

Connect with Innovation

The Sumitomo Electric Group
will continue to innovate and work hand in hand to
contribute to the development of society.

Shuheï Tada,
General Affairs Dept.



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Growth Strategy

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Editorial Policy

The Sumitomo Electric Group's Integrated Report is prepared with the aim of communicating the Group's value creation process in an easy-to-understand manner to a diverse range of stakeholders. This Report provides a comprehensive summary of financial and non-financial information about the Group's initiatives to create value over the medium to long term through its business activities, with the aim of becoming a "Glorious Excellent Company," which is the ideal vision of the Group.

This year's "Integrated Report 2021" has been designed to clearly communicate to our diverse stakeholders, including customers, business partners, employees, local communities, shareholders and investors, "where the Group has come from," "where we are now," "what our vision is for the future," and "what initiatives we will take to realize our vision."

In addition, we have decided to discontinue publishing the Annual Report and consolidate it into the Integrated Report (English version).

We will continue to listen to all your feedback and requests, and continue to make improvements with the aim of creating an Integrated Report with even richer content.

Reference Guidelines

International Integrated Reporting Council (IIRC)
 "The International Integrated Reporting Framework"
 Ministry of Economy, Trade and Industry
 "Guidance for Collaborative Value Creation"



Period covered: FY2020

April 1, 2020 - March 31, 2021
 (Some of the information provided is not applicable to this period)

Scope of coverage: Sumitomo Electric Industries, Ltd. and Sumitomo Electric Group companies
 As of the end of March 2021, 415 companies
 (Consolidated subsidiaries (383 companies), Equity method affiliates (32 companies))

Date of issue: August 2021

Precautions regarding forecasts

The forward-looking statements in this Report, such as the Group's future plans, forecasts, and strategies, have been prepared based on certain assumptions that the Group considers reasonable at the time of disclosure. Actual results may significantly differ from these forecasts due to a variety of factors.

Value Creation Process

- Toward the realization of a “Glorious Excellent Company”
- The Sumitomo Spirit
- Technology tree
- Together with Stakeholders
- Social issues to focus on
- Value Creation Process
- Value provided through the product



The Sumitomo Electric Group has maintained an unwavering basic policy of contributing to society through fair business practices under its corporate philosophies of the “Sumitomo Spirit” and the “Sumitomo Electric Group Corporate Principles.” We have always conducted our business in harmony with the public interest and have contributed to solving social issues. Our Group will continue to strive to become a “Glorious Excellent Company” in order to contribute to the realization of a better society, and we will work together with our various stakeholders to enhance our corporate value over the medium and long term.

Chairman & CEO

M. Matsumoto

Toward the realization of a “Glorious Excellent Company”

Management Philosophy of Harmony with Public Interests

The Sumitomo Spirit of “harmony with public interests” is the foundation of our long-term development and growth.

Last fiscal year was a year in which the COVID-19 pandemic caused enormous negative impact to society and the economy on a global scale, and we are still caught in the middle of it. In addition to implementing measures that place the highest priority on ensuring the safety of our stakeholders, who include our customers, business partners, employees, and their families, the Sumitomo Electric Group has continuously strived to ensure business continuity in order to fulfill our mission of providing products that support the broader society.

Sumitomo Electric began as Sumitomo Copper Rolling Works in 1897, producing copper wires and related products. So the company has formally operated for a little over 120 years, while the original copper business that brought up Sumitomo began about 400 years ago. Under our corporate philosophies of the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, we unwaveringly uphold the basic policy of contributing to society through fair business activities. Based on this policy, we have adhered firmly to business practices that are in harmony with society, and I believe that this diligence has been at the foundation of our advances and growth.

Sumitomo Spirit and Our Sustainability

We strive to enhance the sustainability of society through management that emphasizes the public interest and returns to our wide range of stakeholders.

The Business Roundtable (BRT), an association of the chief executives of major U.S. companies, declared in August 2019 that the purpose of a corporation is to create value for all stakeholders, including customers, business partners, employees, and local communities over the long term, reviewing its conventional shareholder-primacy orientation. Multi-stakeholder capitalism was also a major theme at the January 2020 Davos Forum.

I visited the United States in January 2020 to exchange views with BRT and other related parties as part of our initiatives at the Kansai Economic Federation (Kankeiren) *1. As a result, I was able to experience

that global trends are changing to multi-stakeholder capitalism. After returning from the U.S., I have been stepping up my efforts to disseminate my opinions by compiling reports and hosting symposiums, with the concept of “starting with the first step.” After all, I believe that we must always remember the basic management principle of distributing the fruits of our work according to the volume and contribution of our stakeholders’ activities.

There is a management philosophy among many traditional Japanese companies called “sampo yoshi” (good for all three parties: seller, buyer, and society). At the Sumitomo Group to which we belong to, Teigo Iba, our second General Director, left behind the words, “Sumitomo’s business must be fundamental business that benefit the nation and society as well as Sumitomo itself.” As expressed in the concept of “Mutual Prosperity, Respect for the Public Good,” this basic approach of always striving for harmony with public interests has been handed down as the Sumitomo Spirit. In light of these points, it can be said that Sumitomo has long embraced multi-stakeholder capitalism.

In recent years, the importance of improving the sustainability of society has been raised based on the concepts of SDGs and ESG. Taking into consideration that Japanese corporate management is based on multi-stakeholder capitalism and that it is consistent with the traditional management philosophy of Japanese companies, it can be said that the concepts such as SDGs, ESG, and sustainability are embedded in the Sumitomo Spirit.

The Importance of Cultivating Human Resources and Identifying Leaders

Building on the concept of respect for human resources, we are striving to cultivate human resources and identify leaders who can lead the Sumitomo Electric Group.

At the time I assumed the position of president in 2004, Sumitomo Electric was in a difficult situation, having posted its first net loss in history due to the bursting of the IT bubble. Looking at the history of Sumitomo, there were similarly difficult occasions during the Meiji era. From the end of the Edo period to the turmoil of the Meiji Restoration, the Besshi Copper Mine faced a crisis of survival. At the time, Saihei Hirose, the manager of the Besshi Copper Mine and the first General Director of Sumitomo, strongly argued that foreclosure of the Besshi Copper Mine was against the national interest and obtained permission from the new

*1 Kankeiren: The Kansai Economic Federation, a Kansai public interest incorporated association, in which Matsumoto serves as chairman.



government to continue its operation.

In those difficult times, what were the thoughts of Sumitomo's predecessors? I personally believe that it is essential to cultivate human resources and identify leaders, and I have been talking about this with everyone from our executives to new employees.

As the saying goes, "business is human," so does the Sumitomo Spirit, which is rooted in the concept of "respect for human resources." Human resources are extremely important to a company. Intelligence, strength, and boldness are necessary as the basis of human resources, and with these as a foundation, presence of mind, spontaneity, a spirit of cordiality, and fairness will be cultivated. I believe that it is extremely important for the top management of a large organization such as a corporation to identify such human resources and place them in appropriate positions with responsibility.

If we have a great number of such human resources, the company will prosper greatly, but I am of the conviction that only a person of character can be entrusted with such an important position. "Philosophical management" means "courage, fairness, honesty, trust, patience, responsibility, consideration, loyalty, effort, service, and cheerfulness," and the Confucian concepts of "virtue, benevolence, courtesy, faith, righteousness,

and wisdom," as well as the four C's (character, civility, courage, and compassion) must be combined in order to become a personality.

As for the required characteristics, in order to put this into practice, it is very important to be richly enterprising, adventurous in spirit, innovative, drive to achieve goals, internationally-minded, socially respectful, and culturally educated (liberal arts).

In terms of how you actually conduct your work having this kind of attitude, it is important that you are logical and rational, that you possess the ability to scientifically plan, that you have the ability to plan and execute, that you are able to expand on your intuitive grasp, and that you are both flexible and consistent. These human resources will accomplish the work and produce results. We will then distribute returns to stakeholders based on a public interest approach and accumulate for expanded reproduction. While tackling these issues, we will promote innovation and deepen SEQCDD^{*2}, expand our credibility and trust, establish brands, avoid price competition, perpetually expand our customer base, and expand the quality and volume of our operations.

Through this series of processes, we will cultivate high-quality human resources. Then we again come back

to the idea of personality (philosophical management), and the cycle repeats itself once more. It doesn't always work out, but this is the framework of company management that I present as a principle theory.

The Promotion of Diversity and Inclusion

We will promote the activities of diverse human resources by focusing on diversity and inclusion as a priority matter.

We are currently in an environment where both the company and individual employees must be proactive in solving social issues that are global in scale and complex in nature. Even in these circumstances, in order to prepare the foundation for an accurate direction and practical solutions, it is essential to enhance the resilience of the organization, to improve the degree of perfection of ideas through discussions amongst individuals with different perceptions, and for the company to be able to grow sustainably with a sense of unity. As a foundation for this, I believe it is important to build a strong team in which each individual is mindful of diversity and inclusion. Diversity and Inclusion (D&I) means to embrace diversity and to utilize diversity. D&I is not merely a gender issue but an issue that should be thoroughly considered in management.

Kankeiren aspires to make Kansai a stage that attracts people who are looking for a place to be active. As a part of this, Kankeiren announced the "D&I Guideline, Women who want to be active in the company" in May this year, which presents guidelines for companies that are concerned about promoting the activities of "women who want to use the company as a stage for their activities" in deciding how to respond to them. By taking this occasion, we will promote the development of an environment that contributes to the promotion of the activities of diverse human resources, not only women, and our company will also take the initiative in promoting D&I, thereby aiming to spread the concept to our member companies.

We will Continue Striving to Reach Our Ideal Future State of a "Glorious Excellent Company"

Striving to reach our ideal future state of a "Glorious Excellent Company," we will work to provide value to society and enhance our corporate value over the medium to long term.

The Group will continue striving to reach our ideal future state of a "Glorious Excellent Company."

"Glorious" represents our unchanging, qualitative aims of what we want to be. I believe that our past top leaders, who well understood the essence of what Matsuo Basho said, "continuity and change," have recognized the Sumitomo Spirit in the "things that must not be changed." The word "Glorious" means "honorable," but just as the word "Glory" was written on the flag of the Crusades in medieval Europe, this word carries the meaning of "fighting with integrity and being loved." By adhering to the Sumitomo Spirit and pouring our heart and soul into our work, we aim to be a company that is needed and loved by our stakeholders.

Meanwhile, "Excellent" refers to the quantitative aspect of what we want to be, which is to achieve excellent performance as a company through the achievement of the mid-term management plan. We are currently working together as a group to achieve the goals of our mid-term management plan, VISION 2022. The Group has developed its businesses based on a variety of "connectivity and transmission" technologies cultivated through our experience in the production of wires and cables. Our current business development areas are the "Mobility," "Energy," and "Communications" segments and materials that support these fields. While the company's businesses and product groups are diverse and take different forms, the technology is common to all of them, and if you look back at our technology tree, you will find that it is integrated with the technology cultivated in the electric wire and cable business, which is a major strength that supports the company's comprehensive capabilities.

With these technologies as our strengths, the Group is working to respond to various issues related to the global environment, such as efforts to achieve carbon neutrality, promoting digital transformation (DX) in line with the digitization of society and the economy, and strengthening resilience, while aiming to provide value that is environmentally friendly, safe, and secure, and that leads to comfort and social growth. As a result of these efforts, while improving the corporate value of the Group itself over the medium to long term, I would like to make the company a place where people can work energetically with the dream that the world will definitely be better tomorrow than today, and the day after tomorrow than tomorrow.

We hope that we will continue receiving kind support and encouragement of all of our stakeholders.

^{*2} SEQCDD stands for the Sumitomo Electric Group's policy of considering and implementing the following elements: S (Safety), E (Environment), Q (Quality), C (Cost), D (Delivery), and D (Development).

Value Creation Process

The Sumitomo Spirit

The Sumitomo Spirit grew out of the guiding principles set down in his later years by the founding father of the House of Sumitomo, Masatomo Sumitomo (1585 - 1652), in Monjuin Shiigaki (the Aphorisms of Monjuin, which describes how a merchant should conduct his business). The Sumitomo Spirit has been passed down and elaborated through the history of Sumitomo, which mainly operated copper business. The essence of the Spirit was distilled in the "Business Principles" codified in 1891. Also integrated into the Sumitomo Spirit are other beliefs and principles behind business decisions, and remarks made by Sumitomo managers, which have been handed down through generations.

Business Principles

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

Shinyo-kakujitsu

"Place importance on integrity and sound management."

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

Fusu-furi

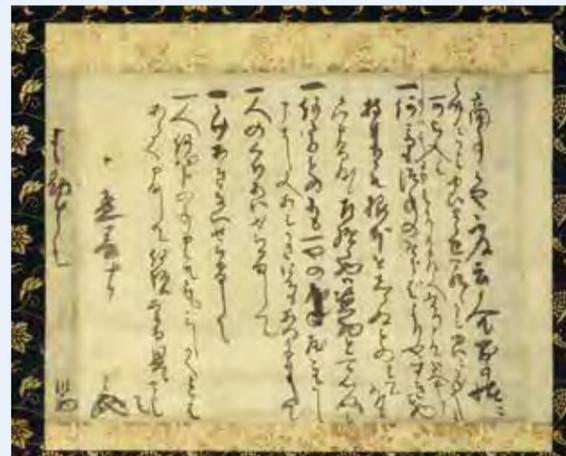
"Do not act rashly or carelessly in pursuit of easy gains."

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

Banji-nissei

"Do your sincere best, not only in business, but also in every aspect of your life."

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



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

Traditional Beliefs and Principles

Attaching Importance to Technology

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

Respect for Human Resources

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

Long-Range Planning

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

Mutual Prosperity, Respect for the Public Good

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

The Sumitomo Electric Group Corporate Principles

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

Each company of the Sumitomo Electric Group shall

Offer the very best goods and services to satisfy customer needs.

Build technical expertise, realize changes and strive for consistent growth.

Contribute to creating a better society and environment, with a firm awareness of our social responsibility.

Maintain high corporate ethics and strive to become a company worthy of society's trust.

Nurture a lively corporate culture that enables employee self-improvement.

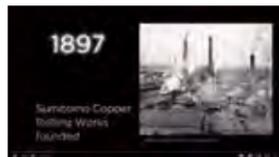
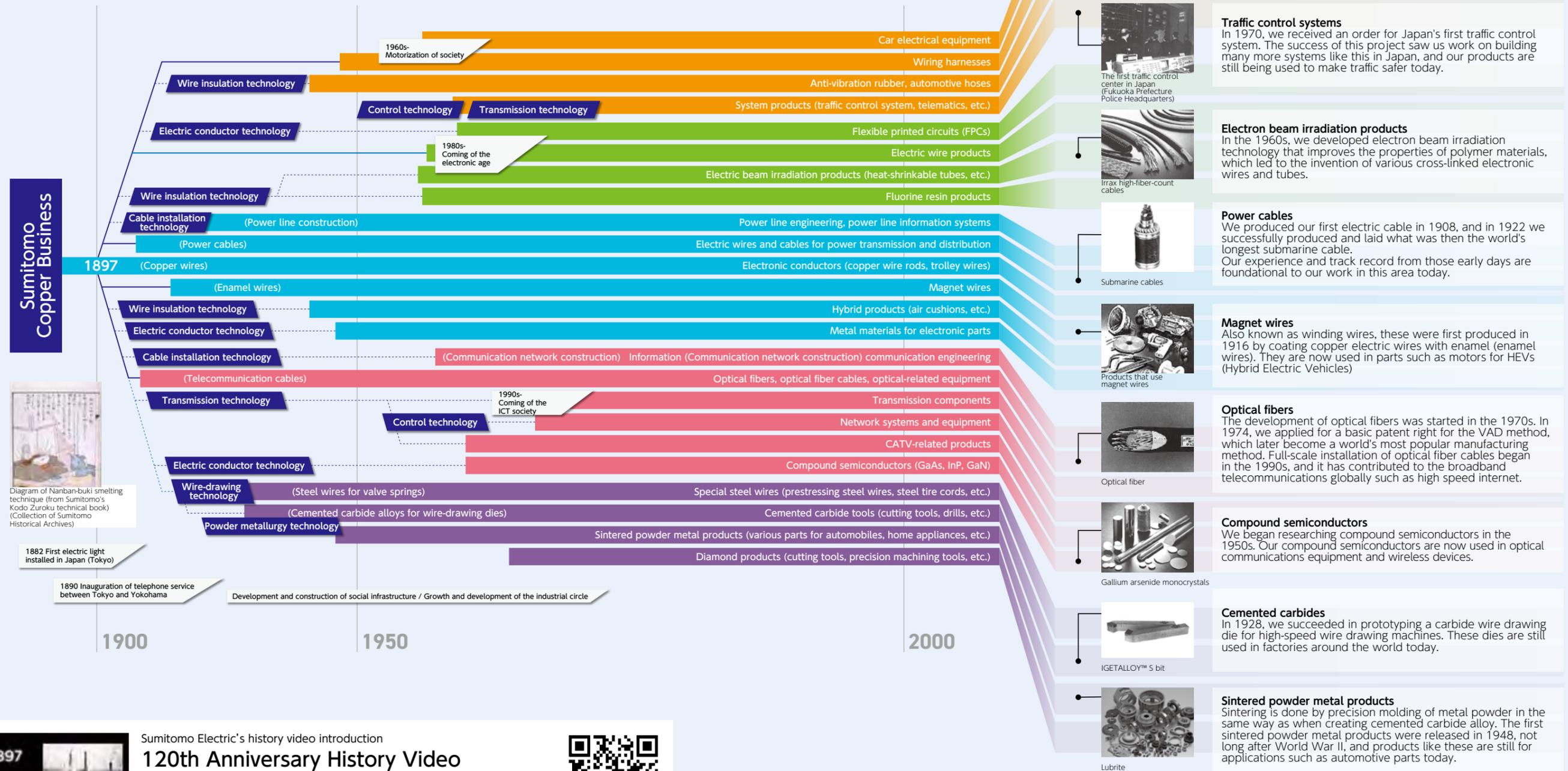
Value Creation Process

Technology Tree

Diverse technologies and product lines were originated from Sumitomo's copper business

The Sumitomo Electric Group's business originated in the manufacture of electric wires and cables, but since the 1950s, we have also been working to diversify our business by appropriately grasping changes in the social environment, and have introduced innovative products and technologies to the world, such as cemented carbides and sintered powder metal products, optical fibers, and compound semiconductors. Our business and range of products may look diverse at first glance, but when traced back to the roots of our technology tree, they are unique in that they are integrated into the technologies we have developed through the manufacture of wires and cables.

Here are a few examples of how our businesses and products began



Sumitomo Electric's history video introduction
120th Anniversary History Video

<https://www.youtube.com/watch?v=xrssiSgxmY>

You can also view it from the QR code.



Value Creation Process

Together with Stakeholders

The Sumitomo Electric Group strives both to understand the social issues on which the Group focuses and to resolve them and to enhance its corporate value over the medium and long terms by engaging in dialogue with a wide range of stakeholders, including customers, business partners, employees, local communities, shareholders/investors.

		Contribution to Stakeholders
Sumitomo Electric Group	Customers	To meet the diverse demands of our customers, we offer the most exceptional products and services to customers around the world in the business segments of Automotive, Infocommunications, Electronics, Environment & Energy, and Industrial Materials.
	Suppliers	We have positioned "procurement as an operation that supports the foundation of our business activities," and based on mutual trust and cooperation with our Suppliers, we are developing procurement activities that are fair, equitable, and considerate of the global environment.
	Employees	More than 280,000 employees support the business activities of the Sumitomo Electric Group. In accordance with the Sumitomo Spirit of "Respect for Human Resources," we strive to develop a lively corporate culture, where diverse human resources can play an active role and human resources can be nurtured.
	Local communities and NPOs/NGOs	The Sumitomo Electric Group has about 415 companies operating in about 40 countries and regions around the world, and we aim to contribute to social and economic development while respecting the culture and customs of each country and region.
	Shareholders and Investors	In accordance with the "Basic Ideas Concerning Corporate Governance*," we will cooperate with our stakeholders, including shareholders and investors, to provide social value and enhance corporate value over the medium to long term, and will strive to disclose corporate information appropriately and ensure transparency.
	Administrative (Government/municipalities)	In the course of our business activities, we will comply with all relevant laws and regulations established by the governments and municipalities of Japan and other countries and regions around the world. On the other hand, governments and municipalities are also our customers to whom the Sumitomo Electric Group provides products and services.
	Global environment	The Group promotes environmental management that positions environmental conservation efforts as one of the most important management issues.

