in conducting his duties.

*[Reference Information]*

The "Policy to Nominate Candidates for Director and Audit & Supervisory Board Member" of the Company is as follows:

1. Candidates to be nominated as inside directors will be individuals who have and have carried out the Sumitomo Spirit – which values doing your sincere best, not only in business but also in every aspect of your life, placing importance on integrity and not acting rashly or carelessly in pursuit of easy gains. These will be individuals who have extensive experience and excellent performance records in connection with our business; who have sound objective judgement concerning management in light of the changing environment surrounding us and future changes; and who have superior character, foresight and insight.
2. Candidates to be nominated as outside directors will be individuals with experience in company management, experts of respective fields or academic experts who would be suitable for supervising our management from the viewpoint of encouraging sustainable growth and striving to increase corporate value over the mid-to-long term.
3. Candidates to be nominated as Audit & Supervisory Board Members will be individuals with experience in company management and persons with expertise in law, finance or accounting.
4. The Nominating Advisory Committee will deliberate the candidates for directors and Audit & Supervisory Board Members from an objective viewpoint and the Board of Directors will decide on the candidates by a resolution based on the report of the committee.

**Fourth item: Payment of bonus to the Directors**

Taking into consideration the business results of this fiscal year, the existing amount of payment and other factors, the Company proposes to declare bonuses totaling 250 million yen (¥250,000,000) for eleven (11) Directors other than the two (2) Outside Directors among the thirteen (13) Directors in all, as of the end of this fiscal year.

(Translation)

(Attachment)

**BUSINESS REPORT**  
**(from April 1, 2016 to March 31, 2017)**

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

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

This fiscal year, for the world economy, although recovery trends continued in the U.S. and Europe picked up as a whole, the uncertain outlook is increasing due to, among others, the growing unpredictability caused by the British exit from the EU and the inauguration of the new government in the U.S., as well as concerns about the effect of the slowing growth of emerging economies. The Japanese economy has also been at a standstill due to a halt in the growth of personal consumption.

Regarding the business environment for the Sumitomo Electric Group, although demand for products such as wiring harnesses, optical fiber cables, and optical/wireless devices has been mainly steady overseas, the business environment has been tough due to the significant effect of the fall in demand for FPCs (flexible printed circuits) for mobile devices, a stronger yen, and the fall in copper prices. In this environment, the consolidated financial settlement for this fiscal year saw revenue decrease from the previous fiscal year, as net sales amounted to 2,814,483 million yen (preceding fiscal year: 2,933,089 million yen, -4.0%). However, as for profit, due to proceeding with global cost reductions and developing and marketing new products, operating income was 150,503 million yen (preceding fiscal year: 143,476 million yen, +4.9%), ordinary income was 173,872 million yen (preceding fiscal year: 165,658 million yen, +5.0%), and the profit attributable to owners of the parent was 107,562 million yen (preceding fiscal year: 91,001 million yen, +18.2%), each of which shows a year-on-year increase in profit.

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

**(i) The Automotive segment**

Through proactively proceeding with capturing global demand such as expanding the introduction of wiring harnesses, car electronic components, and anti-vibration rubbers to new car lines, the overseas sales volume increased, especially in China; however, due to the effect of a stronger yen and the fall in copper prices, net sales decreased 28,764 million yen (1.9%) to 1,513,221 million yen. Operating income increased 9,962 million yen to 98,616 million yen due to proceeding with cost reductions at global production bases, despite the segment being affected by a stronger yen.

**(ii) The Infocommunications segment**

Net sales increased 13,552 million yen (7.3%) to 198,240 million yen despite the segment being affected by a stronger yen, due to increasing demand primarily overseas, including in China and the U.S., for optical fiber cables and optical/wireless devices. Operating income increased 9,606 million yen to 21,509 million yen due to improving profitability through capturing demand for optical cables for data centers and proceeding with cost reductions, in addition to an increase in demand.

(iii) The Electronics segment

Net sales decreased 60,908 million yen (19.5%) to 251,113 million yen despite the increase in sales volume for electric wires through finding new demands, due to the effect of a stronger yen in addition to a reduction in sales volume for FPCs for mobile devices caused by decreasing demand and a delay in launching the manufacture of new products and intensifying cost competition. Operating loss increased, with a significant deterioration of 21,101 million yen to 10,898 million yen due to the effect of the deterioration in profitability associated with the decrease of the production volume of FPCs.

(iv) The Environment and Energy segment

Net sales decreased 38,125 million yen (5.8%) to 621,418 million yen, mainly due to the effect of the fall in copper prices. Operating income increased 7,403 million yen to 20,807 million yen due to factors such as cost reductions for power cables, capturing the demand for ion implanters for manufacturing small/medium high-definition Flat Panel Displays (FPDs) by Nissin Electric Co., Ltd., and progress with improving profitability, although there was the posting of losses due to correction of improper accounting in the past fiscal years at an overseas subsidiary of Sumitomo Densetsu Co., Ltd.

(v) The Industrial Materials segment and Others

Due to the effect of a stronger yen and other factors, net sales decreased 8,211 million yen (2.6%) to 303,943 million yen. Operating income increased 1,257 million yen to 20,491 million yen due to factors such as the posting of an appraisal loss of the market prices of raw materials at A.L.M.T. Corp., associated with a decrease in the market prices of tungsten and molybdenum in the preceding fiscal year as well as improvement in profitability by proceeding with cost reductions for steel tire cords overseas.

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

Segment	Preceding Fiscal Year		This Fiscal Year	
	Net Sales	Operating Income	Net Sales	Operating Income
	millions of yen	millions of yen	millions of yen	millions of yen
Automotive	1,541,985	88,654	1,513,221	98,616
Infocommunications	184,688	11,903	198,240	21,509
Electronics	312,021	10,203	251,113	(10,898)
Environment and Energy	659,543	13,404	621,418	20,807
Industrial Materials and Others	312,154	19,234	303,943	20,491
Elimination of Intersegment Transactions, etc.	(77,302)	78	(73,452)	(22)
Total	millions of yen 2,933,089	millions of yen 143,476	millions of yen 2,814,483	millions of yen 150,503

## (2) Conditions of Capital Expenditure

The total amount of capital expenditure for this fiscal year was 183.7 billion yen. The following list shows the breakdown of capital expenditure by segment.

Segment	Amount of Capital Expenditure (billions of yen)	Main Content of Capital Expenditure
Automotive	76.9	Increased production of and rationalization investment in wiring harnesses and anti-vibration rubbers
Infocommunications	24.1	Increased production of and rationalization investment in optical/wireless devices and optical fiber cables
Electronics	34.2	Increased production of and rationalization investment in FPCs and electronic wires
Environment and Energy	24.0	Increased production of and rationalization investment in power transmission wires/cables and power system equipment
Industrial Materials and Others	24.5	Increased production of and rationalization investment in cemented carbide tools and sintered powder metal parts

## (3) Fund-raising

The Group raised funds through the issuance of corporate bonds of 50 billion yen, long-term loans of 32.3 billion yen, and through other means. The purpose of such fund-raising was allocation to repayment of long-term borrowings, equipment funds, and redemption for corporate bonds, etc.