Expectations for the Sumitomo Electric Group	Key dialogue method
<ul style="list-style-type: none"> ● Provision of products and services that are socially useful and safe ● Improving CS in all areas, including quality, cost, and delivery ● Provision of accurate and appropriate information concerning products 	<ul style="list-style-type: none"> ● Dialogue through daily sales activities ● Newsletters, email distribution, websites ● Information exchange at trade shows, etc.
<ul style="list-style-type: none"> ● Fair and equitable transactions ● Support and cooperation for promoting CSR procurement 	<ul style="list-style-type: none"> ● Dialogue through daily procurement activities ● Partners meetings ● Dialogue through business partner survey forms, etc.
<ul style="list-style-type: none"> ● Respect for human rights, personality, and individuality ● Proper treatment of employees and human resources development ● Creation of workplaces in which diverse human resources can play active roles ● Consideration for occupational health & safety and wellness 	<ul style="list-style-type: none"> ● Lively workplace survey ● Internal and Group global newsletters ● Intranet, president's blog ● Management council by management and labor ● Roundtable meeting with executives and employees ● Conducted "Let's Read the Integrated Report" training
<ul style="list-style-type: none"> ● Contribution to the respect and development of cultures and customs ● Prevention of accidents and disasters, preservation of the environment ● Cooperation and collaboration towards solving environmental and other problems ● Provide work opportunities 	<ul style="list-style-type: none"> ● Participation in events and supporting traditional performing arts ● Plant tours, facility openings, festival co-sponsoring ● Community contribution activities by employees ● Dialogue through collaboration and support ● Stakeholder/Dialogue
<ul style="list-style-type: none"> ● Maintenance and improvement of corporate value ● Proper return of profits (dividends) ● Disclosure of corporate information in a timely and appropriate manner 	<ul style="list-style-type: none"> ● General meeting of shareholders ● Explanatory meeting for IR financial results ● Investor visits, press relations ● IR website
<ul style="list-style-type: none"> ● Compliance with laws, regulations, administrative guidance, etc. ● Payment of taxes ● Cooperation with various government policies aimed at solving public issues 	<ul style="list-style-type: none"> ● Dialogue through economic and industry associations ● Various notifications and responding to surveys and questionnaires ● Consultation with competent authorities, public comments
<ul style="list-style-type: none"> ● Reduction of greenhouse gas emissions ● Promotion of energy saving and recycling ● Reduction of the amount of hazardous waste and toxic chemical emissions 	<ul style="list-style-type: none"> ● Compliance with various laws and regulations ● Environmental conservation activities in line with PDCA ● Stakeholder/Dialogue

Examples of dialogue with stakeholders



Customer trade show

A scene when exhibiting under the theme of "Connected Society: Sumitomo Electric Vision for Future Urban Development" at the "46th Tokyo Motor Show 2019."



Business Partners Meetings

Held annually as part of our strategy to strengthen relationships with our business partners

*The event was cancelled in FY2020 as a measure to prevent COVID-19 infections.



Employee Group Global Awards Ceremony

*Events were held at multiple locations in fiscal 2020 as a measure to prevent COVID-19 infections.



Local community Inari Festival

Held annually at each production facility to celebrate the anniversary of company's founding and to pray for safety and prosperity.

*The local activities were cancelled in FY2020 as a measure to prevent COVID-19 infections.

*For information on our Basic Ideas Concerning Corporate Governance, please refer to our website. URL: <https://sumitomelectric.com/company/governance>

Value Creation Process

Social issues to focus on

The Sumitomo Electric Group identifies social issues to focus on by assessing their respective importance to stakeholders and the Group. To address the social issues that we have identified, we will contribute to the resolution of these issues through offering value through innovations that combine the collective strengths of the Group and initiatives to strengthen our foundation. As a result, we will strive to achieve sustainable growth for the Sumitomo Electric Group.

Verification process

- 1 Identification of social issues**

We began by narrowing down the 169 targets of the SDGs, the Global Risks in Global Risks Report 2020 and social issues that we ourselves were aware of. We then selected issues that were in line with our business activities.
- 2 Evaluation from the perspective of the Sumitomo Electric Group's business activities**

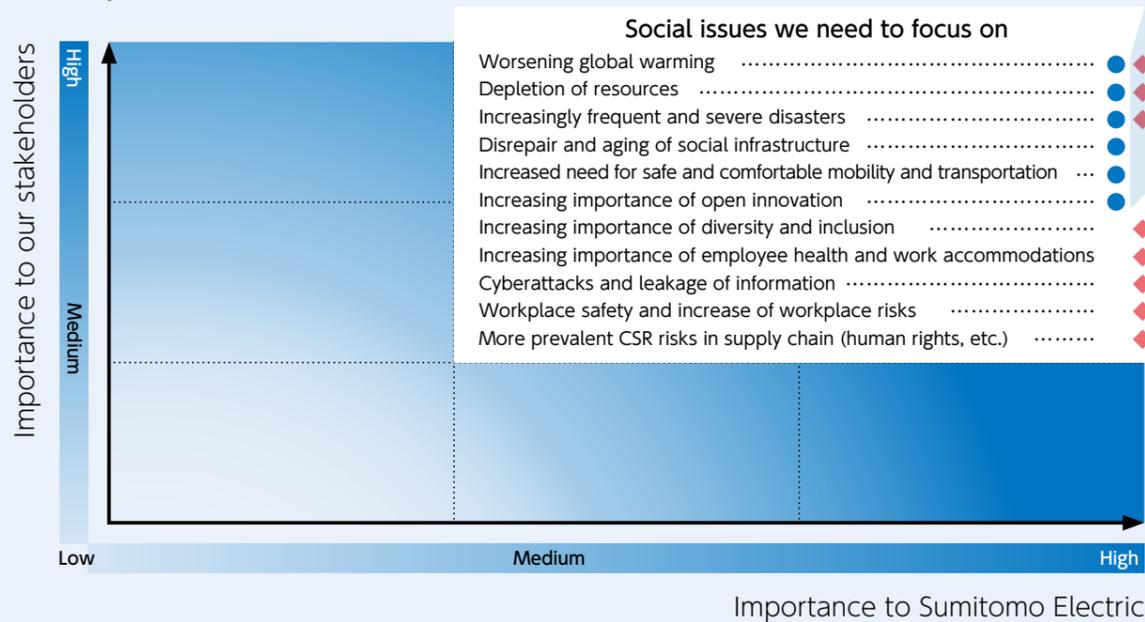
We evaluated the importance for the Sumitomo Electric Group to address each issue based on our business strategies and the measures outlined in VISION 2022. We evaluated this from the perspective of our three key areas— Mobility, Energy, Communications—and from a corporate perspective.
- 3 Evaluation from the perspective of our stakeholders**

We evaluated the importance of each social issue based on sustainability information from business partners and the criteria of ESG surveys.
- 4 Materiality analysis (identification of key issues)**

Through our evaluations, we identified social issues that are important both to the Sumitomo Electric Group and its stakeholders. We then grouped similar issues together, giving us 11 main issues that we needed to focus on.
- 5 Approval by management**

The validity of our materiality analysis was checked at our management conference and Board of Directors' meeting, and the results were approved.

Materiality matrix



Values the Sumitomo Electric Group offers

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

Innovation by mobilizing the whole of Sumitomo Electric

- A healthier planet for future generations**

 - Development of eco-friendly products that limit CO₂ emissions
 - Encouraging use of renewable energy with smart energy systems
 - Promoting recycling technologies and pursuing materials development less dependent on scarce resources, driving resource-friendly practices
- Communities where everyone is safe**

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

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

Initiatives to strengthen our bases

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

Manufacturing Base	Pursuing measures to combat causes of global warming Strengthening our response towards resource saving (reducing waste emissions and promoting recycling) Promotion of safe working conditions CSR procurement (90% or more transactions within domestic group)
Human Resources and Organization Base	Promotion of Diversity Management (gender-parity and equal opportunity employment, etc.) Diversification of employment formats and facilitation of sound management practices Strengthening the development of human resources (enhancement of group and global training opportunities)
Corporate Governance	Strengthening of governance Strengthening of disaster measures Strengthening of information security

Value Creation Process

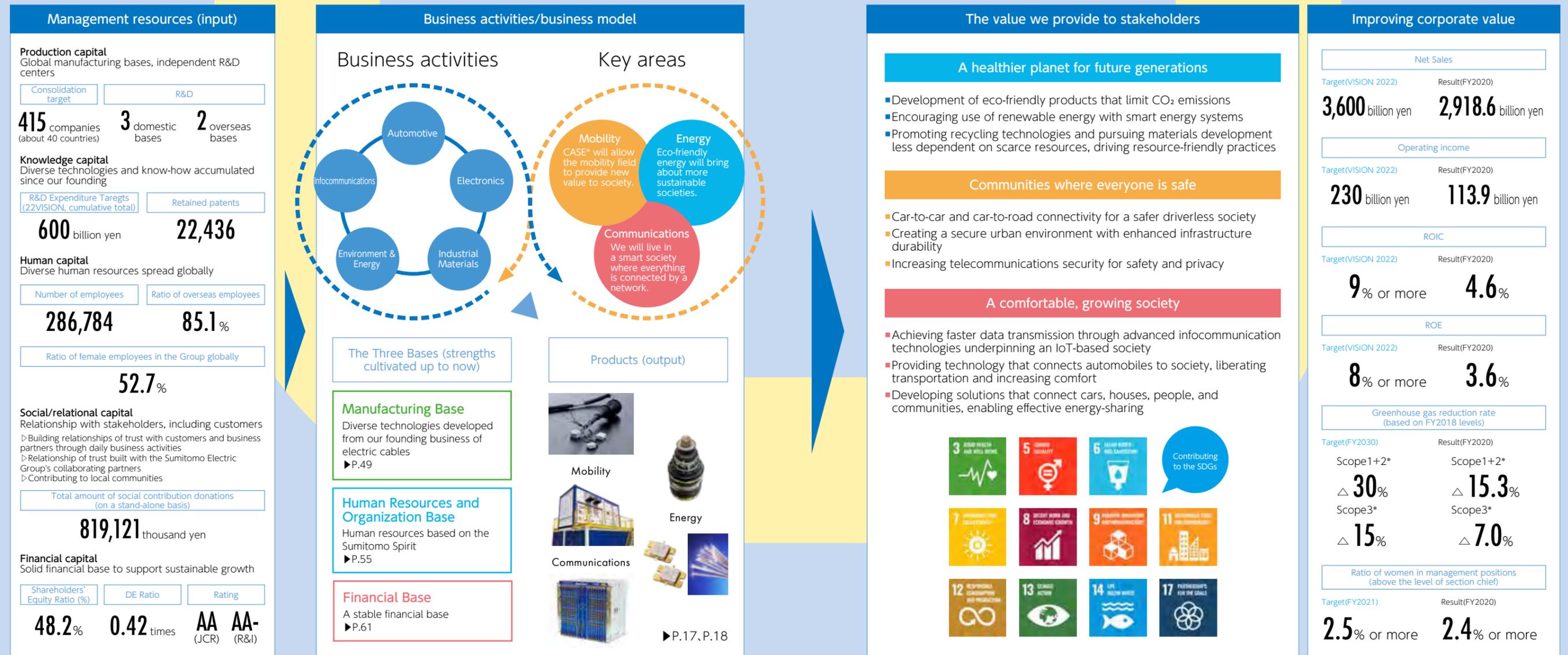
Value Creation Process

Social issues to be addressed

- Worsening global warming
- Depletion of resources
- Increasingly frequent and severe disasters
- Disrepair and aging of social infrastructure
- Increased need for safe and comfortable mobility and transportation
- Increased importance of open innovation
- Increasing importance of diversity and inclusion
- Increasing importance of employee health and work accommodations
- Cyberattacks and leakage of information
- Workplace safety and increase of workplace risks
- More prevalent CSR risks in supply chain (human rights, etc.)

The Sumitomo Electric Group has always conducted its business in harmony with the public interest, in line with the Sumitomo Spirit. With its origins in Sumitomo's copper business, the company has diversified its business based on the connectivity and transmission technologies cultivated through the manufacture of wires and cables. To realize our ideal future state as a "Glorious Excellent Company," we will leverage our strengths and foundations, such as our accumulated technologies and human resources, in our five business segments, while enhancing our resilience to changes in the social environment. In the areas of Mobility, Energy, and Communications, we will continue to cooperate with various stakeholders to solve social issues and enhance our corporate value over the medium and long term.

Our ideal future state of a "Glorious Excellent Company"



* CASE---A term used to describe trends in the automotive industry using, an acronym for Connected, Autonomous, Shared, and Electric.

Governance structure for strategy implementation
(Corporate governance, compliance, risk management, etc.)

Strengthen our foundations and ability to create value to help solve social issues

The Sumitomo Spirit and Sumitomo Electric Group Corporate Principles

*1 Scope1+2: Direct emissions of greenhouse gases by our Company itself and indirect emissions from the use of electricity, heat and steam supplied by other companies
*2 Scope3: Indirect emissions other than Scope 1 and Scope 2

Value Creation Process

Value provided through products

The products and services of the Sumitomo Electric Group firmly support people's daily lives in ways that are not always apparent.

Redox Flow Battery

Our redox flow battery consists of non-flammable materials and electrolyte with feature of fire safety and long life operation.



POREFLON™ modules

This proprietary water treatment technology is helping to solve water shortages worldwide.



Optical fiber cables

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



Overhead conductors

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



High-voltage submarine cables

These cables connect remote islands to the mainland, and countries to each other, to provide a stable power supply. Also, these are essential for Offshore Wind Farm to produce and transmit green energy.



RF communication devices

We are developing RF communication devices that provide more possibilities for communication in the age of 5G*1 and IoT*2.

*1 The 5th generation in communication systems
*2 Internet of Things



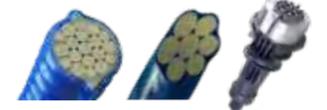
Broadband network systems and devices

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



High-durability prestressing steel

Contributing to enhanced durability of concrete structures and reduced environmental burden, for sustainable social infrastructure.



Flexible printed circuits (FPC)

These small circuits are contributing to the development of more compact digital devices, such as smartphones and tablets, with more advanced functions.



Magnet wire

They are widely used in motors and coils for hybrid vehicles, electric vehicles, home appliances, and electronic devices.



Cutting tools

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



Sintered parts

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



Aluminum wiring harnesses

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



Gateways

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



Tab leads

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



Traffic control system

These systems use information to connect people, automobiles and society, helping to relieve traffic congestion and build a safer mobility society.



Growth Strategy

- Message from the President & COO
- At a Glance: Current status in numbers
- Mid-term Management Plan: VISION 2022
- Business Overview
- Main Products That Help to Solve Environmental and Social Issues
- Sumitomo Electric's Vision for 2030
- Special Feature: Initiatives to address issues related to the global environment



The Sumitomo Electric Group has assets that have been built up over the 120 years since our foundation, such as the diversity of our connectivity and transmission technologies and businesses, our manufacturing capabilities, our human resources based on the "Sumitomo Spirit" as our fundamental value axis, and our relationships of trust with various stakeholders. The Group will continue to enhance its resilience to changes in the social environment while utilizing these assets in the business segments of Mobility, Energy, and Communications and mobilizing the collective strength of the Group to provide social value and raise corporate value over the medium to long term toward the realization of a better future society.

President & COO

Message from the President & COO

Business Results for FY2020

Under the severe business environment, the Group made concerted efforts on a global basis to further enhance business performance.

First of all, I would like to express my deepest condolences to those who have lost their lives as a result of the COVID-19 pandemic, and my sympathy to those and their families who have been affected. I would also like to express my heartfelt gratitude to all the medical professionals for their dedication and hard work.

The fiscal year 2020 was a year in which the entire world was faced with a crisis the likes of which it has not experienced in recent years. The global outbreak of COVID-19 has placed severe restrictions on business activities as well as social activities, and this situation is expected to continue for a while.

The business environment surrounding the Group was harsh, in the first half of the fiscal year in particular, due to a decrease in automobile production and delays in telecommunications and electric power-related construction, as well as lower prices for optical fiber. Amid such an environment, for the fiscal year ending March 31, 2020, the Company recorded net sales of 2,918.6 billion yen and operating income of 113.9 billion yen, a drop in both sales and profits from the previous fiscal year.

As for the second half of the fiscal year, in addition to a resurgence in demands due to a rapid recovery in automobile production, the Group united its efforts globally to secure production and shipments and reduce costs in order to make up for the large deficit in the first quarter. This resulted in net sales of 1,679.3 billion yen and operating income of 125.3 billion yen for the second half, which were both record highs.

Diversity in our business portfolio engaging in social infrastructure-related businesses and automotive businesses contributed in easing the negative impact. The current mid-term management plan, VISION 2022, targets the achievement of net sales of 3,600 billion yen and operating income of 230 billion yen in the final year, FY2022, and net sales of 3,400 billion yen and operating income of 200 billion yen in the interim year, FY2020. In terms of the progress of VISION 2022, the interim targets were achieved.

Toward the achievement of VISION 2022

We continue to strive to achieve the final goal of our mid-term management plan, VISION 2022.

We expect that the COVID-19 pandemic will soon be brought under control with the progress of vaccinations, but there are many uncertain factors such as the spread of variants, and I believe that the normalization of economic and social activities may be delayed longer than expected. There are also political and geopolitical concerns, such as the trade dispute between the U.S. and China, as well as semiconductor supply uncertainty.

While we adapt to this environment, in the current plan, we are endeavoring to capture demand in growing sectors and to thoroughly improve cost efficiency, and we are aiming for record-high sales of 3.35 trillion yen and an operating income of 175 billion yen for fiscal 2021.

In spite of all the difficulties, we will continue to strive to achieve the final goal of VISION 2022 by "never lowering the flag we have raised" based on the concept of "Contributing to a better society by leveraging our expertise in connectivity and transmission technologies through concerted efforts of the entire Group" with the aim of becoming a "Glorious Excellent Company." I would like to introduce some of the specific efforts we are making to achieve the goals of VISION 2022 and beyond.

In the Mobility segment, we are working on programs such as high-voltage wiring harnesses for electric vehicles, reducing the weight of wire harnesses by using aluminum, increasing global production capacity of rectangular magnet wires for motors used in electric vehicles, expanding sales of lead wires used in lithium-ion batteries for vehicles, and creating new products related to the so-called CASE*1. We are also participating in autonomous driving verification tests utilizing the expertise we have gained in the traffic control system business.

In the Energy segment, we are working to address various issues associated with the promotion of renewable energy use, to ensuring the capture of the demand for high-voltage DC cables with low transmission loss and large storage batteries, and to expand technologies that can contribute to energy conservation and environmental protection, such as SiC power semiconductors to enable efficient use of electricity, based on recent trends.

In the Communications segment, we will continue to focus on ultra-high-density optical fiber cables and optical connectors for large-scale data centers,

*1 CASE: Connected, Autonomous, Shared, and Electric, the key trends in the automotive field.

submarine cables using ultra-low-loss optical fibers, and transmission devices and optical devices products for 5G base stations. Others include expanding our water treatment business, which uses a membrane called Poreflon to filter sewage. Currently, the primary application is sewage treatment, but in the future, we hope to be able to desalinate seawater as well.