## (4) Key Issues Requiring Attention

The global economy hereafter, is at risk of becoming more unstable, due to the uncertainty of policies in Europe and the U.S., the risk of an economic downturn in emerging economies, political unrest, and fluctuations in the financial and capital markets, among other factors. Also for the Japanese economy, it is expected that personal consumption, among other factors, continue to lack vigor and the outlook remains unclear.

In these circumstances, the Group, having the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles as the foundation, intends to strive for further evolution of "S" (Safety), "E" (Environment), "Q" (Quality), "C" (Cost), "D"(Delivery) and "D" (Development), and in view of the 2017 fiscal year, the final fiscal year in "VISION 2017" medium-term management plan, as the finishing year for the realization of the medium-term goals, we are pursuing the following strategies in each of our business segments.

In the Automotive segment, the Group is striving to be a global comprehensive auto-parts manufacturer, and accelerating the development and marketing of high-strength aluminum wiring harnesses, that contribute to making lighter automobiles and excel in durability, high-voltage wiring harnesses designed for environmentally friendly vehicles, and complicated and sophisticated electronic components and connectors for high-speed communication corresponding to enhanced control of automobiles, etc. In addition, the Group will strive to further expand its market share for overseas customers as well as focus

on further cost reductions. Sumitomo Riko Company Ltd. is endeavoring to market globally by taking advantage of bases, sales channel and technologies, etc. of overseas business operations it has acquired in the field of automotive anti-vibration rubbers and hoses and is continuing to strive to strengthen the corporate structure as well as working on improving profitability.

In the Infocommunications segment, we are continuously working on ensuring to capture steady demand overseas for optical fiber cables, 100Gbps\* high-speed optical devices, and GaN (Gallium Nitride) devices for mobile phone base stations, and proceeding further with marketing of extra low loss fibers for submarine cables, data center related products, including ultra-high-fiber-count optical fiber cables, and intelligent transport systems. In addition, we will continuously focus on marketing new products of access network equipment, striving to further improve profitability.

In the Electronics segment, with regard to FPCs for mobile devices, it has become difficult to be profitable this fiscal year, due to a fall in demand, intensifying competition, and in addition, the delay in launching the manufacture of new products. However, we are proceeding to improve profitability by focusing on thorough global quality improvement, cost reductions and marketing, while taking advantage of the Group's integrated capabilities to develop new products with increased precision, thinness and heat resistance and to expand business to automotive markets and other markets. In addition, with regard to electronic wires and irradiation tubes, we are accelerating to strengthen global production and marketing.

In the Environment and Energy segment, last November we entered into a long-term supply agreement for submarine power cables with Saudi Arabia's national oil company, Saudi Arabian Oil Company. Furthermore, this March we agreed to cooperate in the high-voltage direct current transmission field with a German company, Siemens. We will proceed with providing the optimized solutions for our customers, based on the advanced technology such as Siemens' converters and the Company's high-voltage direct current power cables, and accelerate global marketing with those approaches. In addition, the segment will proceed with working to improve profitability through cost reductions and strengthening quality. Other than the above, the segment will continue expanding sales of flat magnet wires for motors and porous metals for batteries used in environmentally friendly vehicles, and also focus on expanding the business related to renewable energy and smart grids, in cooperation with Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd.

In the Industrial Materials segment, last September we acquired the major U.S. sintered powder metal parts manufacturer, Keystone, and through the acquisition, we are working to improve the Company's presence in the sintered powder metal parts business in the U.S. and to win further global business opportunities. With regard to the cemented carbide tools, we will strive, more than ever before, to capture demand in the markets of emerging economies such as China, Taiwan, and India and continue to strengthen the raw materials procurement system. In addition to the main automotive field, we will accelerate development and marketing of new products for the fields of aircrafts and precision processing that are expected to grow in the future. Furthermore, we will also be focusing on the expansion of the global production organization and marketing for tensioning materials for prestressed concrete and precision spring steel wires.

In research and development activities, we will make efforts to create new businesses and products that are original and excel in profitability. This includes the acceleration of developing and domestic and international substantive experimenting for the commercialization of redox flow batteries, concentrator photovoltaic systems, and Power Line Communication applications, with the aim of establishing a new electricity/energy infrastructure, and the commercialization of superconducting products, magnesium alloy products, water-treatment systems, SiC (silicon carbide) power semiconductor devices, and

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\* Gbps: Stands for gigabits per second, a data transfer speed measurement. 1Gbps describes data transfer of 1 billion bits per second.

products for next-generation communication network. Taking a long-term perspective, we will focus on leveraging the Group's strengths to develop new products in response to society's needs, including advanced traffic safety systems and searching for new materials with new functions, as well as working proactively for production innovation by utilizing AI\* and IoT\* at manufacturing sites and countermeasures for cyber security.

Ultimately, we believe that compliance with laws and regulations and maintaining corporate ethics constitute the foundation of the Company's management, and that they are the absolute basis to continue and develop as a corporation. In particular, we consider compliance with competition laws as our most important task, and since the establishment of a set of rules and regulations to ensure compliance with competition laws in June 2010, we have worked to strengthen our competition law compliance as an entire group. From now on, under the principles of the Sumitomo Spirit, which values doing your sincere best, not only in business but also in every aspect of your life, placing importance on integrity, and not acting rashly or carelessly in pursuit of easy gains, we will make all efforts to ensure that all corporate activities are conducted fairly and honestly and can be trusted by society.

The Company celebrated its 120th anniversary on April 1. The Company considers that this is entirely the result of the warm support and understanding from each of our shareholders and would like to express its sincere appreciation. We will continue to make every effort for sustainable growth and the improvement of corporate value and we would like to ask our shareholders for your further support and encouragement.

\* AI: Stands for Artificial Intelligence.

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

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

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

Year Entry	FY2012	FY2013	FY2014	FY2015	FY2016 (this fiscal year)
Net Sales (millions of yen)	2,159,942	2,568,779	2,822,811	2,933,089	2,814,483
Operating Income (millions of yen)	76,790	120,058	134,457	143,476	150,503
Ordinary Income (millions of yen)	94,116	145,354	160,597	165,658	173,872
Profit Attributable to Owners of the Parent (millions of yen)	37,955	66,748	119,771	91,001	107,562
Earnings per Share (yen)	47.85	84.15	151.00	114.73	137.61
Net Assets (millions of yen)	1,244,695	1,379,912	1,646,913	1,561,289	1,626,502
Total Assets (millions of yen)	2,297,567	2,554,819	2,925,785	2,742,848	2,903,584

#### (Notes)

- Earnings per share is computed based on the weighted average number of shares of common stock outstanding during each period.
- After adopting the "Accounting Standards for Business Combinations" (Accounting Standards Board of Japan Statement No. 21) and other accounting standards, we have changed "Net Income" to "Profit Attributable to Owners of the Parent" from FY2015.



3. With respect to FY2015, as demand for automotive wiring harnesses and anti-vibration rubber is mainly steady overseas, such as in the U.S., and demand for FPCs for mobile devices, etc. also increased, net sales increased from the preceding fiscal year. Also, while depreciation and amortization expenses and research and development costs increased due to prior investment, operating income and ordinary income increased from the preceding fiscal year due to the impact of a weaker yen and cost reductions. However, due to the posting of extraordinary profits in the previous fiscal year associated with selling shares of Sumitomo 3M Ltd. (which changed its corporate name to "3M Japan Limited" as of September 1, 2014), profit attributable to owners of the parent decreased from the preceding fiscal year.
4. With respect to FY2016, please see "(1) Progression of Business and its Results" above.