Additionally, from the perspective of fortifying our management infrastructure, we will continue to place the highest priority on the health and safety of employees and ensuring the maintenance of our supply chain while at the same time reviewing our work styles in the wake of the COVID-19 crisis. In addition, we will strive to improve SEQCDD^{*2}, which is the foundation of the manufacturing industry, and strengthen our resilience by eliminating “waste” in our manufacturing and staffing departments.

Strengthening Sustainability Management

We will further strengthen our sustainability-related initiatives under the Sustainability Management Promotion Committee.

Under the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, we unwaveringly uphold the basic policy of contributing to society through fair business activities. Based on this policy, we believe that the foundation of our development and growth stems from the fact that since our founding, we have practiced the management philosophy of “making business gains in harmony with public interest” and have been committed to creating economic value and social value in an integrated manner.

The Sumitomo Spirit, which has guided us for nearly 400 years, embraces the concepts of SDGs and ESG, emphasizing sustainability, public interest, and a long-term perspective. The Group has focused on, for example, “strengthening SEQCDD,” which ensures employee safety and consideration for the environment, the creation of employment around the world, and social contribution activities such as support for social contribution funds and sports activities.

Based on this thinking, we established the Sustainability Management Promotion Committee, under my leadership as the President, in January 2021 as a company-wide framework to study and promote initiatives related to sustainability management. The Committee will promote company-wide cross-sectional initiatives to address social issues, such as measures

to achieve carbon neutrality by 2050, and also work to further enhance the corporate value of the Group as a whole by increasing profitability and growth potential through business initiatives from both financial and non-financial perspectives over the medium and long term.

Aiming to achieve carbon neutrality by 2050

We will enhance our initiatives to address issues related to the global environment with the aim of achieving carbon neutrality by 2050.

The Group has positioned issues related to the global environment, such as global warming and climate change, as one of our most important management issues, and has been working to solve these issues by reducing the impact on the environment through the promotion of the “Action ECO-22V” Campaign by providing environmentally-conscious products and services, based on the “Environmental Policy.”

Currently, we have established the goal of reducing greenhouse gas emissions to the level required by the Paris Climate Agreement^{*3} by 2030, and by accelerating these efforts, we intend to make further contribution to building a society that is sustainable and has less impact on the environment. This goal has received certification from the Science-Based Targets initiative (SBTi). The Group also expresses its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which recommends information disclosure on the risks and opportunities posed by climate change to businesses.

Taking advantage of these initiatives, the Group will continue to focus on the resolution of issues related to the global environment, including efforts to achieve carbon neutrality by 2050 and the promotion of information disclosure on climate change.

Growth Strategies of the Group

We will strive to offer social value and enhance corporate value over the medium and long term with Mobility, Energy, and Communications as our priority segments.

The business environment surrounding the Company is constantly changing, including the spreading of the COVID-19 infection. The digitalization of the economy and society, the response to issues related to the global

environment, and the movement to strengthen efforts to enhance resilience are all rapidly accelerating. As part of our efforts to develop a system that can respond to these changes in the business environment, we established the DX Promotion Committee in April 2021 to further promote digital transformation (DX), which has so far been promoted mainly in manufacturing sites. From here on, I will take the lead in promoting DX for the evolution and development of SEQCDD, which is our strength.

On the other hand, we remain committed to consistently responding to the emergence of a new mobility society through the advancement of CASE, the smartening of energy networks through the spread of renewable energy, and the transformation of human communication through the advancement of digitalization, which we have traditionally envisioned.

In VISION 2022, we presented a picture of a society in which all people and things will be connected through infocommunications, electric power, transportation, and other types of network to optimize society as a whole,

in other words, becoming a “smart society” around 2030. By delivering value that is environmentally friendly, safe, and secure, and that leads to comfort and social growth, the Group is committed to becoming an entity that supports industry and people’s lifestyles in a future society where the three business segments of Mobility, Energy, and Communications are fused together.

In order to realize our vision as a company, we would like to carefully assess what investments we should make and what types of business we should expand in order to improve not only the Company but also society in the future, in the process of efforts to achieve specific goals, while also discussing with our business units.

By Capitalizing on the current changes in the times, our Group, which focuses on Mobility, Energy, and Communications, will have a lot to look forward to.. We are committed to making all our efforts to meet and exceed our stakeholders’ high expectations for the future of the Sumitomo Electric Group. Thank you for your continued support and cooperation.



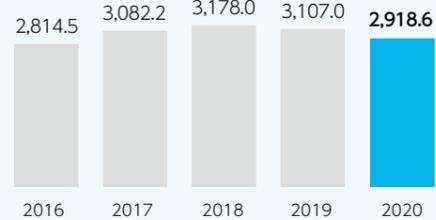
^{*2} SEQCDD stands for the Sumitomo Electric Group's policy of considering and implementing the following elements: S (Safety), E (Environment), Q (Quality), C (Cost), D (Delivery), and D (Development).

^{*3} Paris Climate Agreement: Aims to limit the rise in global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C

Growth Strategy

At a Glance Current Status in Figures (as of March 31, 2021)

Net Sales (Billions of yen/year)

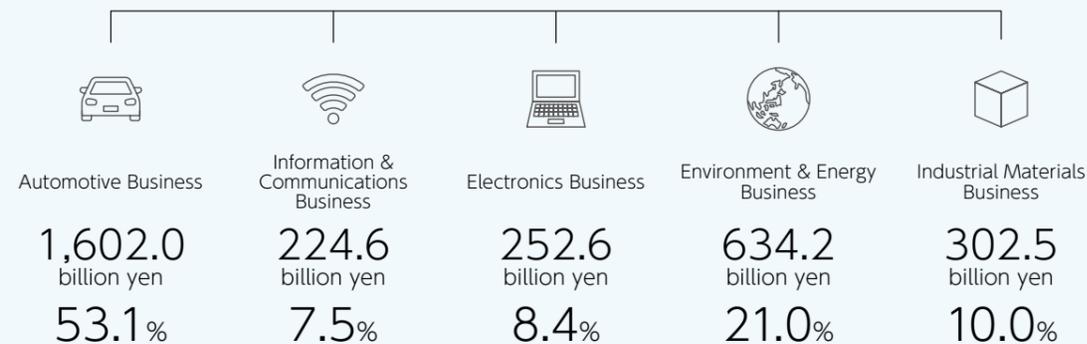


Operating income (Billions of yen/year)



2,918.6 billion yen **113.9 billion yen**

Net sales by segment



ROE

3.6%

ROIC

4.6%

Shareholders' Equity Ratio (%)

48.2%

R&D Expenses

118.8 billion yen



Corporate Profile Video

<https://youtu.be/Of1AT0O8HC0?t=134>

It can also be viewed via QR code.



Sumitomo Electric Group's global network supports society through its operations around the world.

Number of employees

286,784

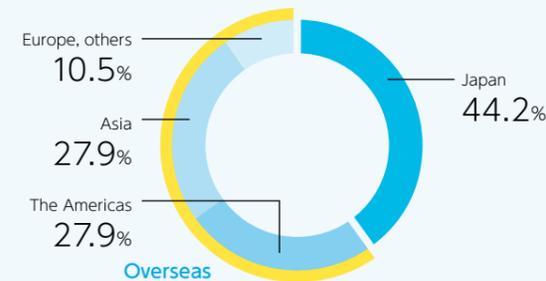
Of which, ratio of overseas employees

85.1%

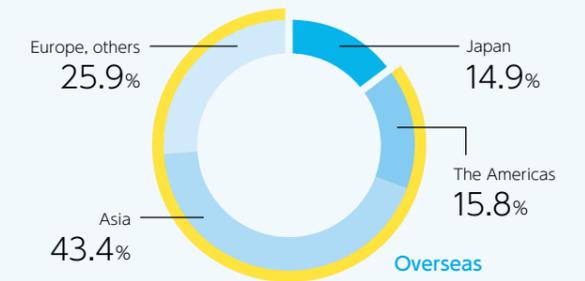
Overseas Net Sales (%)

57.3%

Net Sales (%) by region (FY2020)

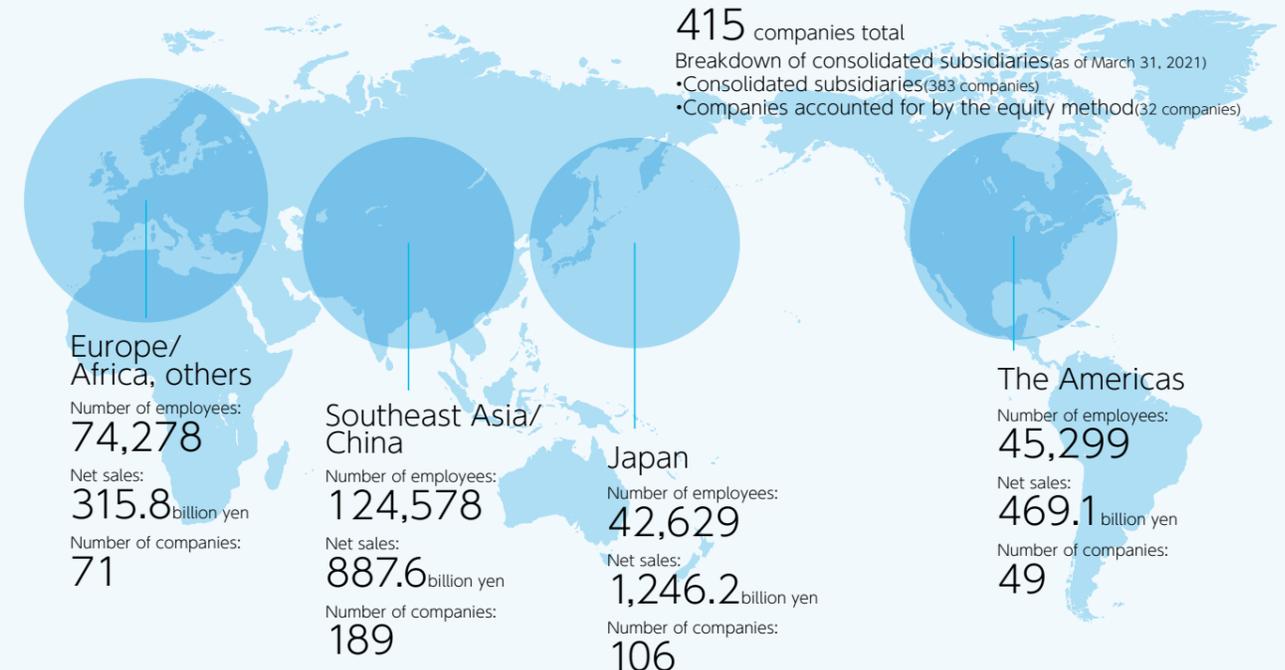


Ratio of employees by region (FY2020)



Distributed over **40** countries worldwide Affiliates **415** companies

Global business expansion



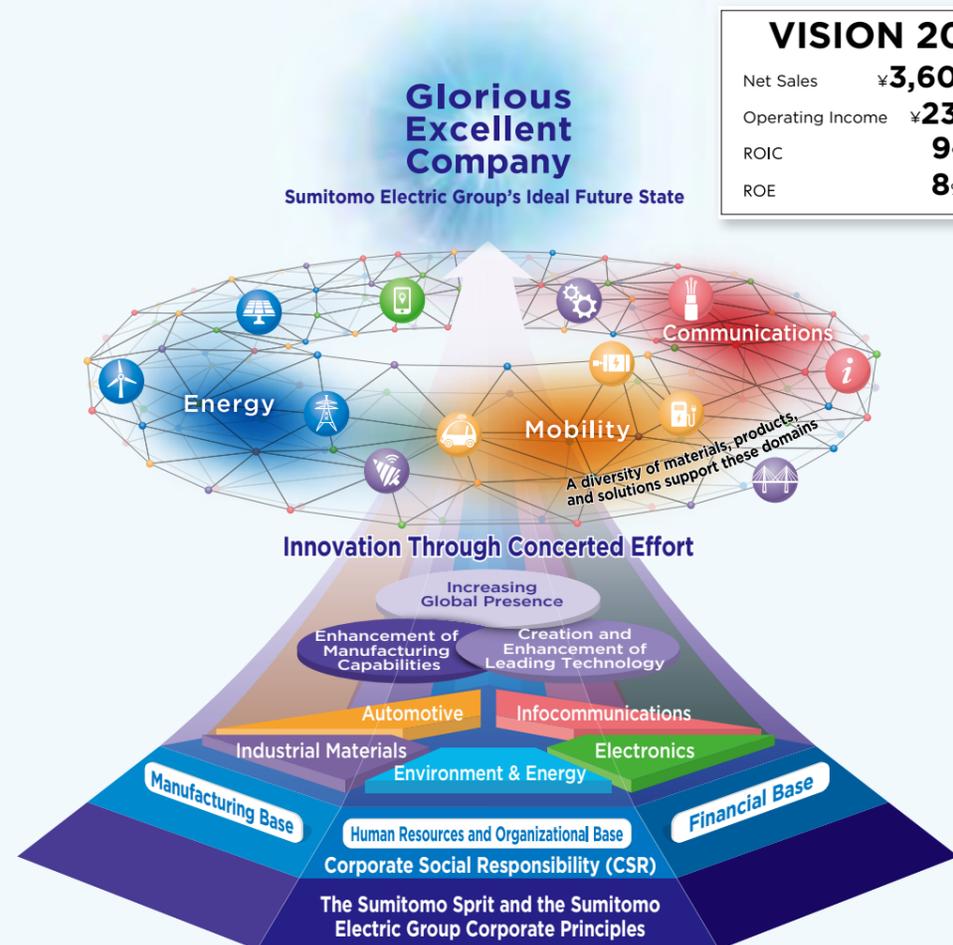
Mid-term Management Plan: VISION 2022

Basic Concept

Contributing to a better society by leveraging our expertise in connectivity and transmission technologies through concerted efforts of the entire group.

Overall concept

A "Glorious Excellent Company" is Sumitomo Electric Group's ideal future state. Positioning the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles as our basic management value, we will help create a better society through business activities. In our growth strategy, we aim to diversify our technologies and products and create innovations that meet new social demand in the fields of Automotive, Infocommunications, Electronics, Environment & Energy and Industrial Materials based on the Manufacturing Base, Human Resources and Organizational Base and Financial Base we have developed, and will be committed to enhancement of manufacturing capabilities, increasing global presence and creation and enhancement of leading technology.



VISION 2022	
Net Sales	¥3,600 billion
Operating Income	¥230 billion
ROIC	9% or more
ROE	8% or more

Our Priorities

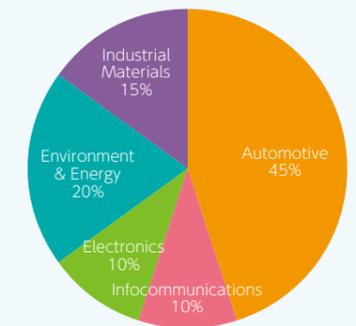
Enhancement of Manufacturing Capabilities	Increasing Global Presence	Creation and Enhancement of Leading Technology
<p>Taking "SEQCDD**" one step further</p> <ul style="list-style-type: none"> ● Aim for "the world's top safety company" ● Create "strong factories" by continuous improvement (kaizen) ● Share technologies and best practices among group companies worldwide 	<ul style="list-style-type: none"> ● Work to increase market share with global customers ● Create new business models that anticipate market changes ● Enhance the efficacy of our marketing efforts 	<ul style="list-style-type: none"> ● Continue to enhance core technologies from materials to processes ● Innovation that anticipates change in the automotive and energy fields and exploits commercialization opportunities with agility ● Challenge ourselves to create innovative technology that encourages social reform

Numerical targets and results

	FY2017 Result	FY2020 Interim Target	FY2022 Result	FY2022 Target
Net Sales	3,082.2	3,400.0	2,918.6	3,600.0
Operating Income	173.1	200.0	113.9	230.0
Operating Margin Ratio	5.6%	5.9%	3.9%	6.4%
ROIC	7.9%	8.5% or more	4.6%	9% or more
ROE	8.1%	8% or more	3.6%	8% or more

	Capital Expenditures	Research and development expenses
5-year cumulative target	950.0	600.0
3 years cumulative results	571.3	373.8

Business portfolio in our ideal future state (based on operating income)



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

* SEQCDD stands for the Sumitomo Electric Group's policy of considering and implementing the following elements: S (Safety), E (Environment), Q (Quality), C (Cost), D (Delivery), and D (Development).

22VISION Ideal state

The world's top share wiring harness supplier

Overview of business

The automotive industry is undergoing a period of drastic changes, with the increasingly rapid adoption of CASE* and the entry of companies from other industries into the market. We are leveraging our global presence in 33 countries around the world and bringing together our global resources to contribute to advancement in mobility.

Our main product, wiring harnesses, are laid throughout an automobile. Advanced technology is required to produce harnesses that can transmit power and information reliably while withstanding extreme vibration and heat. The Sumitomo Electric Group greatly leads the world in harness development, with dominant top share presence in global market. We are steadily promoting the use of aluminum harnesses, which contribute to weight reduction in vehicles, and our connecting technologies are essential in realizing connected cars and autonomous driving, which must handle a huge amount of information, as well as in achieving widespread use of hybrid and electric vehicles. We will continue to contribute to the next generation, where automobiles are connected with people and society.

VISION 2022 Mid-term Management Plan: Segment Strategy

VISION 2022 Growth Strategy

- Promote "Concept-in Activities for Customers"
- Strengthen collaborative relationships with third parties (OEMs, the public sector, service providers, etc.)

Strengthen our business base through the consolidation of Sumitomo Electric Group resources.

- Expand sales targeting global customers
- Generate new business for CASE-related products

State of the Market

- Continuous automotive sales growth globally
- Growth in eco-friendly vehicles in line with tightening environmental regulation (ZEV, Co2 regulation, diesel bans)
- Accelerating improvement delivered by CASE, an industry revolution
- Vendors from other industries entering market, changing the supplier vantage-point

Our Strengths

- Comprehensive and dominant market presence in the wiring harnesses business via the trinity system, comprising Sumitomo Electric, Sumitomo Wiring Systems, and AutoNetworks Technologies
- Global business deployment (33 nations)
- Our business in power systems, telecommunications, and industrial materials enables shared expertise benefiting the development of applicable products for the auto industry



FY2020 Results

Due to a decline in demand for wiring harnesses, car electrical equipment, and anti-vibration rubber and hoses due to a drop in automobile production caused by the impact of the COVID-19 pandemic, mainly in the first quarter, net sales decreased by 81,588 million yen (4.8% year-on-year) to 1,602,042 million yen. Despite the implementation of all possible cost reduction measures, operating income decreased by 20,015 million yen to 48,198 million yen, not only due to the decrease in sales, but also due to the alternative production associated with the lockdown of some production bases and the increase in logistical expenditures associated with the rapid recovery in demand from the second half of the fiscal year.

Priority initiatives for FY2021

- Cost reduction activities that were implemented as countermeasures for COVID-19 will be maintained in the future, and we will further promote the construction of a muscular business structure that can withstand fluctuations in demand.
- Targeting "mega-supplier" status, we will strengthen proposal-based marketing for customers, accelerate the creation of new CASE*-related products and aluminum harnesses that are highly demanded by customers, and work to expand our share of overseas customers.
- While striving to restore profitability through deepening our global response and integrating/consolidating domestic and overseas business operations and reducing costs, we will also focus on the development of new products for next-generation automobiles.

Examples of our initiatives to solve social issues

High-strength aluminum wiring harness

We developed aluminum alloy electric wires that conduct electricity as effectively as copper while being around half as heavy. We began selling our aluminum harnesses in 2010. After further discussion with automotive manufacturers, we began working to develop high-strength aluminum to meet a variety of needs. In 2015, we succeeded in developing high-strength aluminum alloy electric wires, which are stronger than copper and flexible and heat-resistant enough to meet manufacturers' needs. Releasing high-strength aluminum wiring harnesses has made it possible to use aluminum wiring harnesses in areas with extreme vibration, such as around the engine. Our high-strength aluminum wiring harnesses are now used in many automobiles both in Japan and overseas. In addition to further contributing to improving fuel efficiency and reducing CO₂ emissions by making automobiles lighter, they are helping to conserve rare resources as aluminum reserves are more abundant than copper.



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

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

Growth Strategy

Business Overview Infocommunications

22VISION Ideal state

We aim to become a leading supplier in the high-capacity network interconnect market with its core competencies in high-end optical fiber/connection technology, transmission devices/compound semiconductors, and access equipment technology.

Overview of business

Recent advances in the infocommunications field, such as more widespread use of cloud services and the arrival of 5G, have dramatically increased data traffic. The Sumitomo Electric Group is responding to these changes by making use of our extensive base of technology, including transmission devices, compound semiconductors, access devices and some of the world's best optical fiber production technology, to achieve high-capacity, high-speed communication.

In the 1970s, we began producing optical fibers, which are now an essential component of the communication infrastructure our society relies on. Among them, those for ultra-long distance submarine systems with a transmission distance of over 10,000 km are required to exhibit high quality and high reliability. We have built a presence in the industry with our high technical expertise as represented by the Z fiber, which is an optical fiber developed for ultra-long distance submarine system applications. The Z fiber broke the world record for low-loss optical fiber.

Other strengths of ours include production technology for ultrahigh-fiber-count optical cables and software development for video and optical access devices. We lead the global market with initiatives such as collaborative vertical integration from raw materials to finished devices to develop compound semiconductors for optical and wireless applications.

VISION 2022 Mid-term Management Plan: Segment Strategy

VISION 2022 Growth Strategy

Consolidate our core technology to support IoT-based societies.

Pursue development of innovative new products and proposals that are one step ahead of and exceed customer expectations while improving global market presence.

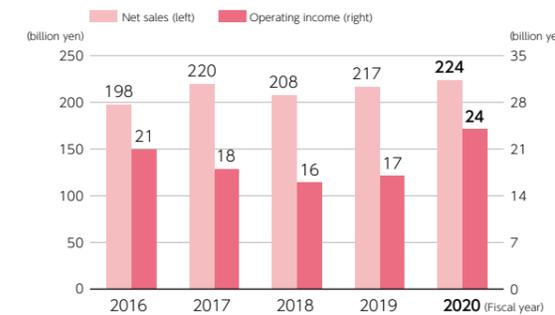
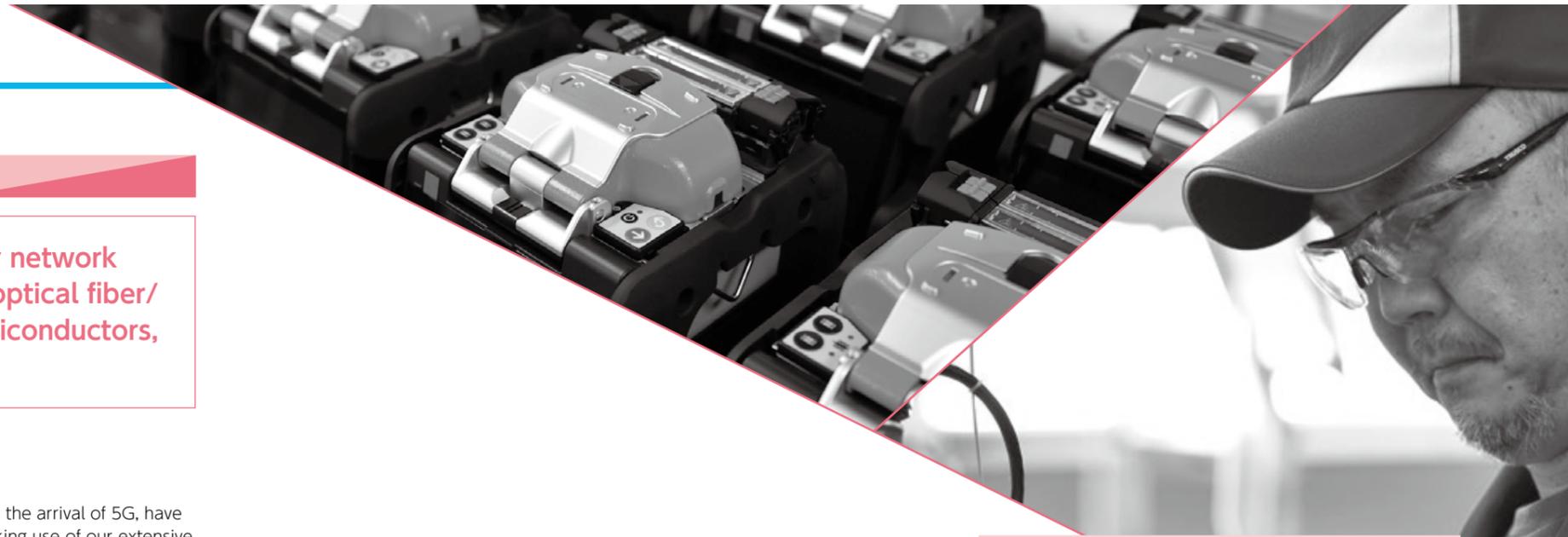
Continuous enhancement of our business base: innovate IoT-related production technologies and facilitate expansion of our global business base.

State of the Market

- Increase in the amount of data traffic due to development of high-capacity mobile networks (4G to 5G); spread of video services; and transition to cloud computing
- Expansion of infocommunication network market. Rising demand for optical-fiber connectivity and high-capacity submarine/onshore cables or cables for data centers. Growth in demand for high-speed, high-capacity transmission devices.
- Growth in demand for sensors for 3D Imaging & sensing applications and for automotive application.

Our Strengths

- Superior manufacturing technology for low-loss optical-fiber cable enabling high-speed, high-capacity telecommunication
- Established manufacturing technology for super-multicore optical cable
- Leveraging optical precision-molding and mechatronics technologies
- Software development capability for visual- and optical-access devices
- Compound semiconductors for optical/wireless applications developed via collaborative vertical integration from raw materials to finished device



FY2020 Results

Net sales increased by 7,175 million yen (3.3% year-on-year) to 224,576 million yen thanks to increased demand for optical/electronic devices and access network devices. Operating income increased by 6,508 million yen to 24,343 million yen, as an increase in sales and cost reductions through productivity improvements absorbed the decline in optical fiber prices.

Priority initiatives for FY2021

- The Group will continue to develop and expand sales of sophisticated products that meet social trends and market needs, such as data center-related products, electronic devices, and access network equipment, including ultra-low-loss optical fibers, ultrahigh-fiber-count optical cables, optical wiring devices, and optical devices that support the expansion of cloud service* markets and fifth-generation mobile communication systems (5G).
- For products where price competition is fierce, such as optical fibers, we will strive to secure profitability through exhaustive cost reductions.

Examples of our initiatives to solve social issues

Z-PLUS Fiber®150 ULL

With the rapid evolution and popularization of smart phones and video streaming services, there is a demand for higher performance optical fibers that can transmit more information at once. There is a particularly strong demand for lower transmission loss in optical fibers for long-haul transmission systems connecting continents. Our Z-PLUS Fiber 151 ULL is an ultra-low-loss product that has been realized by combining our world leading mass production technologies and newly developed lowloss technologies. We have also expanded the effective core area (cross-sectional area of the part where signal is transmitted) to achieve optimal transmission performance in high-capacity digital coherent communication technology, which is rapidly becoming more widely used.

In particularly submarine cable system, the product is expected as contributing not only to an increase in transmission capacity and an extension of transmission distance, but also to a reduction in the total cost of the system by reducing the number of expensive equipment such as optical amplifiers.



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

* Cloud services: Data and software that were previously used by users on their own computers are now provided to users as a service via a network.

Growth Strategy

Business Overview Electronics

22VISION Ideal state

We aim to become a top global supplier of high-performance wiring and high-performance components, mainly for mobile devices and mobile electronics

Overview of business

The dramatic increase in volumes of data being transmitted to and from mobile devices has accelerated development to handle new functions and standards. There is also a growing need for car electronics products and aviation equipment as the world turns to EVs and self-driving cars. The Sumitomo Electric Group is an indispensable part of these markets' growth. We develop a wide range of materials, wires and parts to be used in various electronic devices.

Flexible printed circuits (FPCs) are one of the main products of the group. Their versatility in forming high-density circuits in a small area makes them a wiring material adaptable to all kinds of increasingly complex equipment. We have electron beam irradiation technology used to produce electric wire products and heat-shrinkable tube, and fluorine resin processing technology such as Poreflon™ Module. We draw on strengths such as our proprietary material development, design and processing technologies and high-speed data transmission technology to make our supply chain more competitive on a global stage and serve as a global supplier of high-performance wiring and high-functionality materials.

VISION 2022 Mid-term Management Plan: Segment Strategy

VISION 2022 Growth Strategy

Strengthen global sales and manufacturing assets primarily in North America, China, and other Asian nations.

Strengthen our development system and proposition system to meet market demands for new functions and more innovative, light, tough, and precise products that facilitate high-speed data transmission.

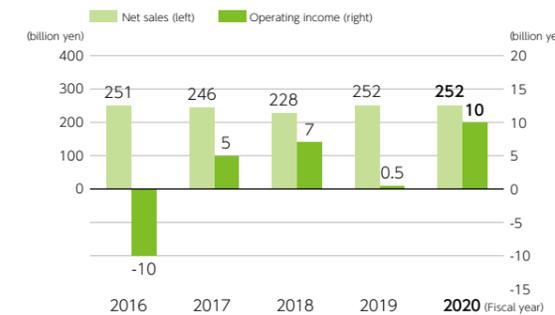
Strengthen manufacturing capabilities and business base to become more agile and responsive to client demands within a shorter business cycle.

State of the Market

- Adapting to the introduction of new functionalities and new standards that help drive growth in the mobile device market; respond to the associated exponential increase in data transmission volumes
- Shifting demand from traditional electronics sector to the auto industry as demand for greater sophistication in hybrid, electric, driver-assisted, and driverless vehicles continues to rise
- Continuing demand to reduce aircraft and vehicle bodyweight and increase their level of computerization

Our Strengths

- Solid partnerships with clients who lead growing markets
- Unique materials development, design, and processing expertise including high-speed transmission, heatresistant, high-precision, porous-membrane, and electric-beam irradiation technologies
- Providing clients around the world with highfunction wiring, protective-layer wiring, and other highfunctionality products via our global supply chain



FY2020 Results

Sales of flexible printed circuits (FPCs) for mobile devices decreased, but demand for electronic wire products such as lead wires for battery terminals (tab leads) increased, and Techno Associe Co. Ltd., which became a subsidiary in the second quarter of the previous year, contributed to the increase. Net sales were almost unchanged from the previous fiscal year at 252,618 million yen (up 448 million yen, or 0.2% year-on-year). As a result of profit recovery efforts such as increased sales of electronic wire products and cost improvement and withdrawal from non-profitable products in FPCs for mobile devices, operating income increased by 9,511 million yen to 10,047 million yen.

Priority initiatives for FY2021

- Concerning FPCs, while continuing our efforts to improve profitability by optimizing our global production system and implementing productivity improvements, we will also expand sales for automotive applications and accelerate the development of high-definition and high-frequency compatible new products.
- We will strive to expand businesses that capture diverse customer needs for lead wires for battery terminals of electric vehicles (tab lead), electric wires for electric parking brakes, heat-shrinkable tubes, and water treatment products, leveraging our proprietary technologies such as electron beam irradiation and fluoroplastic processing.
- We will work to expand business synergies with Techno Associe Co., Ltd., which joined the Group last fiscal year.

Examples of our initiatives to solve social issues

Poreflon™

Today, the issue of water pollution has become a global issue. In particular, in emerging countries where economic development is remarkable, industrialization and the concentration of population in cities is advancing, and river pollution caused by factory and household wastewater is affecting human health and ecosystems.

The Poreflon™* filtration membrane modules for industrial wastewater and sewage treatment, which the Group has been manufacturing since 2003, have superior chemical resistance, high strength, high water permeability, and heat resistance, and have been delivered to a large number of customers in the industrial wastewater segment in Japan, Asia, and North America. Membrane wastewater treatment system using the Poreflon™ module as a key component in a system consisting of a membrane submersion tank, pump, aeration blower, control panel, etc., exhibit stable performance regardless of changes in wastewater volume, concentration, weather conditions, etc., and offer substantial improvements in energy costs and required installation space. We will continue to take advantage of the strengths of Poreflon™ to contribute to the conservation of the water environment for people around the world.



* Poreflon™: A porous material made of 100% PTFE (polytetrafluoroethylene resin) manufactured by Sumitomo Electric Industries, Ltd.

Growth Strategy

Business Overview Environment & Energy

22VISION Ideal state

We aim to be a total supplier of environmental energy-related products and systems on a global scale

Overview of business

The Sumitomo Electric Group began producing electric cables in 1908. We started with copper wires and have steadily progressed from low voltage to ultra-high voltage in our electric wire and cable business. A particularly foundational area of our copper wire business has been our high-voltage electric wire business, where we have built a business base and track record that leads Japan's industry through the completion of a series of major projects such as the production and laying of the world's first long distance main line with 500 kV XLPE cables and the world's first submarine power line with a 500 kV DC Oil-Filled cable.

We have continued to build a stronger global presence, drawing on our strengths such as diverse high-value product families and associated services, project-planning expertise, overall capabilities involving affiliate companies in the heavy electrical machinery and engineering fields (Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd.) and end-to-end system development from raw material to finished product. Currently, the technical expertise of our group is essential for the construction of new energy systems in line with trends such as international grid interconnection projects, primarily in Europe, infrastructure development in emerging countries, increasing use of renewable energy and widespread use of electric vehicles. We will continue to use this technology as a base as the building of energy infrastructure progresses.

VISION 2022 Mid-term Management Plan: Segment Strategy

VISION 2022 Growth Strategy

Build a stronger global presence for the development and provision of electrical power infrastructure including long distance submarine cables, etc.

Provide products and systems that fit a rapidly changing energy market as evidenced by growing investment in renewable energy and growth in EVs.

Meet demand for new products supporting EV development (rectangular wire for drive motor, etc.) and become more responsive to environmental issues.

State of the Market

- Unveiling of major international grid-interconnection projects, primarily in Europe
- Growth in infrastructure demand in emerging nations
- Expansion of the energy-system market in response to upgraded electric power infrastructure and increasing use of renewable energy
- New business opportunities for eco-friendly vehicles and related infrastructure as market continues to embrace high-efficiency transport

Our Strengths

- Among Japan's top-tier businesses with an impressive record of achievements
- Innovate technologies that enable creation of new high-value products
- Diverse product family with associated services relating to infrastructure
- Extensive project-planning experience in the energy-system field
- Strength as SEI Group member with powerful affiliate companies in the heavy electrical machinery and engineering fields
- End-to-end system development from raw material to finished product



FY2020 Results

Due to the impact of COVID-19, demand for automotive products such as magnet wires and metal porous material for batteries used in electric vehicles (Celmet) fell, and projects for power cables and power line construction were delayed. Also, due to a decrease in industrial electric wires for the construction and electrical appliance markets and in electrical installation work at Sumitomo Densetsu Co., Ltd., net sales were 634,191 million yen, a decrease of 78,352 million yen (11.0% year-on-year). Operating income decreased by 2,090 million yen to 25,024 million yen due to the decrease in sales.

Priority initiatives for FY2021

- In the area of power cables, we will continue to receive orders for large-scale overseas projects, domestic demand for equipment replacement, and renewable energy projects while also focusing on cost reduction, quality improvement, new product development, and strengthening of project management.
- With respect to rectangular magnet wires for motors used in electric vehicles, we will continue to expand our global production capacity to meet increasing demand.
- We will strive to further increase orders by leveraging the collective strength of the Group, including Nisshin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd.

Examples of our initiatives to solve social issues

PLC String Monitoring System

The adoption of renewable energy is accelerating in an effort to realize a decarbonized society. Photovoltaic power generation systems, which are especially popular and can operate for more than 20 years after installation, and in order to maintain stable power generation over a long period of time, immediate detection and response to problems is extremely important, and "monitoring systems" are generally installed to detect abnormalities.

Sumitomo Electric has developed a monitoring system that uses AI*1 to determine abnormalities in the measured string power values and notifies the cause of the abnormality according to the degree of urgency. The Company's monitoring system uses PLC*2 technology, which uses existing electric power lines as communication lines, eliminating the need to install additional communication lines when implementing the monitoring system and thus enabling easy installation at existing power plants. Through the use of the abnormality detection and notification system developed this time, it is possible to respond to abnormalities related to power generation at an early stage, thereby contributing to reducing the operation and management costs of photovoltaic power generation plants and maximizing the amount of power generated.



*1 AI: Artificial Intelligence
*2 PLC: Power Line Communication

22VISION Ideal state

We aim to be a global supplier of high performance and high functionality products that utilize the world's top level materials technology.

Overview of business

Copper wires are drawn with wire drawing dies. In our research and development work, we have taken the wiredrawing processes we have used for our copper wires and the powder alloys we use to develop our materials and applied them to other metals to create special steel wires. We have also applied the powder metallurgy technology we use to produce powder alloys and used it to develop sintered powder metal products.

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

VISION 2022 Mid-term Management Plan: Segment Strategy

VISION 2022 Growth Strategy

Innovation and Enhancement of Core Technologies
Deepen our advanced high-efficiency lines and develop new products in preparation for motorization.

Strengthen Proposal Capability for Clients
Pitch our products with a full understanding of client needs to emphasize differentiation from our competitors.

Accelerating Overseas Businesses
Maintain consistency of quality regardless of region and provide services in a context that's sensitive to local issues.

State of the Market

- Increasing demand for lightweight materials for EV development
- Growth in the medical and aviation industries
- Intensification of competition in the global marketplace
- Accelerating cobalt procurement to meet demand for battery applications

Our strengths

- Excellent materials development capabilities with strong differentiation from competitors through the application of our unique materials and recycling technologies
- Unique manufacturing capabilities that leverage our production and product-evaluation technologies to improve our clients' production lines
- Global supply system supporting the globalization of our clients' business



FY2020 Results

Demand for cemented carbide tools, diamond and CBN tools, sintered powder metal products, steel wire for springs, steel tire cords, and other products fell sharply, especially in the first half of the year, due to the impact of COVID-19, and sales fell 28,826 million yen, or 8.7% year-on-year, to 302,524 million yen. Due, in part, to deteriorating profitability resulting from a decline in plant utilization rates, operating income decreased by 6,765 million yen to 6,660 million yen.

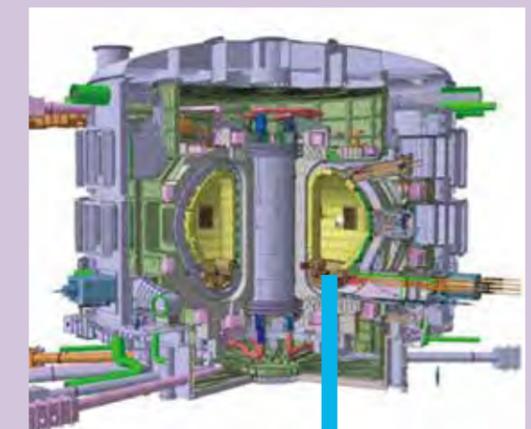
Priority initiatives for FY2021

- For cemented carbide tools, we will strive to expand our market share by responding in a timely and accurate manner to recovery demand from the effects of the COVID-19 virus, as well as developing new tools for electric vehicle and aircraft components.
- For sintered powder metal products, we will strive to expand sales of electric vehicles and further strengthen the cost competitiveness of each manufacturing base globally with a view to future business development.
- As for prestressing steel wire and steel wire for springs, we will strive to improve profitability by strengthening our global manufacturing and sales structure as well as through new product development.