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

Entry \ Year	FY2012	FY2013	FY2014	FY2015	FY2016 (this fiscal year)
Net Sales (millions of yen)	779,753	832,484	910,657	928,976	901,892
Operating Income (millions of yen)	(7,806)	(5,071)	(2,063)	(1,414)	(924)
Ordinary Income (millions of yen)	14,164	25,422	34,288	44,392	49,367
Profit for the year (millions of yen)	10,405	24,175	105,911	22,390	42,737
Earnings per Share (yen)	13.11	30.47	133.50	28.22	54.66
Net Assets (millions of yen)	614,207	629,865	722,905	707,504	707,105
Total Assets (millions of yen)	1,064,793	1,120,231	1,180,671	1,220,413	1,237,498

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

**(6) Content of Main Businesses (as of March 31, 2017)**

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

Segment	Main products and others
Automotive	Wiring harnesses, anti-vibration rubbers/automotive hoses, car electronic components
Infocommunications	Optical fiber cables, telecommunication cables and equipment, fusion splicers, optical/wireless devices such as optical transceiver modules/wireless communication devices, compound semiconductors, network system products such as access network equipment (GE-PON/set-top box/CATV-related products, etc.)/traffic control

Segment	Main products and others
Electronics	Electronic wires, electric beam irradiation products, flexible printed circuits, fluorine resin products
Environment & Energy	Electric conductors, power transmission wires/cables/equipment, magnet wires, air cushions for railroad vehicles, power system equipment such as substation equipment/control system, charged beam equipment and processing, electrical/power supply work and engineering, porous metals, metal materials for electronic parts
Industrial Materials, etc.	Tensioning materials for prestressed concrete, precision spring steel wires, steel tire cords, cemented carbide tools, diamond and CBN tools, laser optics, sintered powder metal parts, semiconductors heatspreader materials

**(7) Main Offices and Works (as of March 31, 2017)**

(i) The Company

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

(ii) Subsidiaries

(Domestic)

Company Name	Location
Sumitomo Wiring Systems, Ltd.	Yokkaichi City, Mie Prefecture
Sumitomo Electric Device Innovations, Inc.	Yokohama City
Sumitomo Riko Company Ltd.	Nagoya City
Nissin Electric Co., Ltd.	Kyoto City
J-Power Systems Corporation	Hitachi City, Ibaraki Prefecture
Sumitomo Electric Hardmetal Corp.	Itami City, Hyogo Prefecture
Sumitomo Densetsu Co., Ltd.	Osaka City
Sumitomo Electric Sintered Alloy, Ltd.	Takahashi City, Okayama Prefecture
Sumitomo (SEI) Steel Wire Corp.	Itami City, Hyogo Prefecture
Sumitomo Electric Wintec, Inc.	Koka City, Shiga Prefecture

(Overseas)

Company Name	Location
Sumitomo Electric Wiring Systems, Inc.	U.S.A.
Sumitomo Electric Lightwave Corp.	U.S.A.
JUDD Wire, Inc.	U.S.A.
Sumidenso do Brasil Industrias Eletricas Ltda.	Brazil
Sumitomo Electric Wiring Systems (Europe) Limited	U.K.

Company Name	Location
Sumitomo Electric Bordnetze SE	Germany
SEWS-CABIND S.p.A.	Italy
PT. Karya Sumiden Indonesia	Indonesia
PT. Sumi Indo Kabel Tbk.	Indonesia
SEI Thai Electric Conductor Co., Ltd.	Thailand
Sumitomo Electric Interconnect Products (Shenzhen), Ltd.	China
Sumidense Mediatech Suzhou Co., Ltd.	China
Fuzhou Zhu Wiring Systems Co., Ltd.	China
Huizhou Zhurun Wiring Systems Co., Ltd.	China
Sumitomo Electric Interconnect Products (Hong Kong), Ltd.	Hong Kong
SEI Electronic Components (Vietnam), Ltd.	Vietnam
Sumidense Vietnam Co., Ltd.	Vietnam

(Note) Sumitomo Electric Bordnetze AG changed its corporate name to Sumitomo Electric Bordnetze SE on October 25, 2016.

(iii) **Affiliated Companies**

Company Name	Location
Sumitomo Rubber Industries, Ltd.	Kobe City
MIRAIT Holdings Corporation	Koto Ward, Tokyo
TECHNO ASSOCIE CO., LTD.	Osaka City

**(8) Employee Situation (as of March 31, 2017)**

(i) **Employee Situation of Corporate Group**

Segment	Number of Employees	Increase from March 31, 2015
Automotive	187,815	5,485
Infocommunications	6,734	106
Electronics	25,852	526
Environment & Energy	13,077	142
Industrial Materials, etc.	14,852	1,206
Total	248,330	7,465

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

(ii) **Employee Situation of the Company**

Number of Employees	Increase from March 31, 2015	Average age	Average Length of Service (Years)
5,034	50	42.0	17.4

(Note) "Number of Employees" does not include the 6,381 employees of the Company who are dispatched to companies other than the Company.

**(9) Status of Important Subsidiaries and Affiliates (as of March 31, 2017)**

Company Name	Capital	Shareholding	Main Business
Sumitomo Wiring Systems, Ltd.	JPY 20,042 Million	% 100.00	Manufacture, processing and sales of automotive wiring harnesses, connectors
Sumitomo Electric Device Innovations, Inc.	JPY 15,000 Million	100.00	Development, manufacture and sales of optical transceiver, optical/wireless devices composed of compound semiconductors, and their application
Sumitomo Riko Company Ltd.	JPY 12,145 Million	50.56 (1.03)	Manufacture and sales of anti-vibration rubbers, hoses and resin products
Nissin Electric Co., Ltd.	JPY 10,253 Million	51.00	Manufacture and sales of substation equipment, plant control system, photovoltaic system, etc.
J-Power Systems Corporation	JPY 8,000 Million	100.00	Manufacture and sales of power transmission wires/cables
Sumitomo Electric Hardmetal Corp.	JPY 8,000 Million	100.00	Manufacture and sales of cemented carbide tools, diamond and CBN tools, etc.
Sumitomo Densetsu Co., Ltd.	JPY 6,440 Million	50.17 (0.14)	Design, installation and supervision of power transmission lines, indoor wiring cables and communications system works
Sumitomo Electric Sintered Alloy, Ltd.	JPY 3,004 Million	100.00	Manufacture and sales of sintered powder metal parts
Sumitomo (SEI) Steel Wire Corp.	JPY 3,000 Million	100.00	Manufacture and sales of tensioning materials for prestressed concrete, precision spring steel wires, and sales of hard steel wire rods, steel tire cords
Sumitomo Electric Wintec, Inc.	JPY 3,000 Million	100.00	Manufacture and sales of magnet wires
Sumitomo Electric Wiring Systems, Inc. <U.S.A.>	USD 143,920 Thousand	100.00 (40.00)	Manufacture and sales of automotive wiring harnesses and connectors
※ Sumitomo Electric Lightwave Corp. <U.S.A.>	USD 54,780 Thousand	100.00 (100.00)	Manufacture and sales of optical cables, etc., and sales of fusion splicers, etc.
JUDD Wire, Inc. <U.S.A.>	USD 40,000 Thousand	100.00 (100.00)	Manufacture and sales of electronic wires

Company Name	Capital	Shareholding	Main Business
Sumidense do Brasil Industrias Eletricas Ltda. <Brazil>	BRL 162,921 Thousand	100.00 (60.72)	Manufacture and sales of automotive wiring harnesses
Sumitomo Electric Wiring Systems (Europe) Limited <U.K.>	EUR 84,024 Thousand	100.00 (40.00)	Manufacture and sales of automotive wiring harnesses and connectors
Sumitomo Electric Bordnetze SE <Germany>	EUR 2,046 Thousand	100.00 (40.00)	Manufacture and sales of automotive wiring harnesses
SEWS-CABIND S.p.A. <Italy>	EUR 30,000 Thousand	100.00 (40.00)	Manufacture and sales of automotive wiring harnesses
PT. Karya Sumiden Indonesia <Indonesia>	USD 32,109 Thousand	100.00 (4.49)	Manufacture and sales of wire rods
PT. Sumi Indo Kabel Tbk. <Indonesia>	USD 52,431 Thousand	92.40 (0.21)	Manufacture and sales of wire cables
SEI Thai Electric Conductor Co., Ltd. <Thailand>	THB 2,010 Million	100.00 (0.00)	Manufacture and sales of wire rods, aluminum wire rods and bars, automotive aluminum wires
Sumitomo Electric Interconnect Products (Shenzhen), Ltd. <China>	RMB 623,483 Thousand	100.00 (100.00)	Manufacture and sales of electronic wires, flexible printed circuits
Sumidense Mediatech Suzhou Co., Ltd. <China>	RMB 347,585 Thousand	100.00 (100.00)	Manufacture and sales of automotive wiring harnesses
Fuzhou Zhu Wiring Systems Co., Ltd. <China>	RMB 275,236 Thousand	100.00 (100.00)	Manufacture and sales of automotive wiring harnesses and electric wires
Huizhou Zhurun Wiring Systems Co., Ltd. <China>	RMB 288,020 Thousand	87.86 (87.86)	Manufacture and sales of automotive wiring harnesses
Sumitomo Electric Interconnect Products (Hong Kong), Ltd. <Hong Kong>	HKD 648,000 Thousand	100.00	Sales of electronic wires, flexible printed circuits

Company Name	Capital	Shareholding	Main Business
SEI Electronic Components (Vietnam), Ltd. <Vietnam>	USD 70,000 Thousand	100.00	Manufacture and sales of flexible printed circuits
Sumidenseo Vietnam Co., Ltd. < Vietnam>	USD 35,000 Thousand	100.00 (100.00)	Manufacture and sales of automotive wiring harnesses
Sumitomo Rubber Industries, Ltd.	JPY 42,658 Million	28.74 (0.06)	Manufacture and sales of automotive tires, etc.
MIRAIT Holdings Corporation	JPY 7,000 Million	22.15 (3.14)	Management control of subsidiaries and group companies engaging in telecommunications engineering work, electrical work, civil engineering work, and construction work, etc.
TECHNO ASSOCIE CO., LTD.	JPY 5,001 Million	33.74 (0.00)	Sales of screws, nonferrous metals products, etc.

(Notes)

1. The figures in parentheses under "Shareholding" indicate the shareholding of the Company's subsidiaries.
2. A company marked with "※" under "Company Name" is a company added to the list starting this fiscal year.
3. Sumitomo Electric Bordnetze AG changed its corporate name to Sumitomo Electric Bordnetze SE on October 25, 2016.

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

On September 30, 2016, Keystone Powdered Metal Company and the special purpose company established by the holding company that is the Company's wholly-owned subsidiary were integrated by merging the special purpose company into Keystone Powdered Metal Company in accordance with the process stipulated under U.S. laws, in order to acquire Keystone Powdered Metal Company, and the integrated company became a wholly-owned subsidiary of the Company.

#### (11) Major Lenders (As of March 31, 2017)

Lenders	Balance of Borrowings
	millions of yen
Sumitomo Mitsui Banking Corporation	67,624
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	42,457
The Norinchukin Bank	32,560
Sumitomo Mitsui Trust Bank, Limited	28,721
The Mie Bank, Ltd.	19,100
The Hyakugo Bank, Ltd.	16,000
Mitsubishi UFJ Trust and Banking Corporation	15,700
Development Bank of Japan Inc.	15,000

(Notes)

1. The balance of borrowings above includes the borrowings from the overseas subsidiaries of each financial institution.
2. In addition to what is set forth in the table above, there is a syndicated loan which amounts to 154,400 million yen.

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

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

## 2. Information Concerning Shares (As of March 31, 2017)

### (1) Total Number of Authorized Shares

3,000,000,000 shares

### (2) Total Number of Issued Shares

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

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

100 shares

### (4) Number of Shareholders

53,832 persons (compared with the end of preceding fiscal year: decrease of 3,891 persons)

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

Name of the Shareholder	Number of Shares Held	Shareholding Percentage
	in thousands of shares	%
Japan Trustee Services Bank, Ltd. (trust account)	61,136	7.84
The Master Trust Bank of Japan, Ltd. (trust account)	49,536	6.35
Nippon Life Insurance Company	24,703	3.17
SUMITOMO LIFE INSURANCE COMPANY	15,556	1.99
Japan Trustee Services Bank, Ltd. (trust account 5)	14,490	1.86
Japan Trustee Services Bank, Ltd. (trust account 9)	14,099	1.81
GOVERNMENT OF NORWAY	11,851	1.52
STATE STREET BANK WEST CLIENT - TREATY 505234	11,475	1.47
Japan Trustee Services Bank, Ltd. (trust account 7)	10,907	1.40
Japan Trustee Services Bank, Ltd. (trust account 1)	10,739	1.38
	in thousands of shares	%
Total	224,496	28.78

#### (Notes)

1. SUMITOMO LIFE INSURANCE COMPANY, in addition to what is set forth in the table above, has established a trust for retirement benefits holding 8,000 thousand shares (a 1.03% shareholding) in the Company, and has retained the authority to give instructions to exercise voting rights.
2. NEC Corporation holds 6,914 thousand shares in the Company. Also, NEC Corporation has established a trust for retirement benefits holding 6,900 thousand shares (a 1.77% shareholding as combined with the above NEC Corporation's holding) in the Company, and has retained the authority to give instructions to exercise voting rights.
3. Shareholding percentages have been calculated after deducting from the total number of issued shares the 13,853,413 of its own shares that the Company holds.