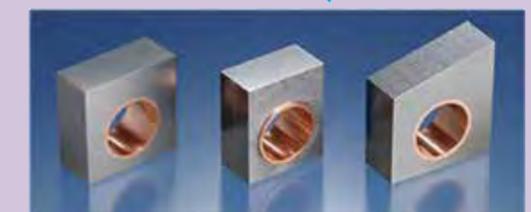
Examples of our initiatives to solve social issues

ITER (is one of the most ambitious energy projects in the world today)

One of our group companies, A.L.M.T. Corp. contributes to the development of the ITER which is a demonstration project for [nuclear fusion energy (expected to be a sustainable energy source that excels in terms of resources, environment and safety)] as a decarbonized energy, by supplying tungsten parts with superior thermal properties for the target of the diverter.



©ITER organization



Growth Strategy

Main Products That Help to Solve Environmental and Social Issues

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

Lighter materials for greater fuel efficiency



High-strength aluminum wiring harness P.17, P.28



Special steel wires

For the automotive industry, we provide steel wire for springs and steel cords that meet the needs of energy conservation, stability, safety, and comfort, as well as prestressing steel to improve the strength and durability of concrete structures.



Charging connectors for EVs

Our EV charging connector connects the car to the power source when charging electric vehicles and plug-in hybrid vehicles, and offers excellent safety and connection stability.

Popularization of railroad infrastructure to reduce CO2 emissions



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



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



Magnet wires P.18



High-performance heatspreading materials Materials such as copper molybdenum, copper tungsten, ceramics, and diamond are used as heat dissipation materials for high-power semiconductor devices.

Recycling and energy-saving manufacturing technology to reduce environmental footprint



Sintered parts P.10, P.17



Cutting tools P.10, P.17



Tab leads P.18



Heat shrinkable tubing (SUMITUBE heat shrinkable tubing) A tube that contracts in the inner diameter direction due to overheating, and is used for insulation protection, waterproofing, and bundling of electric wires and harnesses.



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

Greater strength and functionality to reduce environmental footprint



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



High durability prestressing strands P.18

Optimized traffic control that helps to reduce traffic accidents and congestion



Traffic control system P.10

Improving the safety features of automobiles to reduce accidents



Gateways P.18



Flexible flat cables (SUMI-CARD flexible flat cables) A flat cable that is ideal for high-density mounting that can be attached and detached with a single touch. It also supports high-speed transmission standards and high-temperature environments.

ENERGY

Water treatment products to improve water quality



Poreflon™ Module P.17, P.32

Contribution to reliable power supplies and widespread adoption of renewable energy



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



High-voltage submarine cables P.17



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



Overhead conductors P.17

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



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



PLC String Monitoring System P.34

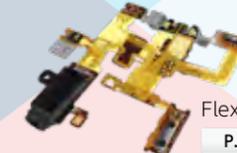


Redox Flow Battery P.17



RF communication devices P.18

Contribution to the building of high-quality information infrastructure



Flexible printed circuits (FPC) P.18



BS4K set-top boxes A terminal that converts signals on cable TV, satellite TV, and internet, into signals that can be viewed on a common TV.



Thunderbolt™ 4 cables Our flexible and durable Thunderbolt 4 compatible cables offer superior speed, security and more compared to previous products.



Optical fiber cables P.10, P.17



Optical devices Transmitter Optical Sub-Assembly and Receiver Optical Sub-Assembly for optical communication. These contribute to conservation of energy at data centers.



Fusion splicers The optical fiber fusion splicers are essential in the construction of optical fiber networks. These splice the silica-glass fibers by using the arc discharge physically. We launch the world's first AI-programmed fusion splicers "NanoTune™", which achieve the accurate and stable splicing performance more than ever.



Optical fibers P.10, P.30

MOBILITY

COMMUNICATIONS

Growth Strategy

Sumitomo Electric's Vision for 2030

- M**obility: CASE* will allow the mobility field to provide new value to society.
- E**nergy: Eco-friendly energy will bring about more sustainable societies.
- C**ommunications: We will live in a smart society where everything is connected by a network.

The Sumitomo Electric Group will support people's lifestyles in a future society where the three fields of mobility, energy, and communications are fused together, providing value that is friendly to the global environment, safe and secure, and leads to comfort and social growth.

Contribution to widespread adoption of renewable energy such as offshore wind

E

This offshore wind power is so much cleaner

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

E

I love that electricity is available everywhere

Contribution to new virtual experiences that feel more real

CO

Karate!

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

Contribution to energy conservation in households

E × CO

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

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

MO × E × CO

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

Contribution to satellite communications

CO

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

Contribution to local production and consumption of energy

MO × E × CO

Can I have some of your green energy?

Contribution to reduction of CO₂ emissions

CO

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

Contribution to new services with cloud-connected robots

CO

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

Contribution to eco-friendly mobility

MO × E

These cars have no CO₂ emissions at all - that's awesome!

Contribution to mobility that is more than a means of transportation

MO × CO

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

Contribution to the building of next generation transport networks

MO × CO

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

Contribution to self-driving societies

MO × CO

I love going out with Grandpa in his selfdriving car

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

Sumitomo Electric's Vision for 2030 Mobility



Examples of contributions to future life

1 Contribution to eco-friendly mobility



These cars have no CO₂ emissions at all - that's awesome!

- Aluminum wiring harnesses
- Tab leads for automotive lithium-ion batteries
- Rectangular magnet wires for electric vehicle motors

2 Contribution to local production and consumption of energy



Can I have some of your green energy?

- EV charging cables
- System for effective use of batteries
- Energy management systems

3 Contribution to mobility that is more than a means of transportation



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

- Wiring harnesses
- High-speed communication cables

4 Contribution to self-driving societies



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

- Wiring harnesses
- High-speed communication cables
- Vehicle-to-vehicle/road-to-vehicle communication and high speed in-vehicle networks including related security measure

5 Contribution to the building of next generation transport networks



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

- Next generation transportation systems
- Sensing technology
- Vehicle routing and scheduling systems for MaaS
- Wireless and wired communications technology (highly reliable highcapacity communication with minimal delays)

Features of business of in the field of mobility

- We boast one of the world's largest shares of wiring harnesses, which have been likened to be "similar to nerves and blood vessels of automobiles."
- Today, we have 230,000 employees in 31 countries engaged in wiring harness manufacturing. We have established a global production system that is capable of delivering "identical and the highest quality product" throughout the world through our "onsite capabilities" to develop and execute what is decided in an honest and thorough manner.
- We have a track record of delivering and developing products that contribute to "environmental and social issues," such as aluminum wiring harnesses.
- Through the provision of traffic control systems, we are contributing to the betterment of the road traffic environment by reducing traffic accidents and traffic congestion.

Responding to changes in the field of mobility

- The CAS-EV*1 Development Promotion Division was established with the objective of enhancing the marketing process from the creation of needs to the examination of commercialization in a comprehensive manner. Establishing a company-wide cross-sectional system where business units, research, planning, and sales are better integrated.
- The number of engineers engaged in the relevant work is increasing. By expanding the perspective from

the conventional "parts perspective" to the "vehicle perspective," we are striving to create proposal-oriented businesses that take into account the upstream processes that customers used to go through, such as system/module design, function definition, and vehicle planning that are compatible with CASE*2.

Initiatives linked to combating global warming and bolstering resilience

In recent years, movements toward the realization of carbon neutrality have been accelerating worldwide. For many years, the Company has been producing aluminum wiring harnesses and many other products that contribute to improved fuel efficiency and reduced CO₂ emissions by reducing the weight of automobiles. The number of gasoline-powered cars will continue to decrease while the number of electric vehicles of various types will increase. The Sumitomo Electric Group will continue to develop and provide new eco-friendly products that contribute to the realization of carbon neutrality, including rectangular magnet wires for electric vehicle motors and tab leads used in automotive lithium-ion batteries. ^{Illustration 1}

Also, as electric vehicles become more popular in the future, Mobility will have a lower barrier to the energy field. As development of IoT and block chain technology leads to more active individual transactions of energy via the cloud, it will not be uncommon to see scenes where EVs are powered solely by local renewable energy. In times of disaster, PHVs will become "running storage batteries," and through IoT-based energy management technology,

many PHVs can be remotely controlled to supply electricity to places where it is needed. ^{Illustration 2} To respond to this future vision, the Sumitomo Electric Group is developing and proposing charging systems, systems for effective use of batteries and energy management systems that link vehicles and energy infrastructure. These initiatives are not only countermeasures against global warming, but are also linked to strengthening our resilience.

Initiatives to realize safe, secure, and comfortable mobility and transportation

In the future, as automated driving becomes a reality, we will be able to make better use of our travel time. Mobility that offers new experiences is also emerging. ^{Illustration 3} This will make it easier and more comfortable than ever for people who are not comfortable driving, people with physical disabilities, and the elderly to get around. ^{Illustration 4} Autonomous driving is expected to reduce traffic accidents and congestion, but safety must also be realized at the same time. The Sumitomo Electric Group recognizes these changes and will continue to conceptualize new products that will realize safe, secure, and comfortable mobility and transportation without accidents or traffic jams. ^{Illustration 5} The Sumitomo Electric Group's strength lies in its ability to apply the knowledge it has cultivated in the field of communications towards the field of mobility. Currently, we are tackling the development of next-generation traffic systems and vehicle routing and scheduling systems for Mobility as a Service (MaaS). We are also working on the development of vehicle-to-vehicle and road-to-vehicle communications,

including security, for autonomous driving, the development of high-speed communication networks in vehicles, and are engaged in the R&D of parts and materials for higher frequency wireless communications. Social infrastructure such as roads and bridges on which cars travel is also important. In addition to extending the lifespan of social infrastructures, we are also working to promote the use of optical fiber-embedded prestressing steel for monitoring the soundness of infrastructures against disasters such as earthquakes, heavy rains, and flooding.

Challenge to create social value in the field of mobility

While automobiles as objects have been used to transport people and goods to their destinations, in the future the role of mobility will be to provide society and people with optimal services and a high quality of life. Moreover, mobility will become an integral part of the social infrastructure and become an asset for cities. While we envision these changes progressing step by step, the Sumitomo Electric Group, which began with electric wires and has since diversified, will continue to contribute to the realization of a future society. We possess a wealth of products, technologies, and knowledge. While sharing our vision with customers in a wide range of fields beyond the automotive industry, we will continue to create social value and contribute to the realization of a greater quality of life for people by providing products and services that are needed by society.

*1 CAS-EV: A term for electric vehicles that correspond to the "CAS" of CASE (#2), which has recently been described as a "once-in-a-century revolution" in the automotive industry.
*2 CASE: A term for the trends in the automotive industry; an acronym for Connected, Autonomous, Shared and Electric.

Sumitomo Electric's Vision for 2030 Energy



Examples of contributions to future life

1 Contribution to widespread adoption of renewable energy such as offshores wind



- Submarine cables
- Redox flow batteries
- Power receiving and transforming equipment
- Construction Technology

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



- Submarine cables
- Overhead conductors
- Redox flow batteries
- Energy management technology
- Power receiving and transforming equipment
- Construction Technology

3 Contribution to eco-friendly mobility



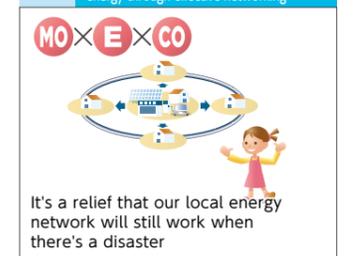
- EV charging cables
- Tab leads for automotive lithium-ion batteries
- Rectangular magnet wires for electric vehicle motors

4 Contribution to energy conservation in households



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

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



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

Examples of unique products and services

- DC ultrahigh-voltage cables with high insulation performance
- We are able to offer total solutions, including not only wires and cables, but also a wide range of products such as storage batteries and systems, as well as our comprehensive capabilities to handle the construction of power facilities.

Our History - Contributing to the development of energy infrastructure in Japan and overseas -

- 1908 Started production of power cables
- 1911 Installed the first Japanese-made high-voltage underground electric cables (Fushimi to Kyoto City).
- 2015 Installed one of the world's largest storage batteries (at the time), redox flow batteries (Hokkaido)
- 2019 Completed construction of 400kV HVDC submarine cable system (UK to Belgium)
- 2020 Completed construction of "Wind Farm Tsugaru," the largest wind power plant in Japan

Contributed to the popularization of renewable energy and the development of energy infrastructure

In recent years, in the energy sector, governments have been moving toward carbon neutrality. Domestic investment

in renewable energies, such as wind power generation, is expanding and accelerating due to the rapid shift to carbon neutrality, and demand for the Group's submarine cables, underground cables, and power receiving and transforming equipment is also increasing.^{Illustration 1} In addition, the existing power infrastructure is experiencing transmission capacity constraints, and following the example of Europe, plans for a long-distance direct current submarine power grid have been incorporated into the interim grid master plan of the Organization for Cross-Regional Coordination of Transmission Operators in order to deliver renewable energy to demand areas. We will also maximize the group synergy with Nissin Electric and Sumitomo Densetsu and contribute to carbon neutrality.

Overseas, as many European countries are shifting to renewable energy sources, demand for high-voltage cables to integrate electricity among the countries is on the rise. There are various demands for Overhead conductors in countries and regions where electric power infrastructure is in the early stages of development, and submarine cables connecting islands in ASEAN countries.^{Illustration 2} With the Company's sincere and honest response to anticipate needs and develop products that suit our customers, and with our world-class technological capabilities, we will contribute to the development of social infrastructure through the spread of renewable energy and the construction of local infrastructure.

On the other hand, in order to further promote the utilization of renewable energy, we must use large-scale storage batteries to mitigate the consequences caused by fluctuations in the output of power generation. We have high expectations for the use of our redox flow batteries,

which are characterized by their fire safety, long life and high capacity. It is also important to maintain and manage the power transmission and distribution network while securing the stability of the power system. The Group is also pursuing initiatives to increase the allowable current of existing power lines by constructing sensor networks on existing power lines, thereby allowing more renewable energy to flow through them. We hope to increase the number of situations in which we can make use of the strengths of the Sumitomo Electric Group, which is able to propose total solutions, such as the wide range of products we can offer, including not only wires and cables but also storage batteries and systems, and our comprehensive ability to handle construction work for power facilities.

A Future Better Life Supported by the Group

By broadening our perspective from the field of energy, the barriers between mobility and communications will become lower in the future. For example, as "green electricity," which is made from 100% renewable energy sources, becomes more prevalent, systems that allow people and companies that use electric vehicles with low CO₂ emissions to receive benefits will also become more popular, and the number of electric vehicles with "zero CO₂ emissions" will increase.^{Illustration 3} Then, as the number of storage batteries installed in electric vehicles increases, the infrastructure needed to recharge them will also become necessary, and a framework will be created to adjust to changes in the balance of electricity supply and demand.

Also, self-consumption using a combination of solar power and storage batteries will also become common in factories and homes.^{Illustration 4} If energy resources such as the storage batteries installed in electric vehicles and the solar power generation and storage batteries distributed throughout cities can be connected through IoT and community energy management systems, it will be possible to share energy resources within the community with the city even if the energy supply network is disrupted by a natural disaster, thereby increasing resilience against disasters.^{Illustration 5}

The Group will continue to propose solutions that integrate a comprehensive range of technologies and products in order to provide society with value in terms of consideration for the global environment, enhanced disaster countermeasures, and greater comfort for energy users. Taking a long-term perspective, hydrogen is also anticipated to be used as an energy source for carbon-free, and the Group is actively pursuing R&D for practical use in this field through open innovation. We are committed to supporting society through the construction of energy infrastructure and will continue to contribute to the realization of a better life for people.

* HEMS (Home Energy Management Systems): An in-house energy management system. A system that enables the buying and selling of solar energy, the management of devices, and the visualization of power consumption.

Sumitomo Electric's Vision for 2030 Communications



Examples of contributions to future life

1 Contribution to new virtual experiences that feel more real



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

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

2 Contribution to new services with cloud-connected robots



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

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

3 Contribution to satellite communications



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

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

4 Contribution to reduction of CO₂ emissions

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

- Optical communications products for infocommunications networks

Our History - Starting with the popularization of the telephone and contributing to the development of the information society -

- 1911 Established Sumitomo Electric Wire and Cable Works (now Sumitomo Electric Industries, Ltd.) and supplied communication cables
- 1964 Pioneered new research fields in preparation for the coming information society (later budding new businesses such as traffic control systems business, semiconductors business and flexible printed circuits business)
- 1970- Promoted R&D of optical fiber and established production technology that would later become Japan's representative manufacturing method
- 1980s: Focused on "Optopia," the ideal of a prosperous society running on optical communication technology
- With an eye on the social issues that lie ahead of our customers, we have become a company that supports the success and achievement of our customers' objectives, acting as what is known as an "enabler company" to support the telecommunications revolution.

Now

- We support the digitization of society and the economy through the realization of high-capacity, high-speed telecommunications with our optical fiber manufacturing technology, ultrahigh-fiber-count optical cable production technology, transmission devices, compound semiconductors for optical and wireless applications, and visual- and optical-access equipment technology.
- Many mobile terminals and displays are also equipped

with our high-performance wiring, such as flexible printed circuits and electric wire products.

A more convenient and comfortable life for people supported by the development of infocommunications technologies

Social changes that have taken place in recent years include the popularization of IoT, streaming of videos and an increase in cloud services. This has seen online data traffic increase by more than 20%, an enormous leap that has only been amplified by COVID-19 restrictions. In addition, the new XR technology*, a new video service that achieves much greater realism, is being adopted with the arrival of 5G wireless communication, which enables high-speed, high-capacity data transmission with low latency. ^{Illustration 1} We can expect to see further popularization ^{Illustration 2} of support robots and advances in satellite and wireless communication technology to connect areas that do not currently have an internet network. ^{Illustration 3} As cities become smarter, data will be used to radically improve energy efficiency. Information technology in the field of mobility, such as connected cars, is also evolving, and the volume of in-car communication will increase. With the emergence of these various new services, data traffic will increase in speed and the technology for processing that data will also develop.

The key infrastructures that support these are communication networks and data centers. Data traffic will increase in speed and volume in communications networks, and software will be adopted to enable flexible control of data traffic. An increasing number of hyper scale data

centers will be built to collect and store large volume of information and process it efficiently. And edge computing will be used to enable low latency in communication services, decentralization of data centers and processing of data at a closer proximity to the user. Actually, the demand for hyper scale data centers, edge data centers, optical submarine cable systems, and 5G mobile is increasing. The emergence of new services and advances in infocommunications technologies will lead to a future society where people's lives will become more convenient and comfortable, and potential for growth.

Controlling power consumption associated with increased data volume to reduce CO₂ emissions

On the other hand, movements toward carbon neutrality in various countries are on the rise. In the field of communications, too, we must not merely build facilities in proportion to the increase in data volume, but also work to optimize energy consumption through the adoption of new device technologies that are economical and consume less power, and through more efficient system operations. We must also promote the use of renewable energy for the increasing number of edge data centers in urban areas.

As a total package of diversified products in our possession, the Company will offer customers solutions that can reduce power consumption even in the era of high-speed, high-capacity communications and lead to reduced CO₂ emissions. In our R&D activities, we have been engaged in to date, we have been promoting not only higher speed

and higher capacity, but also lower power consumption, and we are going to bring into full bloom our strengths in earth-friendly products such as next-generation optical fibers and their connection technologies, high-capacity interconnection technologies for data centers, and devices for optical communications. ^{Illustration 4}

A Future Better Life Supported by the Group

In the future, the desire to more accurately convey and share information, feelings, and emotions from person to person beyond the limitations of physical space is likely to grow stronger. We will also develop technologies to expand the activities of the people with disabilities and the elderly by enabling them to share a sense of presence even when they are physically apart. There will also be a demand for innovation in communications itself, so that we can convey the information we want to convey accurately and without any excess or deficiency. In response to these changes, the Company is expected to utilize its various technologies. Pursuing and offering infrastructure products and devices demanded by society while cooperating with customers is one of our strengths, and it is an issue we will continue to address. As an "enabler company", the Group will continue to contribute to the realization of a better life for people.