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

(1) Name, etc. of Directors and Audit & Supervisory Board Members (As of March 31, 2017)

Name	Position and Areas of Responsibility	Important Concurrent Post
※Masayoshi Matsumoto	President	
※Fumikiyo Uchioke	Executive Vice President General Manager, New Business Development Unit Electronics Group (Flexible Printed Circuits Division)	Director, Sumitomo Rubber Industries, Ltd. Director, Sumitomo Electric Interconnect Products (Shenzhen) Ltd. Director, SEI Electronic Components (Vietnam), Ltd.
※Mitsuo Nishida	Executive Vice President General Manager, Automotive Business Unit Sales Group (Chubu District Office)	Director, Sumitomo Wiring Systems, Ltd. Chairman of the Board, Sumitomo Electric Wiring Systems, Inc. Director, SEWS-CABIND S.p.A. Joint Representative Director, Kyungshin Corporation
※Fumiyoshi Kawai	Senior Managing Director General Manager, Manufacturing Management & Engineering Unit Corporate Staff Group (Security Trade Control)	
Atsushi Yano	Managing Director Deputy General Manager, R & D Unit (Infocommunications and Social Infrastructure Systems R&D) Infocommunications Group (System & Electronics Division)	
Nozomi Ushijima	Managing Director General Manager, Advanced Materials Business Unit	Director, Sumitomo Electric Hardmetal Corp. Director, Sumitomo Electric Sintered Alloy, Ltd.
Junji Itoh	Managing Director General Manager, R&D Unit	

Name	Position and Areas of Responsibility	Important Concurrent Post
Makoto Tani	Managing Director Corporate Staff Group (Accounting, Finance, Information Systems, Procurement, Logistics Management)	
Yoshitomo Kasui	Managing Director Deputy General Manager, Manufacturing Management & Engineering Unit (Safety & Environment) Corporate Staff Group (Competition Law Compliance, Legal, Administration, Human Resources, Human Resources Development, Corporate Planning, Internal Auditing, Security Trade Control)	
Takahiro Nakano	Managing Director General Manager, Electric Wire & Cable, Energy Business Unit	
○Akira Nishimura	Managing Director General Manager, Infocommunications Business Unit Electronics Group (Electronic Wire Division)	Director, MIRAIT Technologies Corporation Chairman, Sumitomo Electric Lightwave Corp.

Name	Position and Areas of Responsibility	Important Concurrent Post
Kazuo Hiramatsu	Director	Administrative Trustee, Kwansei Gakuin Director, Senshu Ikeda Holdings Inc. Director, ShinMaywa Industries, Ltd. Audit & Supervisory Board Member, DAIDO LIFE INSURANCE COMPANY
○Hiroshi Sato	Director	Senior Advisor, Kobe Steel, Ltd. Director, Sumitomo Dainippon Pharma Co., Ltd.
Hideaki Inayama	Audit & Supervisory Board Member (full-time)	
Satoru Ogura	Audit & Supervisory Board Member (full-time)	
Kan Hayashi	Audit & Supervisory Board Member	Certified public accountant Certified public tax accountant
Katsuaki Watanabe	Audit & Supervisory Board Member	Advisor, Toyota Motor Corporation Director, Kyushu Financial Group, Inc.
○Michiko Uehara	Audit & Supervisory Board Member	Attorney at law Audit & Supervisory Board Member, The Japan Wool Textile Co., Ltd

(Notes)

1. Directors marked with “※” are representative directors.
2. The persons marked with “○” were newly appointed as a Director or an Audit & Supervisory Board Member at the 146th General Meeting of the Shareholders held on June 24, 2016.
3. Among the Directors above, Mr. Kazuo Hiramatsu and Mr. Hiroshi Sato are not only outside directors under Article 2, Item 15 of the Companies Act, but also independent officers under the rules of Tokyo Stock Exchange, Inc., etc.
4. Among the Audit & Supervisory Board Members above, Mr. Kan Hayashi, Mr. Katsuaki Watanabe and Ms. Michiko Uehara are not only outside audit & supervisory board members under Article 2, Item 16 of the Companies Act, but also independent officers under the rules of Tokyo Stock Exchange, Inc., etc.

5. Mr. Hideaki Inayama, an Audit & Supervisory Board Member, having years of experience in the Accounting and Finance Department of the Company, has a distinguished level of knowledge of finance and accounting.  
Mr. Kan Hayashi, an Audit & Supervisory Board Member, qualified as a certified public accountant and certified tax accountant, has a distinguished level of knowledge of finance and accounting.
6. As of June 24, 2016, Mr. Hiroyuki Takenaka (Executive Vice President), Mr. Makoto Nakajima (Senior Managing Director) and Mr. Shigeo Saito (Managing Director) resigned from their director positions, and Mr. Takashi Kakimi (Audit & Supervisory Board Member) resigned from his Audit & Supervisory Board Member position, each due to expiration of their terms of office.  
Positions in parentheses are as of their resignations.
7. The Director that held his office on or after the next day of the 146th General Meeting of the Shareholders and resigned at his request by the last day of this fiscal year is as follows:

Name	Date of Resignation	Position and Areas of Responsibility as of Resignation	Important Concurrent Post as of Resignation
Fumiyoshi Kawai	As of March 31, 2017	As written in "Position and Areas of Responsibility"	As written in "Important Concurrent Post"

8. Transfer of positions and areas of responsibility of Directors after the last day of this fiscal year is as follows:

Name	Position after the change	Position before the change	Date of change
Fumikiyo Uchioko	Executive Vice President General Manager, New Business Development Unit Corporate Staff Group (Security Trade Control Office) Electronics Group (Flexible Printed Circuits Division)	Executive Vice President General Manager, New Business Development Unit Electronics Group (Flexible Printed Circuits Division)	As of April 1, 2017
Mitsuo Nishida	Executive Vice President General Manager, Manufacturing Management & Engineering Unit General Manager, Automotive Business Unit Sales Group (Chubu District Office)	Executive Vice President General Manager, Automotive Business Unit Sales Group (Chubu District Office)	As of April 1, 2017

9. The change regarding the important concurrent post of a director after the last day of this fiscal year is as follows:

Name	Position after the change	Position before the change	Date of change
Masayoshi Matsumoto	Chairman, Kansai Economic Federation		As of May 29, 2017 (scheduled)
Mitsuo Nishida	Chairman of Board of Directors, Sumitomo Wiring Systems, Ltd. Chairman of the Board, Sumitomo Electric Wiring Systems, Inc. Director, SEWS-CABIND S.p.A. Joint Representative Director, Kyungshin Corporation	Director, Sumitomo Wiring Systems, Ltd. Chairman of the Board, Sumitomo Electric Wiring Systems, Inc. Director, SEWS-CABIND S.p.A. Joint Representative Director, Kyungshin Corporation	As of April 1, 2017

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

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

Position	Number of Officers	Amount
Directors	16	850,090,000 yen
Audit & Supervisory Board Members	6	116,430,000 yen

(Notes)

- The number of officers above includes three Directors and one Audit & Supervisory Board Member who resigned as of June 24, 2016.
- The amount of remuneration for Directors shown above includes the amount of a bonus payment of 250 million yen if a resolution regarding the payment of a bonus to the Directors is adopted as proposed at the 147th General Meeting of the Shareholders.

- (ii) Policy for Determining Remuneration, etc.

Remuneration for Directors is determined by setting appropriate remuneration standards for the Company's Directors for each post, and then, the remuneration for each Director is determined based on the Director's role and degree of responsibility as well as on the extent of contribution to the Company's performance. Remuneration for Directors is determined within the framework of the remuneration amount resolved at the shareholders' meeting. In addition, the total amount of Directors' bonuses is subject to the annual shareholders' meeting resolution and determined based on the Company's performance of each fiscal year, particularly, items such as profit indices and dividend levels. The allocation for each Director is determined in consideration of a mid- and long-term perspective and based on the Director's post, degree of responsibility, achievement of main goals, and contribution to the Company's performance of each fiscal year. Directors' remuneration and bonuses are discussed at the Compensation Advisory Committee from an objective perspective, and based on the reports thereof, determined by resolution at a meeting of the Board of Directors.

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

Regarding the determination of remuneration for officers, we ensure the objectivity of the standards of remuneration, bonuses, and annual salaries by utilizing a third party's analysis of officers' remuneration covering corporations similar to the Company in areas such as the business contents and scale.

(3) Matters concerning Outside Officers

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

Position	Name	Company, etc. at which Positions are Concurrently Held by Officers of the Company and Content	Relationship
Directors	Kazuo Hiramatsu	Administrative Trustee, Kwansei Gakuin	No particular relationship.
		Outside Director, Senshu Ikeda Holdings Inc.	No particular relationship.
		Outside Director, ShinMaywa Industries, Ltd.	The Company has business relations, such as facility repair contracts.
		Outside Audit & Supervisory Board Member, DAIDO LIFE INSURANCE COMPANY	No particular relationship.
	Hiroshi Sato	Outside Director, Sumitomo Dainippon Pharma Co., Ltd.	No particular relationship.
Audit & Supervisory Board Members	Katsuaki Watanabe	Outside Director, Kyushu Financial Group, Inc.	No particular relationship.
	Michiko Uehara	Outside Audit & Supervisory Board Member, The Japan Wool Textile Co., Ltd	No particular relationship.

(Note) The information under the heading "Company, etc. at which Positions are Concurrently Held by Officers of the Company and Content" is as of March 31, 2017.

(ii) Main activity status

Position	Name	Main Activity Status
Director	Kazuo Hiramatsu	He attended 12 out of 14 meetings of the Board of Directors held this fiscal year. He makes statements, as necessary, on overall corporate management, based on his scholarship in areas, such as accounting, and his rich experience in the administration of universities, academic societies and similar institutions. Furthermore, regarding compliance, he reviews and expresses opinions on internal control systems and specific measures responding to changes in global regulations, etc. and misconduct by other companies, on a routine basis. Particularly, he is making statements on the

		improvement and enhancement of the competition law compliance system for the entire group, and how to ensure its effectiveness, with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.
Director	Hiroshi Sato	After he assumed the office of Director as of June 24, 2016, he attended all 11 meetings of the Board of Directors held by the end of this fiscal year. He makes statements, as necessary, on corporate management in general, based on his rich experience and his extensive knowledge as a manager of a corporation with wide ranging business areas, such as involving materials like iron and steel, machines and energy. Furthermore, regarding compliance, he reviews and expresses opinions on internal control systems and specific measures, responding to changes in global regulations, etc. and misconduct by other companies, on a routine basis. Particularly, he is making statements on the improvement and enhancement of the competition law compliance system for the entire group and how to ensure its effectiveness, with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.
Audit & Supervisory Board Members	Kan Hayashi	He attended all 14 meetings of the Board of Directors and all 19 meetings of the Audit & Supervisory Board held this fiscal year. He makes statements, as necessary, mainly on business management, including risk management, and statements on measures responding to changes in global regulations, etc., misconduct by other companies, and points of attention, etc. concerning corporate governance, based on his expertise and experience as a certified public accountant and certified tax accountant and his great insight into the global business activities of enterprises. Furthermore, regarding compliance, he reviews and expresses opinions on internal control systems and specific measures in cooperation with other Audit & Supervisory Board Members, on a routine basis. Particularly, he is making statements on the improvement and enhancement of the competition law compliance system for the entire group and its thoroughness and organization with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.
	Katsuaki Watanabe	He attended all 14 meetings of the Board of Directors and 18 out of 19 meetings of the Audit & Supervisory Board held this fiscal year. He makes statements, as necessary, mainly on methods for viable business management for the whole group, and statements on measures responding to changes in global regulations, etc., misconduct by other companies, and points of attention, etc. concerning corporate governance, based on his rich experience in and extensive knowledge of corporate management in general, acquired by engaging

		in management of corporations developing global operations. Furthermore, regarding compliance, he reviews and expresses opinions on internal control systems and specific measures in cooperation with other Audit & Supervisory Board Members, on a routine basis. Particularly, he is making statements on the improvement and enhancement of the competition law compliance system for the entire group and its thoroughness and organization with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.
Audit & Supervisory Board Members	Michiko Uehara	After she assumed the office of Audit & Supervisory Board Member as of June 24, 2016, she attended all 11 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held by the end of this fiscal year. She makes statements, as necessary, mainly on business management, including risk management, measures responding to changes in global regulations and misconduct by other companies, and points of attention, etc. concerning corporate governance, based on her expertise and experience as an attorney at law and great insight into risk and crisis management, etc., including compliance by corporations. Furthermore, regarding compliance, she reviews and expresses opinions on internal control systems and specific measures in cooperation with other Audit & Supervisory Board Members, on a routine basis. Particularly, she is making statements on the improvement and enhancement of the competition law compliance system for the entire group and its thoroughness and organization with respect to the eradication and prevention of the reoccurrence of violations of antitrust law, including foreign competition law.

(iii) Outline of contents of limited liability contract

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

With respect to the liability stipulated under Article 423, Paragraph 1 of the Companies Act, the Outside Director or the Outside Audit & Supervisory Board Member shall assume liability for damages limited to the higher amount of either 10 million yen or the minimum liability amount stipulated under Article 425, Paragraph 1 of the said Act, if he was without knowledge and not grossly negligent in conducting his duties.

(iv) Total amount of remuneration, etc.

Two Directors and four Audit & Supervisory Board Members: 80,010,000 yen



(Notes) The number of officers above includes one Audit & Supervisory Board Member who resigned as of June 24, 2016.

#### **4. Matters Regarding Accounting Auditor**

##### **(1) Name of Accounting Auditor**

KPMG AZSA LLC

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

(i)	Amount of remuneration, etc. to be paid by the Company	154 million yen
(ii)	Total amount of money and other financial benefits to be paid by the Company and its subsidiaries	755 million yen

(Notes)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company shall endeavor to spread the Charter of Corporate Code, which elaborates the Sumitomo Spirit and the Corporate Philosophy, and the Compliance Code of Conduct, which, among other things, provides specific prohibitions, etc. Further, the Company shall thoroughly implement the principle that compliance with laws and maintenance of corporate ethics constitute the foundation of management, through the statements and behavior of the top management.

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

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

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

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

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

The Company shall establish an Internal Control Committee for Financial Reporting, chaired by the President, and shall also build a promotion organization in the Corporate Staff Group. Pursuant to their policies, guidance and assistance, each department, division and subsidiary shall proceed with the development and appropriate operation of the internal control system in accordance with the Financial Instruments and Exchange Act, as well as

with the assessment and audit standards and implementation standards set forth by the Financial Services Agency, in order to further enhance the Company's system for ensuring the propriety of financial reporting. The Internal Auditing Department shall assess the effectiveness of the internal control system of the whole Group for each fiscal year, and compile an internal control report to be submitted to the Financial Services Agency based on the results of such assessment and shall obtain the approval of the Internal Control Committee for Financial Reporting and the Board of Directors.