* XR (XR or Cross Reality) technology is a generic term for various image processing technologies that integrate the real and virtual worlds, such as VR (Virtual Reality), AR (Augmented Reality), MR (Mixed Reality), and SR (Substitutional Reality).

Initiatives to address issues related to the global environment

The Sumitomo Electric Group has positioned issues related to global warming and climate change, such as “the increasing seriousness of global warming,” “the depletion of natural resources,” and “the frequent occurrence and extensive damage from disasters,” as one of its most important management issues. Currently, the Group is intensifying our efforts to achieve carbon neutrality by 2050, with the aim of “reducing greenhouse gas emissions to the level required by the Paris Agreement*¹ by 2030.” In addition, the Sustainability Promotion Committee, which was newly established in January this year and is under the direct control of the president, has made the “environment” one of its key themes, and will continue to further promote initiatives to address issues related to the global environment.

Sustainability Promotion System*²



Initiatives to reduce greenhouse gas emissions

In order to achieve our goal of reducing CO₂ and other greenhouse gases, from the perspective of minimizing our impact on the global environment, we have divided our activities into three categories: “energy saving” by improving productivity and introducing new technologies, “energy creation” by creating green energy through solar power generation and other means, and “energy purchase” by procuring electricity from renewable sources. We will develop activities with specific targets in each of the three categories.

First, with regard to “energy conservation,” we will implement measures that make the most of our technological capabilities, such as the effective use of thermal energy, through the combined efforts of our manufacturing, research, and production engineering departments.

Next, with regard to “energy creation” and “energy purchase,” we will specifically examine concepts for achieving net-zero emissions at our manufacturing sites by combining in-house power generation, such as solar power, in conjunction with the purchase of green electricity. In addition, by combining our Company’s redox flow batteries,

Setting greenhouse gas reduction targets

The Group has positioned issues related to the global environment as one of our most important management issues, and has been working to solve these issues by reducing the impact on the environment through the promotion of the “Action ECO-22V” Campaign*⁴ by offering eco-friendly products and services, based on the “Environmental Policy”*³.

As part of this effort, we have set our greenhouse gas reduction targets for 2030 and 2050, and published them in May 2021. Going forward, we will continue to promote initiatives aimed at achieving our goals.

Setting greenhouse gas reduction targets*⁵

	Overview
2030 Target	By 2030, we aim to achieve our greenhouse gas reduction targets at the level required by the Paris Climate Agreement. [Target values] ·Scope1+2(direct emissions of greenhouse gases by our Company itself and indirect emissions from the use of electricity, heat and steam supplied by other companies): To reduce by 30% by FY2030 from FY2018 levels. ·Scope3(indirect emissions other than Scope1 and Scope2): To reduce by 15% by FY2030, based on FY2018 levels.
2050 Target	We are aiming to achieve carbon neutrality (virtually zero CO ₂ emissions) by 2050.

*¹ Paris Climate Agreement: Aims to limit the rise in global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C
*² Under the Sustainability Promotion Committee, we have established the CSR Promotion Committee, which is in charge of promoting company-wide CSR activities and issuing the CSR Report, and the Integrated Reporting Council, which is in charge of refining up the value creation process, identifying the social issues that the Group focuses on, and issuing the Integrated Report.
*³ Our Group’s “Environmental Policy” URL: <https://sumitomoelectric.com/sustainability/csr/environment/management>
*⁴ “Action ECO-22V” Campaign: We are promoting activities to reduce the environmental impact with the aim of realizing a recycling-oriented society in a five-year plan starting in fiscal 2018. URL: <https://sumitomoelectric.com/sustainability/csr/environment/management>

*²



*³



we will also consider ways to make contributions to local communities by supplying power to surrounding areas in times of disaster.

As for other environmental initiatives, we will continue to promote initiatives such as “the promotion of resource conservation and recycling,” “the reduction of substances that impose a burden on the environment,” and “the preservation of biodiversity” in order to give back to the earth and society. Furthermore, similar to our water treatment business, where we use Poreflon microfiltration membrane modules to treat sewage, we will promote initiatives to pass on the benefits of the earth’s limited resources to future generations through our Company’s technologies and products.

Through these types of initiatives, we aim to realize an “eco-friendly society,” a “safe and secure society,” and a “comfortable and growth-oriented society” in the three fields of Mobility, Energy, and Communications, as described in our current mid-term management plan, VISION 2022.

Acquisition of “SBTi” Initiative Verification for Greenhouse Gas Reduction Targets and Endorsement of TCFD Recommendation

Regarding our greenhouse gas emission reduction target for 2030, it has been accredited by the “SBTi (Science

Based Targets initiative)*⁶,” an international initiative, as it meets the required level.

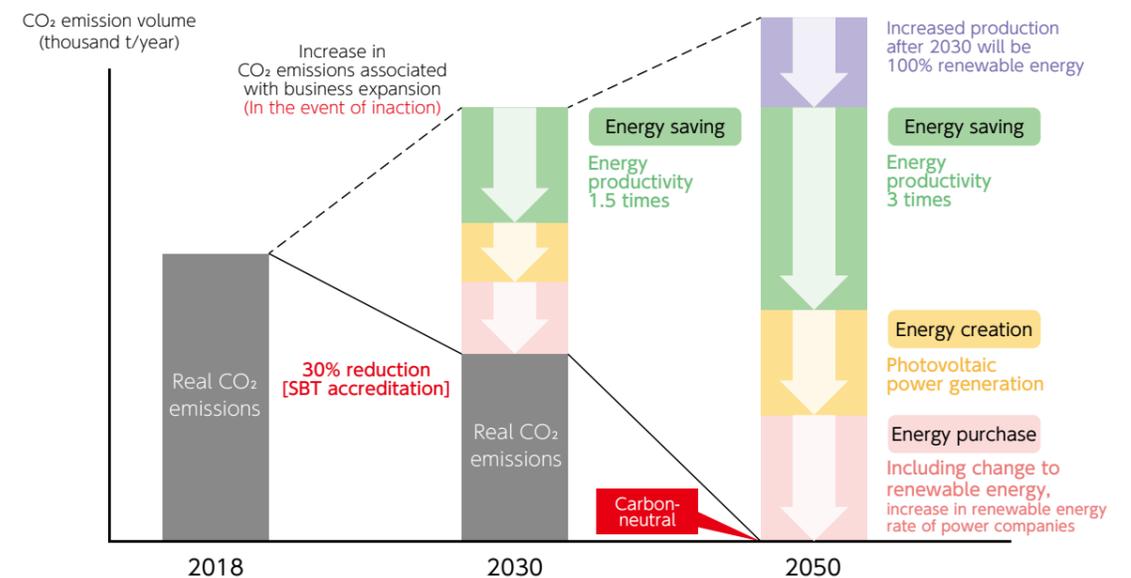


In order to further contribute to the creation of a sustainable and eco-friendly society, we also expressed our support for the purpose of the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)*⁷” in May 2021, which analyzes the risks and opportunities posed by climate change to business and recommends the disclosure of such information.

Using the acquisition of the SBTi initiative Verification and the endorsement of the purpose of the TCFD recommendations as an opportunity, the Group will continue to promote efforts to solve global environmental issues such as global warming and climate change, including measures to achieve carbon neutrality by 2050, and will disclose information on climate change.



Reduction of greenhouse gases (CO₂) generated by our own production (Scope 1, 2)



*⁵ The Group’s greenhouse gas reduction targeted companies include unlisted Group companies as well as the following companies, Sumitomo Riko Co., Ltd., Nissin Electric Co., Ltd. (both include group companies)
*⁶ SBTi (Science Based Targets initiative): A joint initiative jointly administered by four organizations: CDP (an international NGO that was formerly the Carbon Disclosure Project), UNGC (United Nations Global Compact), WRI (World Resources Institute), and WWF (World Wide Fund for Nature). It grants “scientifically backed target” certification to any greenhouse gas reduction target that complies with the Paris Climate Agreement (which aims to limit global temperature rise to well below 2°C above pre-industrial levels and 1.5°C above pre-industrial levels).
*⁷ TCFD: A task force established by the Financial Stability Board (FSB) at the request of the G20 (Leaders’ Meeting on Finance and the Global Economy), (Task Force on Climate-related Financial Disclosures). It views climate change as both a “risk” and an “opportunity,” and calls on government agencies, financial institutions, and corporations to support its proposal to disclose the impact of rising temperatures caused by greenhouse gases on corporate finances.

Foundations that Support Growth

- Manufacturing Base
- Social Contribution Activities
- Human Resources and Organization Base
- The Promotion of Global Diversity & Inclusion
- Financial Base

Manufacturing Base

Source of sustainable growth, evolution and deepening of SEQCDD

As a manufacturing company, the Group considers the evolution and deepening of S (Safety), E (Environment), Q (Quality), C (Cost), D (Delivery), and D (R&D) to be the core of our business activities. As a source of sustainable corporate growth, while ensuring that each and every employee is fully aware of this, we are developing various measures in the areas of safety and health, environment, quality, production technology, and R&D.

Aim to be "the world's top safety company"

Promotion of safe working conditions

Sumitomo Electric has given top managerial priority to securing the health and safety of its employees as the core of its business growth, and aims to become the world's top safety company by promoting the creation of a culture where "Safety Comes First." We are striving to eliminate all hazards and harmful factors, and to engage in ongoing safety and health activities with the participation of all employees.

In order to achieve this goal, we have established Safety Philosophy, Safety Principles, and Occupational Health and Safety Policy and incorporate the suggestions of our employees from the frontline perspective into the company's policies, and each fiscal year, we define the contents of our priority initiatives and items to be implemented.

For details on our Safety Philosophy, Principles of Safety Activities, and Occupational Safety & Health Guidelines, please refer to our website: <https://sumitomelectric.com/sustainability/csr/sociality/safety>

Toward the realization of a carbon-free and resource-saving society

Efforts to protect the global environment

The Group has established an environmental policy under the Corporate Environment Committee and is promoting the "Action ECO-22V" campaign as a mid-term target.

Reduction of greenhouse gas emissions

As part of its efforts to prevent global warming, the Group has shifted from a target of no increase in greenhouse gas emissions in FY2020 compared to FY2017 to a target of a 5% reduction in FY2022. Each production group is actively promoting energy conservation as a core component of its environmental activities, and a company-wide secretariat has been set up to promote energy conservation throughout the Group in cooperation with a specialist committee appointed for each division.

In addition to the above activities, our greenhouse gas emissions for fiscal 2020 decreased both domestically and overseas compared to fiscal 2017 due to the lower CO₂ emission factor for electricity this fiscal year, as well as the impact of the production decrease due to COVID-19 in the second half of the year, resulting in an overall reduction of 18.0%.

For details on the reduction targets for 2030 and 2050, please refer to "Initiatives Related to Global Environmental Issues" on page 47.

Eco-friendly products

In order to reduce the environmental impact of its business activities as well as to expand the offering of eco-friendly products, the Group has implemented a process from product evaluation to the calculation of the total amount of social contribution*1. By classifying products into stages such as eco mind products, eco-products, and anti-global warming products, we give feedback to new product development. Through this system, we strive to promote the development of eco-friendly products and their popularity in the market. Furthermore, among our eco-products, those that contribute to the reduction of CO₂ emissions during manufacturing and mainly during use by customers are registered as "anti-global warming products" and their reduction effects are calculated.

Eco-products sales ratio and contribution to CO₂ reduction



Calculation method

Eco-product sales ratio: Shipment value of products certified as eco-products*2 / Total shipment value*2

*1 Social contribution amount: Assumed amount of emissions to society.
 *2 Shipment value: Shipment value of domestic manufacturing sector. Excluding the Electric Conductor Division, whose main purpose is to supply intermediate goods to the Group.
 *3 Zero emission rate (%) = Simple incineration volume + landfill volume / industrial waste volume + general waste volume + valuable resources volume x 100

Responding to a resource-saving society

The entire Group is working as one to reduce the amount of industrial waste generated at our business sites. In addition to promoting the conversion of waste into valuable materials by sorting and searching for new applications, we are also working to reduce the number of rejected products at production sites as a fundamental part of manufacturing, reviewing the processes that generate defective products, and focusing on internal reutilization and reduction of waste that has been generated. In the "Action ECO-22V" campaign, we are working to achieve a 1% reduction in basic unit per year with FY2017 as the base year, and in FY2020 we are aiming to achieve a 19.9% reduction relative to FY2017.

We also take an active role in the promotion of recycling, and we promote the recycling of industrial waste whenever possible in order to effectively use resources to address social problems such as securing waste disposal sites and illegal dumping. Also, the entire Group is striving to reduce our zero emission rate*3. We also promote waste management overseas. Although the status of final disposal sites differs between Japan and overseas, the Group does not merely landfill its industrial waste at its overseas bases. Through activities such as recycling and converting to valuable resources as much as possible by sorting, we sustain proper waste management.

Global quality standards

Initiatives to Improve Quality and Reliability

Basic concepts and development of the QR-1 Campaign

The Sumitomo Electric Group aims to provide safe, reliable and high-quality products to customers in a stable manner as a fundamental principle based on customer-oriented and quality-oriented policy. In order to continue to achieve this vision, we are strengthening our manufacturing capabilities, which are the base of our business, and systematizing our daily operation scheme, while steadily implementing and further improving the scheme.

Also, from 2002, we launched our QR-1 Campaign, with the slogan "Number one manufacturer in Quality and Reliability." Through this campaign, we have made continuous efforts to enhance the awareness of quality among all employees through the three activities of "Own Process Quality Assurance Activities," "Quality Management Education," and "Global Quality Management System Audits."

As part of the efforts to systematize the daily operation scheme, the Sumitomo Electric Group Quality Management Global Standards were established as a common framework

Manufacturing Base

to be applied to divisions throughout the Group in 2013. Each of our divisions makes continuous efforts to develop and strengthen its own quality assurance systems based on the standards so that customers can trust our products. In addition, we have established a company-wide cross-sectional committee on quality in 2020 and began activities to strengthen the coordination and governance of the quality assurance departments of each division. We will continue to develop the QR-1 Campaign on a Group-wide basis.

For details on "Own Process Quality Assurance Activities*4," "Quality Management Education," and "Global Quality Management System Audits," please refer to our website: <https://sumitomoelectric.com/sustainability/csr/sociality/quality>



Logo mark of the QR-1 movement
QR: Quality and Reliability

Quality Compliance

For the sustainable development of the Company, it is absolutely fundamental to comply with laws, regulations, and rules, and to provide products that reliably satisfy the quality requirements of our customers. The Group is promoting measures to ensure rigorous quality compliance, including clarification of rules and expansion of education on quality irregularity prevention, and strengthening of our quality improper check function.

We have formulated the rules for the prevention of quality irregularities by using external examples of quality irregularities as a reference and incorporated them into the Sumitomo Electric Group Quality Management Global Standards, which are the Group's basic rules related to quality, to clarify the rules and make them known to all employees. In terms of education, we implement annual compliance training for domestic managerial staff and Quality Management Education for employees at all levels, including education on quality irregularity prevention. As a function to check for quality irregularities, we are enhancing inspections related to the prevention of quality falsification

in the Global Quality Management System Audits, which is a survey of actual conditions in each production group.

Also, there is a system in place for all divisions of the Group to conduct an annual "Self-evaluation of their main operations." We have established a checklist for "quality falsification prevention," and every year we make sure to verify that there are no quality falsification, that rules for quality falsification prevention have been established within each department, and that quality compliance training has been implemented.

Policy for CSR Procurement

The Group aims to contribute to the creation of a better society and environment through its business activities. For this reason, we ask our business partners, who directly or indirectly provide us with products and services, to work together with us on activities that contribute to social responsibility. As part of this, we are promoting initiatives for CSR in our procurement activities. In August 2010, we established the "Sumitomo Electric Group CSR Procurement Guidelines" based on the "Sumitomo Electric Group Corporate Principles" and the "Charter of Corporate Behavior," and in order to promote them more securely, we have incorporated the necessary items into our Basic Transaction Agreement. In fiscal 2020, these guidelines will be revised to address the issue of responsible mineral sourcing, and our business partners will be asked to comply. In order to promote CSR procurement, in addition to informing our business partners of these guidelines, we will also conduct surveys using the CSR Procurement Self-Evaluation Sheet to check the status of entrenchment, and promote improvement activities in cooperation with our business partners.

For details on the Sumitomo Electric Group CSR Procurement Guidelines, please refer to our website: <https://sumitomoelectric.com/sustainability/csr/sociality/procurement>

R&D for future generations

Further strengthening of our core technologies and responding to society through innovation

To respond to the new social and environmental needs represented by the SDGs, the R & D Group will take on the challenge of various transformations, including major changes in automobiles, the proliferation of renewable energy, and the use of big data. While aiming to grow

our businesses in the areas of "Mobility," "Energy," and "Communications," as well as the products and services that support them, we will contribute to the realization of a better society by leveraging the diversity of our businesses and technologies to create innovation. We will accelerate the development of new products and businesses by combining the core technologies we have cultivated over the years with advanced IoT, AI, computational science, analytical technology, and security. Furthermore, with an eye on the society of the future, we will challenge the development of innovative technologies that are expected to bring about major social changes, such as carbon wires, hydrogen energy, and innovative materials.

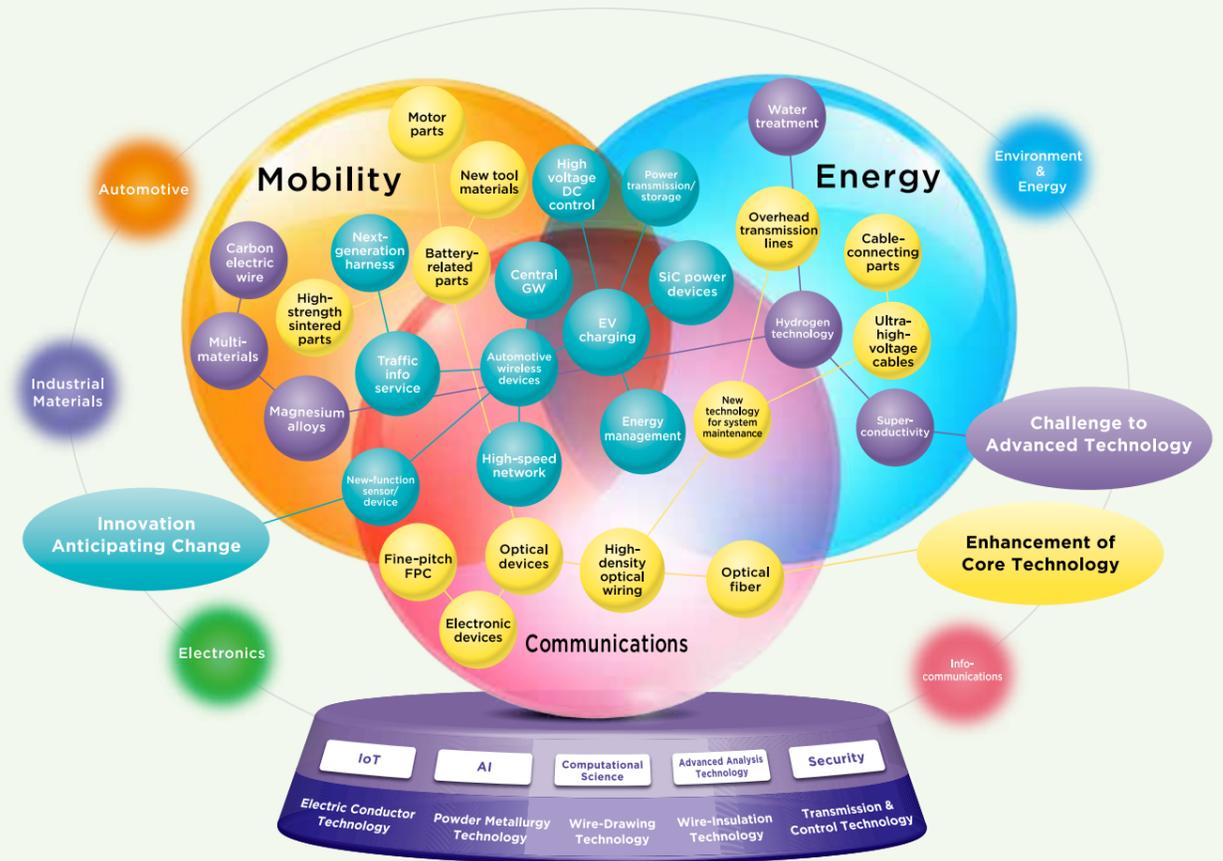
For details of our research and development system, as well as our development system and related technologies

in each field please refer to our website: <https://sumitomoelectric.com/rd>

R&D expenses to support sustainable growth

Based on the principle that R&D is the engine of sustainable corporate development, we have focused on R&D activities without cutting R&D expenses, even when faced with a difficult business environment. Our R&D activities for fiscal year 2021 will be of high quality, focusing on priority areas such as proposal-based R&D activities with an eye on next-generation automobiles and product development related to next-generation infocommunications technologies. In terms of expenses, the Company plans to maximize efficiency to 120 billion yen.