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

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

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

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

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

Regarding compliance risk, too, the Company has adopted a system under which each subsidiary takes measures, including those to cope with its peculiar risks, pursuant to the major compliance risks and measures to prevent their occurrence shared within the Group by the Compliance Committee and the Legal Department of the Company, among others. With respect to the notification and consultation desk for whistle-blowing, the Company guides each subsidiary to establish its own internal consultation desk, whereas the Company also maintains the Group's common external consultation desks, both in Japan and abroad.

Under the current system, the business of each subsidiary is operated flexibly under the Business Unit System. Under this system, the business plan of each subsidiary is formulated as part of the mid-term plan and annual plan of each Unit, and the operational results of each Unit are reported to the Management Conference and the Board of Directors on a monthly basis, in order to examine measures required to be taken. Further, utilization

of the Group's common infrastructure has also been promoted in regard to the utilization of computer and telecommunication systems, etc. at subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

**II Outline of Operational Status**

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

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

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

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

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

Regarding risks which are increasingly important in conjunction with global business development, the Company has committed to actions that include not only taking measures to prevent leaks of important technical information with respect to confidential information management, but also corresponding to the implementation of the EU General Data Protection Regulation regarding personal information management. Also, the Company strives to develop systems and reinforce its commitments through cooperation among relevant departments and divisions under the initiative of the Risk Management Committee, such as developing cyber security to deal with the increase and sophistication of cyber-attacks.

The Risk Management Committee and its secretariat, the Risk Management Office, monitor these activities in cooperation with the Audit & Supervisory Board Members, the

Internal Auditing Department, and the Corporate Staff Group which is responsible for each risk.

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

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

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

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

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

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

In fiscal 2016, the Compliance Committee held four meetings and, among other things, undertook the following: identified and analyzed cross-Group compliance risks; planned and performed compliance trainings; and conducted monitoring of the compliance promotion activities of each department or division. Regarding compliance trainings, in Japan it was offered to officers, those who were promoted and new employees of the Company, and managers of the Company and the subsidiaries while online training regarding competition laws, among others, was offered to those overseas.

Regarding compliance with domestic and foreign competition laws, the Company provides education regarding competition laws, within the Group, including domestic and foreign subsidiaries. Further, the Competition Law Compliance Office monitors the status of operation of, and compliance with, a set of rules and regulations to ensure compliance with competition laws in cooperation with the respective dedicated organization of each Unit or the Competition Law Compliance Officer.

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

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

Pursuant to the guidance and assistance of the Internal Control Committee for Financial Reporting and the relevant Corporate Staff Group, each department, division, and

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

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

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

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

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

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

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

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

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

Audit & Supervisory Board Members attend various important meetings, such as the Management Conference, the Risk Management Committee and the Compliance Committee. The Directors, etc., the senior managers of the departments or divisions, the presidents of the subsidiaries and others report to the Audit & Supervisory Board Members,



as deemed necessary, regarding material matters of the contents of the various important meetings that need supplementation.

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

The Directors and the senior managers of the departments or divisions hold meetings upon request from the Audit & Supervisory Board Members and are interviewed about matters necessary for audits. In fiscal 2016, the President and the officers in charge of the Human Resources, the Administration, and the Accounting and Finance held meetings twice with the Audit & Supervisory Board Members to report and exchange opinions concerning management policies and tasks, etc.

End.

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(Note)

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

(Translation)

**Consolidated Balance Sheet**

(As of March 31, 2017)

(Millions of yen)

Accounts	Amount	Accounts	Amount
<b>(ASSETS)</b>		<b>(LIABILITIES)</b>	
<b>Current assets</b>	<b>1,426,553</b>	<b>Current liabilities</b>	<b>824,175</b>
Cash and time deposits	180,034	Trade notes and accounts payable	378,110
Trade notes and accounts receivable	648,411	Short-term debt	179,584
Securities	792	Current portion of bonds	15,000
Inventories	449,070	Other current liabilities	251,481
Deferred tax assets	49,734	<b>Non-current liabilities</b>	<b>452,907</b>
Other current assets	101,245	Bonds	60,000
Allowance for doubtful receivables	(2,733)	Long-term debt	253,862
		Deferred tax liabilities	65,988
		Net defined benefit liabilities	54,553
<b>Non-current assets</b>	<b>1,477,031</b>	Other non-current liabilities	18,504
<b>Property, plant and equipment</b>	<b>823,185</b>	<b>Total liabilities</b>	<b>1,277,082</b>
Buildings and structures	266,700	<b>(NET ASSETS)</b>	
Machinery and equipment	368,822	<b>Shareholders' equity</b>	<b>1,311,224</b>
Land	87,904	Common stock	99,737
Construction in progress	46,813	Capital surplus	170,849
Other	52,946	Retained earnings	1,061,374
		Treasury stock	(20,736)
<b>Intangible assets</b>	<b>54,316</b>	<b>Accumulated other comprehensive income</b>	<b>104,202</b>
		Net unrealized holding gains on available-for-sale securities	76,784
<b>Investments and other assets</b>	<b>599,530</b>	Deferred gains or losses on hedges	227
Investment securities	437,332	Foreign currency translation adjustments	6,547
Net defined benefit assets	98,739	Remeasurements of defined benefit plans	20,644
Deferred tax assets	19,680		
Other	46,219	<b>Non-controlling interests</b>	<b>211,076</b>
Allowance for doubtful receivables	(2,440)	<b>Total net assets</b>	<b>1,626,502</b>
<b>Total assets</b>	<b>2,903,584</b>	<b>Total liabilities and net assets</b>	<b>2,903,584</b>

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

## Consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Accounts	Amount	
Net sales		2,814,483
Cost of sales		2,284,190
<b>Gross profit</b>		<b>530,293</b>
Selling, general and administrative expenses		379,790
<b>Operating income</b>		<b>150,503</b>
<b>Non-operating income</b>		
Interest income	1,154	
Dividend income	3,679	
Share of profit of investments accounted for using the equity method	28,200	
Other income	11,686	44,719
<b>Non-operating expenses</b>		
Interest expenses	4,831	
Other expenses	16,519	21,350
<b>Ordinary income</b>		<b>173,872</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	14,432	14,432
<b>Extraordinary losses</b>		
Loss on disposal of property, plant and equipment	4,331	
Restructuring expenses	6,046	
Settlement package	10,135	20,512
<b>Profit before income taxes</b>		<b>167,792</b>
Income taxes - current	39,068	
Income taxes - deferred	2,379	41,447
<b>Profit for the year</b>		<b>126,345</b>
Profit attributable to non-controlling interests		18,783
<b>Profit attributable to owners of the parent</b>		<b>107,562</b>

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

## Consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity					Total share- holders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance at beginning of current period	99,737	171,314	981,413	(677)		1,251,787
Changes of items during the period						
Cash dividends			(27,541)			(27,541)
Profit attributable to owners of the parent for the year			107,562			107,562
Purchases of treasury stock				(20,059)		(20,059)
Disposal of treasury stock		0		0		0
Change in scope of consolidation			(60)			(60)
Change in ownership interests arising from transactions with non-controlling shareholders		(465)				(465)
Net changes of items other than those in shareholders' equity						
Total changes of items during the period	—	(465)	79,961	(20,059)		59,437
Balance at end of current period	99,737	170,849	1,061,374	(20,736)		1,311,224

  

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized holding gains on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	74,629	2,134	27,680	4,309	108,752	200,750	1,561,289
Changes of items during the period							
Cash dividends							(27,541)
Profit attributable to owners of the parent for the year							107,562
Purchases of treasury stock							(20,059)
Disposal of treasury stock							0
Changes in scope of consolidation							(60)
Change in ownership interests arising from transactions with non-controlling shareholder							(465)
Net changes of items other than those in shareholders' equity	2,155	(1,907)	(21,133)	16,335	(4,550)	10,326	5,776
Total changes of items during the period	2,155	(1,907)	(21,133)	16,335	(4,550)	10,326	65,213
Balance at end of current period	76,784	227	6,547	20,644	104,202	211,076	1,626,502

(Note 1) Amounts shown in this financial statement have been rounded to the nearest million yen.

# Notes to Consolidated Financial Statements

## 1. Basis of Consolidated Financial Statements

### 1-1. Scope of consolidation

#### (1) Consolidated subsidiaries

Consolidated subsidiaries: 357 companies

Major consolidated subsidiaries

Sumitomo Wiring Systems, Ltd., Sumitomo Electric Device Innovations, Inc., Sumitomo Riko Co., Ltd., Nissin Electric Co., Ltd., Sumitomo Electric Wiring Systems, Inc.

8 companies were newly included in the scope of consolidation as a result of acquisition of shares, being newly established or increase in materiality from the fiscal year ended March 31, 2017.

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

#### (2) Unconsolidated subsidiaries

Major unconsolidated subsidiaries

SEI HR SERVICES, INC.

Reason for being excluded from consolidation

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

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

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

Unconsolidated subsidiaries accounted for by the equity method: 2 companies

Affiliates accounted for by the equity method: 35 companies

Major companies accounted for by the equity method

Sumitomo Rubber Industries, Ltd., MIRAIT Holdings Corporation,  
TECHNO ASSOCIE Co., Ltd.

2 affiliates were newly included in the scope of the equity method as a result of acquisition of shares or being newly established from the fiscal year ended March 31, 2017.

And 3 affiliates were excluded from the scope of the equity method as a result of sales of shares.

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

Major companies not accounted for by the equity method

KINKIDENKI Co.

Reason for not applying the equity method

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

### 1-3. Significant accounting policies

#### (1) Valuation methods for assets

##### (a) Securities

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

Available-for-sale securities

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

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

Acquisition costs on sales are computed using average cost.)

without fair values: stated at average cost

##### (b) Derivatives

Derivative financial instruments are stated at fair value.

##### (c) Inventories

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

#### (2) Depreciation of fixed assets

Property, plant and equipment

Sumitomo Electric Industries, Ltd. (the "Company") and its consolidated subsidiaries use the straight-line method to depreciate property, plant and equipment.

#### (3) Basis for allowance

Allowance for doubtful receivables

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

#### (4) Other significant accounting policies

##### (a) Accounting for consumption taxes

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

##### (b) Basis for retirement benefits

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

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

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

Past service cost is amortized on a straight-line basis over certain periods within the average remaining service 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 over 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.

(c) Adoption of consolidated taxation system

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

## 2. Notes to Consolidated Balance Sheet

### 2-1. Assets pledged as collateral

#### (1) Assets pledged as collateral

Property, plant and equipment ¥2,956million (¥142million)

#### (2) Liabilities secured by the above collateral

Short-term debt ¥ 389million

Long-term debt ¥ 585million

Total ¥ 974million

The amounts in parentheses are those for the foundation mortgage included therein.

2-2. Accumulated depreciation of property, plant and equipment ¥1,559,907million

### 2-3. Guarantees

Guarantees for debt of employees, unconsolidated subsidiaries and affiliates ¥4,841million (¥4,841million)

Contingent guarantees for debt of unconsolidated subsidiaries and affiliates ¥ 431million (¥ 431million)

Keepwell agreements and letters of awareness for debt of unconsolidated subsidiaries and affiliates ¥1,043million (¥1,043million)

Total ¥6,315million (¥6,315million)

The amounts in parentheses are those of the Company and its consolidated subsidiaries' own burden included therein.

2-4. Notes receivable discounted ¥782million

Notes receivable endorsed ¥390million

### 2-5. Inventories

Merchandise and finished goods ¥138,595million

Work in process ¥167,635million

Raw materials and supplies ¥142,840million

### 2-6. Other

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

## 3. Notes to Consolidated Statement of Income

Restructuring expenses in Extraordinary losses are related to the reorganization of the business locations, to improve the efficiency of tensioning materials for prestressed concrete business and Brazil wiring harnesses business. The major details are impairment loss of ¥2,391 million and loss on disposal of property, plant, and equipment of ¥1,877 million.

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

##### 4-1. Type and number of shares issued and outstanding at the end of current fiscal year

Common stock 793,940,571 shares

##### 4-2. Dividend Information

###### (1) Dividends paid

Resolution	Type of shares	Total amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Resources of dividends
Shareholders' meeting on June 24, 2016	Common stock	14,280	18.00	March 31, 2016	June 27, 2016	Retained earnings
Board of Directors on November 1, 2016	Common stock	13,261	17.00	September 30, 2016	December 1, 2016	Retained earnings

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

Resolution	Type of shares	Total amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Resources of dividends
Shareholders' meeting on June 28, 2017	Common stock	17,942	23.00	March 31, 2017	June 29, 2017	Retained earnings

##### 4-3. Significant Changes in amounts of Shareholders' equity

The Company repurchased 13,245,400 shares of its common stock based on the resolution of the Board of Directors' held on May 13, 2016. As a result, treasury stock increased ¥20,000 million for the fiscal year ended March 31, 2017.

#### 5. Financial Instruments

##### 5-1. Qualitative Information on Financial Instruments

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

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 and investment securities are mainly held to build and maintain good customer relationships and are exposed to market value fluctuation risks.

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



## 5-2. Fair Value of Financial Instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2017 are as follows.

(Millions of yen)

	Carrying amount*	Fair value*	Difference
(1) Cash and time deposits	180,034	180,034	—
(2) Trade notes and accounts receivable	648,411	648,411	—
(3) Securities	792	792	—
(4) Investment securities	347,589	547,520	199,931
(5) Trade notes and accounts payable	(378,110)	(378,110)	—
(6) Short-term debt	(179,584)	(179,584)	—
(7) Bonds	(75,000)	(75,164)	164
(8) Long-term debt	(253,862)	(258,115)	4,253

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

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

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

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

(3) Securities

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

(4) Investment securities

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

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

(5) Trade notes and accounts payable

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

(6) Short-term debt

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

(7) Bonds

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

(8) Long-term debt

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

2. Unlisted Securities (the carrying amount on the consolidated balance sheet is ¥89,743 million) are not included in "(4) Investment securities," because they do not have quoted market values and their future cash flows cannot be estimated, therefore, their fair value is hard to determine.

## 6. Per Share Information

Net assets per share	¥1,814.90
Earnings per share	¥ 137.61