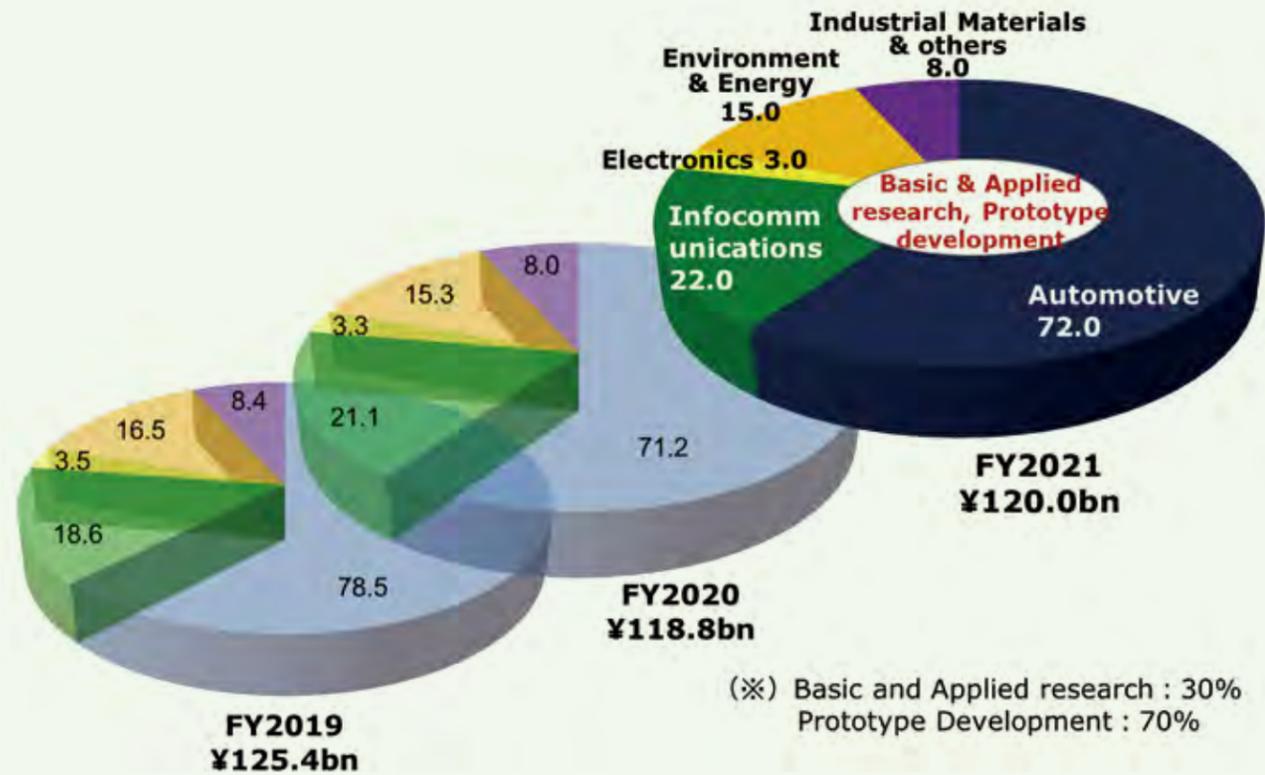
R&D themes for future generations



*4 Own Process Quality Assurance Activities: The "Own Process Quality Assurance Activities," which have been implemented since 2010 as part of the QR-1 Campaign, are a comprehensive approach to promoting "the prevention of defects in each process (occurrence prevention)" and "the prevention of defects from being passed on to subsequent processes (outflow prevention)" in manufacturing.

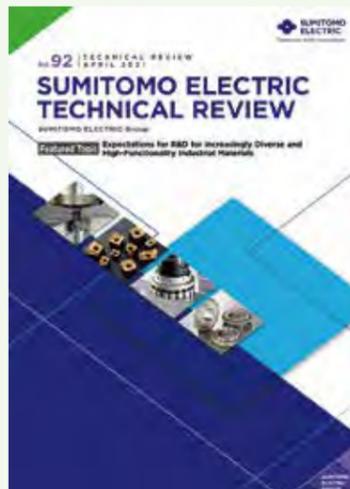
Manufacturing Base

R&D Expenses by Segment



A journal of technical papers "SEI Technical Review"

The Group first published a technical journal in 1933 to explain the content of its technologies. Currently, it is published twice a year as "SEI Technical Review." Back issues of this magazine, including those from 2008 onward, are available on our website, so please take a look. <https://sumitomoelectric.com/technical-reviews/>



Protection of intellectual property rights for products and technologies

We are committed to protecting the intellectual property rights of the products and technologies we have developed over the years. The number of patents held is 10,520 in Japan and 11,916 outside Japan (as of the end of FY2020).

Number of patents retained over time



Social Contribution Activities

Social contribution activities of the Sumitomo Electric Group

As part of the Group's social contribution, in addition to providing products, technologies, and services that are useful to society through our business, we have been engaged in a variety of activities, including CSR, as a member of society. In 2007, we established the "Sumitomo Electric Group Basic Policies on Social Contributions" and are continuously engaged in our own independent social contribution activities.

Today, the Group is engaged in a wide range of social contribution activities through donations to a wide variety of fields, including schools and education, culture and the arts, and industry and academic promotion, as well as community contribution activities at its global business bases and support for various sports activities.

Basic Policies website: <https://sumitomoelectric.com/sustainability/csr/sociality/contribution>



Sumitomo Electric Industries, Ltd.
Athletics Club Coach
Yasuyuki Watanabe
(Photo center)

Social contribution through sports activities

Our Athletics Club strives to help the Sumitomo Electric Group a trusted and beloved presence in the community through athletics classes for local elementary and junior high school students and kindergarten children, and the "Sumitomo Electric Athletics Festa" event open to the community.

By "connecting" with people in the local community, we hope to deepen their understanding of our Group as a B2B business, and also contribute to raising awareness of CSR within the Company.

In addition, the role of manager is not only to provide guidance but also to manage the organization, which is similar to the management of a company.

The Athletics Club currently has 25 members, and I am guiding each one of them, believing that it is important not only to contribute to society as a member of the club, but also to grow as a person based on the spirit of the Sumitomo Electric Group's Banji-nissei.

Sumitomo Electric will continue to take the initiative in organizing and participating in events such as athletics classes and do our best to build a win-win relationship between the local community, our company, and the Group's Athletics Club.

SEI Group CSR Foundation

The SEI Group CSR Foundation, one of our donation recipients, is a public interest incorporated foundation with the purpose developing human resources and promoting academic activities.

The foundation is engaged in activities to light up a corner of the world to create a better society and environment by donating to university courses, providing academic and research grants, and scholarships to university students regardless of nationality who are studying in Japan or abroad.

Foundation website: <https://www.sei-group-csr.or.jp/e/index.html>



Mr. Kraiwut Muangnoicharoen
Sumipol Corporation Limited
Engineering Service Department

It is my dream to study in Japan.

I graduated from the Logistics and Supply Chain Management Course, Faculty of Business Administration, Thai-Nichi Institute of Technology in May 2021. I am currently employed in the Engineering Services Department, part of the IoT Systems Development team at Sumipol Corporation Limited.

I have a dream of studying in Japan in various technology-related fields. In order to further my education and career in the future, I want to study professional knowledge and learn Japanese as my third language of communication.

When I was a junior in college, my parents faced financial problems. So I saw a notice about a scholarship from the Support Services Organization and applied for it. And then, I was able to obtain a "S.E.I. Scholarship." This scholarship helps students who have outstanding learning abilities but are unable to receive financial support or who are experiencing problems. After that, I was able to experience so many things. When I was in my fourth year, I participated in the selection of student representatives for the Royal Awards and had the opportunity to represent Thai-Nichi Institute of Technology in a national stage contest. Additionally, I participated in a cooperative internship in the Engineering Services Department of Sumipol Corporation Limited, where I am currently employed. I researched IoT system design for walk-behind cylinder assembly line productivity and inventory control. The study was published in the TNI Academic Conference (TNIAC) 2021.

Based on my experiences thus far, I would like to express my gratitude to Thai-Nichi Institute of Technology, my teachers, friends, and all those who helped me and gave me opportunities. I would also like to thank Sumitomo Electric Industries, Ltd. and S.E.I. Thai Holding Co., Ltd. for providing support scholarships to me and other students. I hope to be able to pursue further studies in Japan someday.

Human Resources and Organization Base

Entrenching the “Sumitomo Spirit” and developing global human resources

Based on one of the tenets of the Sumitomo Spirit, “Respect for Human Resources,” the Sumitomo Electric Group strives to develop global human resources who can drive sustainable growth. In addition, through the promotion of diversity and inclusion, we are concentrating on building a foundation for winning in global competition, and in accordance with the “Sumitomo Electric Group Policy on Human Rights,” we are engaging in business operations based on respect for human rights.

Developing global human resources

The ideal human resources that the Group seeks and entrenching the “Sumitomo Spirit”

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

In particular, the Sumitomo Spirit is positioned as the basis for employees to perform their duties. We give them opportunities to learn about it in the training programs for new employees and various positionbased training programs. In addition, we always explain the relations of the Sumitomo Spirit to compliance and human rights in the relevant training programs. Furthermore, the president

asks all employees to perform their duties in accordance with the Sumitomo Spirit via a video once in six months and the video is also translated into multiple languages and distributed to group companies in Japan and overseas. For the employees to be assigned overseas, a training program to ensure that they can convey the Sumitomo Spirit in their own words in their new workplaces is organized before the transfer. We are also cultivating internal lecturers to enable the Sumitomo Spirit to be learned periodically in Group companies in Japan and abroad.

“SEI University,” a comprehensive training system

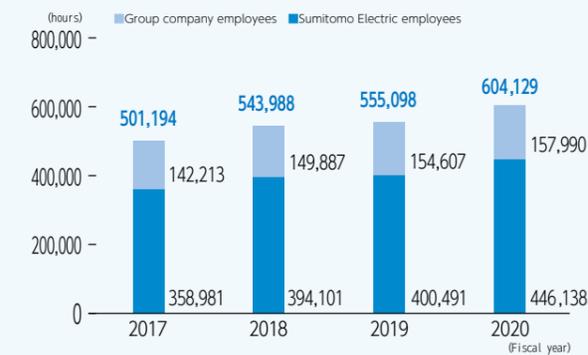
“SEI University” is the collective name for the training system of the Group. We implement various training programs in a wide range of areas to achieve the company’s goal of becoming a “Glorious Excellent Company.” Some trainings are carried out as Off-JT, while others are carried out as hands-on training in the actual workplace.

Fundamental Principles of SEI University SEI University will serve as a venue for:

- ① Disseminating the Sumitomo Electric Group’s corporate philosophy,
- ② Sharing the Sumitomo Electric Group’s management strategies and vision, and
- ③ Developing employees’ abilities, skills and knowledge so that they may play active roles in the global community.



Trends in training results common to the Sumitomo Electric Group



At “SEI University,” the following five basic subjects are mandatory training for all employees and are incorporated into each training program.

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

With the five subjects listed above as a foundation, we provide more than 300 training programs (commonly developed across the Group) in the three areas of “human skills,” “problem-solving skills,” and “technical skills,” including position-based compulsory programs for all group employees ranging from executives to new employees. Our Group companies and divisions also organize their original training programs (specialized knowledge) in the field of technical skills to have the trainees acquire the unique knowledge and skills especially required in the respective workplaces.

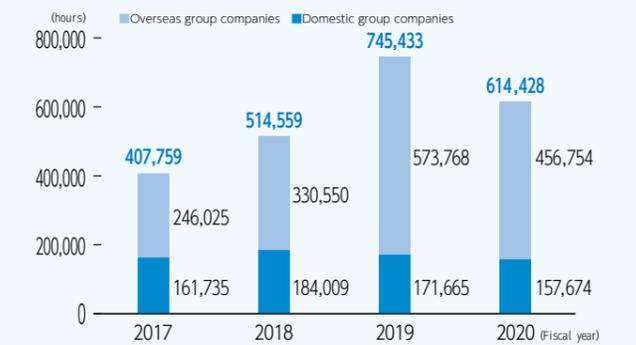
Enhancement of manufacturing capabilities and developing human resources

Based on the basic idea that “manufacturing is human resource development,” at SEI University they are engaged in developing human resources in the fields of safety, environment, quality, and production technology in order to evolve and deepen “SEQCDD,” which is the foundation of a manufacturing company. For details on “manufacturing is human resource development,” please refer to our website: <https://sumitomelectric.com/sustainability/csr/sociality/hr>

Group Global Expansion

To promote employee development across the Sumitomo Electric Group, we provide employees of our group companies in Japan with opportunities to attend training sessions organized by Sumitomo Electric, including training

Trends in training results specific to each Group company



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

On the other hand, for overseas group companies, in order to promote human resource development that meets local needs, in addition to periodically discussing the planning and operation of various training programs (mainly for ordinary employees) at the human resource managers’ meetings held by managers of each country, we also hold the “Global Human Resource Development Meeting” once a year in Japan, inviting the human resource development managers of each company throughout the world to discuss a common global development system.

In addition, the following training programs are provided for all managers in Japan and overseas.

Diversity and Inclusion

Aiming for diverse human resource activities

The Group employs more than 280,000 people in approximately 40 countries around the world. As the business environment has become increasingly complex and the future increasingly difficult to predict in particular,

* SEQCDD stands for the Sumitomo Electric Group’s policy of considering and implementing the following elements: S (Safety), E (Environment), Q (Quality), C (Cost), D (Delivery), and D (Development).

Human Resources and Organization Base

we believe that in order for the Group to continue to grow and develop, it is important to recruit and develop a diverse and talented workforce from around the world, regardless of nationality or gender, and to promote placement and promotion beyond the individual company, as well as to provide a variety of career opportunities.

Based on its basic policy on human resources, the "Sumitomo Electric Group Global Human Resource Management Policy," the Group is working to accelerate the recruitment and appointment of global human resources by creating an environment where employees can experience growth and realize personal fulfillment through their work, providing career opportunities without regard to race, ethnicity, nationality, religion, age, gender, gender identity, sexual orientation, or disability, promoting diversity and inclusion, and developing global leaders.

Target: Executive Executive training program

The program picks up members mainly from department heads, who repeatedly review and make proposals to management in teams in "Action learning". Also the program nurtures management executives through an understanding of the Sumitomo Spirit and the acquisition of managerial knowledge. The training is held once a year and each time about 50 people attend. A total of 751 individuals have taken the training so far, both in Japan and overseas.

Target: General Manager Global Leadership Development Program (GLP)

Human resources that can show leadership on a global scale are cultivated through discourses of executives, leadership workshops and understanding of the Sumitomo Spirit.

It has been held twice a year until 2015, and once a year since 2016, and approximately 30 individuals attend each session.

A total of 530 individuals have participated the program so far, both in Japan and overseas.

Target: Manager SEG Management Program based on the Sumitomo Spirit (MPSS)

This program aims to diffuse the Sumitomo Spirit and improve skills to manage subordinates.

The program is held in six cities around the world: Germany, the U.S., Singapore, China (Shanghai and Shenzhen), and Mexico, with approximately 150 people per year taking the same program in each location. A total of 962 individuals have participated the program so far.

Trends in Group Global Personnel Breakdown



Establishment of Diversity & Inclusion Department (June 2020)

The promotion of diversity and inclusion is one of the key issues in the Company's management strategy. Also, it is essential to achieve diversity and inclusion not only by increasing diversity, but also by recognizing and taking advantage of the diversity of employees, so that each and every one of them can be motivated to work toward the same goal and demonstrate their comprehensive capabilities. The Company defines "inclusion" as a mixture of "diverse perspectives", "trusting relationships", and "demonstrating ability" to achieve more than the simple sum of the individuals. Through inclusion, we aspire to create better ways to solve problems and generate better creativity and ideas more than sum of employees' abilities.

We have now taken a variety of measures here in Japan to promote diversity and improve our working conditions, including building a framework to support employees balancing work with life situations such as raising children or caring for family members, changing the work styles, introducing and then expanding our work-from-home arrangements, supporting non-Japanese employees and hiring more employees with disabilities. In order to further accelerate and deepen our diversity and inclusion measures, in June 2020 we detached the organization from the Human Resources Department and established the Diversity & Inclusion Department as an organization reporting directly to the President. The Diversity & Inclusion Department will implement a variety of measures, including strengthening organizational capability and fostering a culture of human resource development, with the promotion of women's activities as the first step, in order to promote the creation of an organization where employees with diverse attributes can feel fulfilled in their work and maximize their abilities.

Global Grade System, Group Global Executive Personnel System One key measure to achieve the objectives

As one of the measures to achieve the Global Human Resource Management Policy, it is important for capable and qualified human resources to assume responsibility for the management of domestic and overseas group companies, and to aim for broad career advancement

beyond their individual companies to assume even greater responsibilities. For this purpose, we have initiated the "Global Grade System" as our Personnel System

Executives of overseas subsidiaries, excluding subsidiaries of listed companies, or their equivalents are positioned as "GL" grade, and executives equivalent to this grade are certified as "SEG Global Executives." Currently, 42 people, most of whom are management executives of overseas group companies, have been recognized, and through the provision of various career opportunities, we are supporting their activities as global leaders.

Promotion of Women's Activities

In order to integrate more diverse opinions and values into the management of the Group in the future, producing directors and executives from a diverse pool of human resources, including women, on an ongoing basis is an important issue. It is necessary for employees who are candidates to gain experience in overcoming sometimes difficult situations and achieving results through various tasks. For this reason, in the future, we will strengthen our efforts to support the development and advancement of a diverse range of human resources, build a system that allows employees with life event and other restrictions to have opportunities to grow through their work and become even more active, and develop systems to further promote and support the activities of each and every employee using the various networks that support these efforts. In 2016, we also launched SWING (Sumitomo Electric Group Women's Innovative Networking Group) to support women's activities in the Sumitomo Electric Group, including our listed subsidiaries. Through providing mutual study and networking opportunities for female employees of the Group, this initiative aims to nurture and develop the skills of female employees. As a result of these initiatives, in FY2020, following on from FY2016 and FY2018, we were selected as one of the companies of the "Nadeshiko Brand" initiative, which lists companies that excel in promoting the advancement of women. We will continue to actively promote the advancement of women as part of our efforts to utilize diverse human resources.

Respect for human rights and creation of a lively workplace

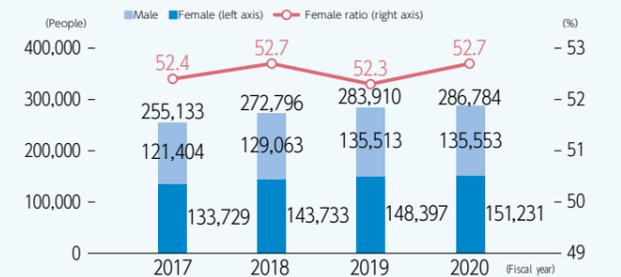
Initiatives to respect human rights

The Sumitomo Electric Group has been promoting efforts to respect human rights based on its unchanging basic policy of conducting fair business activities under high corporate ethics based on the "Sumitomo Spirit," which is the basic spirit of the Group, and the "Sumitomo Electric



President and members of the Diversity & Inclusion Department (masks were removed for the photograph)

Number of employees by gender and ratio of female employees in the Group Global*1.



Number and ratio of women in management positions (manager level and above)



Graph of number and percentage of women at assistant manager level



*1 Sumitomo Electric and its consolidated subsidiaries

Human Resources and Organization Base

Group Corporate Principles.” In addition, the “Sumitomo Electric Group Charter of Corporate Behavior” and the “Sumitomo Electric Group Code of Conduct,” which embody our philosophy, stipulate respect for human rights and prohibition of discrimination and harassment.

The “Sumitomo Electric Group Policy on Human Rights” (hereafter, “the Policy”), established in March 2019, clearly states that we will promote initiatives to respect human rights in accordance with international standards in response to the needs of our various stakeholders.

In order to firmly promote measures in accordance with the Policy, while we will continue to educate our employees and conduct periodic surveys of our stakeholders, including domestic and overseas affiliates and business partners, we will also create specific operational guidelines as necessary.

As the Sumitomo Electric Group continues to evolve together with global society, we recognize that all of our business activities must be based on the premise of respect for human rights, and we will fulfill our responsibilities by promoting initiatives to respect human rights throughout the Group. For details of the Sumitomo Electric Group Policy on Human Rights, please refer to our website: https://sumitomoelectric.com/sites/default/files/2020-12/download_documents/human_rights.pdf

Realizing diverse work styles and supporting work-life balance

To support its employees in balancing work and life, Sumitomo Electric is committed to promoting a work style that makes a clear distinction between work and life by adjusting working hours and improving productivity. For example, the Company attained the goals set under its five action plans, which were formulated on the basis of the Law for Measures to Support the Development of the Next Generation.

From FY2018, we expanded the scope of our teleworking system to allow employees to use it for reasons other than childcare and nursing care, and introduced a paid leave system that allows employees to take paid leave on an hourly basis, so that they can work in a more flexible manner. Also, we provide opportunities to provide information on nursing care through training and internal newsletters, and encourage employees to prepare for balancing work and life, thereby helping them to balance work and life in the future.



Sumitomo Electric Group Health Management Declaration

In order to realize Sumitomo Electric Group's sustainable

development and growth, it is essential that every employee is fit and healthy. In 2015, we announced the “Sumitomo Electric Group Declaration of Health Management,” and since 2017 we have been working on the prevention of metabolic syndrome among employees, improvement of exercise habits and mental health measures in our “Kenkatsu!” health maintenance and improvement activities.

Selected as a “Nadeshiko Brand” in FY2020

In March 2021, the Company was selected as a “Nadeshiko Brand” by the Ministry of Economy, Trade and Industry in collaboration with the Tokyo Stock Exchange. The Nadeshiko Brand aims to promote investment in companies and accelerate the implementation of their activities by introducing listed companies that excel in the promotion of women's activities as attractive issues for investors who focus on improving corporate value over the medium to long term. This is the third time our company has been selected for this award, after being selected in FY2016 and FY2018.



“Eruboshi” Certification

In August 2016, on the basis of the Act on Promotion of Women's Participation and Advancement in the Workplace, we acquired the third highest level of certification under the “Eruboshi (‘L Star’: L stands for Lady, Labour and Laudable)” certification, by the Ministry of Health, Labour and Welfare of Japan. Women have active participation!



“Sports Yell Company” Certification

Continuing from the last time, in January 2021, we were certified as a “Sports Yell Company” by the Japan Sports Agency.



The Promotion of Global Diversity and Inclusion

We are promoting Area Committee activities to realize our Global Human Resource Management Policy, which includes the promotion of diversity and inclusion and the development of global leaders, and to achieve our VISION 2022 through the creation of group synergies.

<Overview>

While the Sumitomo Electric Group's more than 300 overseas affiliates in 40 countries pursue individual business activities, we promote the activities of Area Committees to discuss global management issues at the regional and country levels, transcending individual company frameworks and business boundaries to work as a unified group. These activities were launched in North America in 2011, and since 2014 have been expanded and promoted in four regions: the Americas, Europe, Southeast Asia/Australia, and Greater China.

<Activity content>

In each region, we have established Areas Committees for each theme, such as human resources, manufacturing, branding, IT, and Group joint purchasing, and appointed specialists from each Group company in the region as committee members. We are working on the horizontal development of best practices and the introduction of various global measures, as well as discussions on common issues after sharing the issues of each company. Today, more than 500 diverse members participate in 36 committees around the world, and these committees also function as a place to deepen mutual exchange of human resources. Also, in order to ensure that our activities in Europe, Southeast Asia, and Australia are in line with the laws, regulations, customs, and culture of each country in the region, we have established country-specific committees to promote our activities.

<Human Resource Development>

The Area Committee activities also provide valuable growth opportunities for human resources from Group companies to gain experience beyond the boundaries of their individual companies, and under the leadership of SEG Global Executives*, we are working to develop the next generation of global leaders.

<Communications between the Company's executives and executives of overseas group companies>

With the aim of integrating the proposals generated by the Area Committees into the management of the Sumitomo Electric Group, the SEG Global Executives periodically report their proposals and activities to Sumitomo Electric executives. Traditionally, the Group Global Executive Japan Invitation Conference was held annually at the Head Office (Osaka), and the Overseas Managers Conference was held annually in each of the four regions (the Americas, Europe, Southeast Asia/Australia, and Greater China) to bring together the top management of Sumitomo Electric and its overseas affiliates. However, in fiscal 2020, when it became difficult to travel overseas due to COVID-19, as an alternative to these meetings, we conducted online meetings twice a year where, after reporting on the activities of each region, a variety of opinions were exchanged, with the participation of SEG Global Executives and the executives of Sumitomo Electric. We will continue to accelerate the diversity management of the Sumitomo Electric Group and the promotion of cooperation among Group companies by further activation of the Area Committee activities.



2016, 2017 SEG Global Executives Japan Conference

Foundations for Growth

Financial Base

Support growth by strengthening profitability and improving capital efficiency

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

Financial target / shareholder return policy

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

Mid-Term Management Plan

	FY2022 Target
Net Sales	3,600 billion
Operating Income	230 billion
Operating Margin Ratio	6.40%
ROIC	9% or more
ROE	8% or more

The Sumitomo Electric Group strives to achieve sustainable growth with profitability and improve capital efficiency based on a strong financial structure. The Company pays dividends to shareholders based on a comprehensive assessment of consolidated business performance, dividend payout ratio, level of internal reserves, and other factors, with the basic policy of maintaining stable dividends.

Capital-to-asset ratio

FY2016	FY2017	FY2018	FY2019	FY2020
48.7%	51.3%	50.8%	49.0%	48.2%

Dividend payout ratio

FY2016	FY2017	FY2018	FY2019	FY2020
29.1%	29.8%	31.7%	42.9%	44.3%

Business Results for FY2020

The business environment was harsh in FY2020. In the first half of the year in particular, due to a decrease in automobile production by the impact of COVID-19 and delays in telecommunications and electric power-related construction, as well as lower optical fiber prices. In this environment, consolidated net sales for the current fiscal year were 2,918.6 billion yen, a decrease year on year. In terms of profits, although the Company took extensive cost-cutting measures such as reducing non-urgent expenses

and curtailing capital investments, it was unable to fully absorb the impact of the decline in sales, and as a result, operating income, ordinary income, and net income attributable to shareholders of the parent company were 113.9 billion yen, 114.1 billion yen, and 56.3 billion yen lower than the previous year, respectively. For the second half of the fiscal year, net sales were 1,679.3 billion yen, each numbers shown above were 125.3, 138.1, and 98.2 billion yen, respectively. In addition to demand from the automotive sector staying at a high level due to the sharp recovery in automobile production, and the effects of company-wide cost reduction measures, sales and profits increased year on year, and both sales and profits reached record high for the second half of fiscal year.

Outlook for FY2021

In terms of FY2021, the business environment surrounding the Company is projected to remain unpredictable due to the spread of variants of the new coronavirus, uncertainty over the supply of semiconductors, surging material prices, and a shortage of shipping containers, etc. At the same time, we expect our business opportunities to continue to grow, as the automobile production recovers, CASE progresses, and the investment related to the data centers and the renewable energy increases. Given this situation, the Group will strive to increase the level of SEQCDD, which is the basis of the manufacturing industry, and will make company-wide efforts to achieve record-high sales and operating income in FY2021 by steadily capturing the increasing demand in the future.

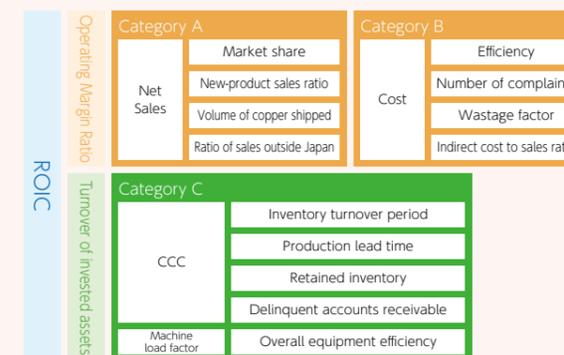
Efforts to improve capital efficiency

Implementation of activities to improve ROIC

We are implementing activities to improve ROIC throughout the company as part of our initiatives to improve capital efficiency. Each division sets ROIC targets and uses an ROIC tree as a tool in its activities to improve ROIC. Activities are divided into three categories—expansion of sales (Category A), cost reduction (Category B) and improvement of asset efficiency (Category C)—and each division sets KPIs (Key Performance Indicators) for its businesses. Divisions report on initiatives they have taken to improve ROIC and KPIs they have set in their ROIC tree

during management conferences. They then monitor the degree to which the KPIs have been accomplished and discuss solutions to issues at department meetings such as monthly results meetings. By using the ROIC tree to link ROIC with KPIs operated at the field level, we are able to widely disseminate the understanding of the effects and significance of our initiatives to employees and more effectively implement the PDCA cycle.

Example of ROIC tree at Sumitomo Electric



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

ROIC Debate at a Town Meeting

The Company communicates our efforts to improve ROIC to a wide range of employees by publishing them in our company newsletter. In addition, at the town meetings for factory chiefs and deputies held at each manufacturing plant, ROIC study groups are held, and active discussions are held to improve ROIC, including the introduction of case studies on reducing manufacturing lead times and exchanging opinions on reducing waste that leads to inventory reduction.

Initiatives to improve the efficiency of fund operations

To improve our capital efficiency, we have built a cash management system (CMS*), which facilitates effective

use of capital within the group to keep outside interest-bearing debt down.

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

Capital investment management

In order to make appropriate decisions on capital investment and to identify and share issues, we have implemented the following management cycle based on the PDCA cycle.



1. Capital budget management

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

2. Discussions and decisions about capital investment

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

3. Execution

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

4. Tracing of outcome of plant investment

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

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

Corporate Governance

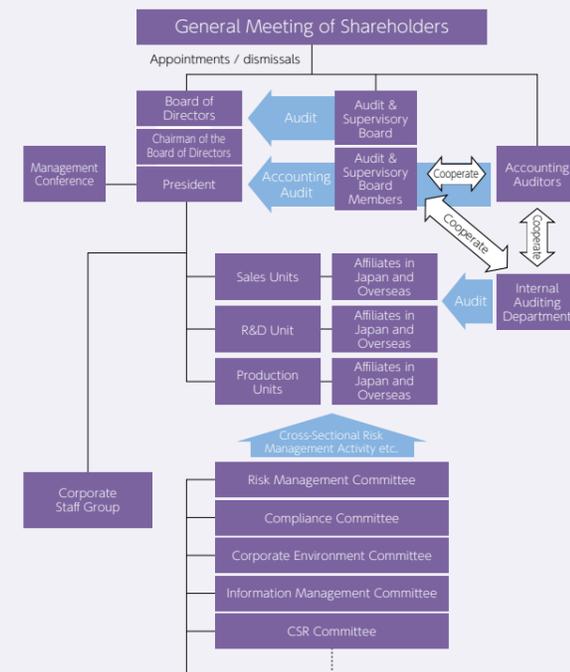
- Corporate Governance
- Risk management
- Compliance
- Officers
- Messages from Outside Directors

Corporate Governance

Our Basic Approach

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

Sumitomo Electric Group's Corporate Governance Structure



Outline of the Structure

Sumitomo Electric has employed the system with the audit & supervisory board. The Board of Directors, the business execution system, audit & supervisory board members and the Audit & Supervisory Board are committed to fulfillment of their respective duties in order to achieve sustainable growth and medium- and long-term increases in the corporate value based on the basic philosophy.

In addition, five outside directors are appointed to adopt an external perspective with the aims of further strengthening the supervising functions of the Board of Directors and enhancing the transparency and objectiveness of the business management. We also select three outside audit & supervisory board members with various specialized knowledge and multifaceted views so that outside audit & supervisory board members occupy the majority of the Audit & Supervisory Board, which aims to reinforce the monitoring system for the purpose of ensuring lawful and proper management

Board of Directors and Business Execution Structure

Functions and Operations of the Board of Directors

In order for the Board of Directors to properly fulfill its function of determining basic matters related to the direction of the Company and its monitoring function, the Board of Directors limits deliberations on individual matters such as investments to those of high importance and focuses on deliberations and tracing of the mid-term management plan and annual plans based on the plan. Also, in order to further ensure the effectiveness of the supervisory function of the Board of Directors, the Compensation Advisory Committee, which is composed, in the majority, of Outside Directors and chaired by an independent Outside Director has been established and operates as an advisory body to the Board of Directors.

Structure of the Board of Directors

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

Analysis and evaluation of the effectiveness of the Board of Directors

In addition to analyzing and evaluating the effectiveness of the Board of Directors on an annual basis, periodically evaluates the effectiveness of the Board of Directors, and links this to various measures for improvement. The analysis and evaluation results for fiscal 2020 are as follows.

Analysis and evaluation method	A questionnaire was given to all directors and auditors, including outside officers, and based on the results, the Board of Directors discussed the results.
Analysis and evaluation Results	<p>(1) Overall Continuous improvements are being made in terms of operation, composition, and roles, and effectiveness is being properly ensured.</p> <p>(2) Operations of the Board of Directors As a result of the review of the Board of Directors' meeting agenda criteria and operational rules conducted in February 2021, the number of agenda items related to individual business execution was reduced and the environment was improved for the discussion of highly important themes. With respect to outside officers, in addition to the existing support measures such as the provision of various types of information, the Company is taking appropriate measures to ensure that outside officers exercise their functions, such as exchanging opinions on medium to long-term management issues between outside directors and the executive officers.</p> <p>(3) Composition of the Board of Directors, etc. We confirmed that the composition of the Board of Directors is appropriate from the perspective of overall balance in terms of number of members, knowledge and experience, etc., including the system of business execution directors for a company such as ours, which operates a wide range of businesses, and that multifaceted and active discussions are taking place thanks to the increase in the number of outside directors.</p> <p>(4) Role of the Board of Directors We confirmed that the Board of Directors of the Company is properly fulfilling its role of "deliberating and deciding on basic management policies, and other important issues of the Company" and "monitoring the execution of duties by each Director" through active discussions in the deliberations on decisions on important matters, quarterly performance reports, and reports on the status of the internal control system.</p>
Future initiatives	<p>(1) Appropriate operation of the new Board of Directors meeting agenda standards and operational rules, and expansion of the support system in consideration of the increase in the number of outside directors.</p> <p>(2) Further expansion of opportunities to deliberate on particularly important issues, such as the establishment of a long-term vision and mid-term management plan.</p>

Audit and Supervisory System

As to the audit & supervisory board members and the Audit & Supervisory Board, as mentioned above, the majority of the audit & supervisory board members are independent outside audit & supervisory board members with various specialized knowledge and multifaceted views. These members of the board, along with full-time audit & supervisory board members and dedicated staff to audit & supervisory board members, are in charge of monitoring in cooperation with the Internal Auditing Department and accounting auditors to ensure lawful and proper corporate management.

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

Corporate Governance

Ensuring Appropriateness of Financial Reporting

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

Support Structure for Outside Directors and Corporate Auditors

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

Policy for nomination of officers

Policy and procedure to nominate candidates for Director and Corporate Auditor

Candidates to be nominated as an inside director will be individuals who have and have carried out the Sumitomo Spirit—which values doing your sincere best in not only business but also every aspect of your life, place importance on integrity and sound management and not acting rashly or carelessly in pursuit of easy gains. These will be individuals who have extensive experience and excellent performance records in connection with our businesses; who have sound, objective judgment concerning management in light of the changing environment surrounding us and future changes; and who have superior character, foresight and insight.

Candidates to be nominated as an outside director will be individuals with experience in company management, experts of respective fields or academic experts who would be suitable for supervising our management from the viewpoint of encouraging sustainable growth and striving to increase corporate value over the mid-to-long-term.

Candidates to be nominated as a corporate auditor will

be individuals with experience in company management and specialist knowledge of law, finance and/or accounting.

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

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

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

Training for Directors and Corporate Auditors

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

Executive Officer Nomination and Remuneration

the Nominating Advisory Committee and the Compensation Advisory Committee

With the aim of ensuring transparency and fairness in the nomination of candidates for directors and corporate auditors and in the determination of directors' remuneration, we have established the Nominating Advisory Committee and the Compensation Advisory Committee for Senior Management, Directors, etc., which is chaired by an independent outside director and has a majority of independent outside directors. The Nominating Advisory Committee deliberates on the proposed candidates for the Company's directors and corporate auditors, and the establishment, revision and abolition of important company rules and regulations related to these candidates, and the Compensation Advisory Committee deliberates the proposed remuneration system for directors and executive officers, the proposed amount of remuneration for each individual, and the establishment, revision and abolition of important company rules and regulations related to these candidates. The content of the resolutions made by both committees is reported to the Board of Directors. In addition, the executive officer in charge of

human resources attends the deliberations of the committee as the secretariat, takes minutes and provides operational support, and, when necessary, may have an assistant attend.

Policy for Determining Remuneration, etc. and similar matters

For determining Directors' remuneration, etc., based on the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, we will maintain a firm stance on our universal basic policy of contributing to society through fair business activities and have designed a remuneration structure whereby we provide incentives for Directors making the Company Group grow sustainably and improving our corporate value in the mid- and long-term.

(1) Composition of Remuneration for Directors
Remuneration for Directors is composed of monthly remuneration and bonus.

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

(3) Policy for Determining Bonuses and Content of Performance Indices
The Directors' bonuses shall be performance-based bonuses, and their total amount is subject to the annual shareholders' meeting resolution and determined comprehensively considering the Company's performance in each fiscal year, particularly items such as dividend levels, in addition to net sales, operating income, ROIC, and the profit for the year, which are taken seriously by the Company in its management strategy, after ensuring the objectivity of the standards of remuneration by utilizing third party analysis of officers' remuneration covering corporations similar to the Company in areas such as the business contents and scale. The allocation for each Director is set at a standard that provides incentives for each Director and in consideration of a mid-

and long-term perspective and taking into account the Director's post, degree of responsibility, achievement of the main goals in the department or division for which they are responsible (items such as net sales, each profit index, and ROIC), their contribution to the Company's performance each fiscal year, and qualitative factors such as qualifications necessary to achieve them. The Company does not pay bonuses to Outside Directors from the viewpoint of ensuring independence.

(4) Policy for Determining Ratio of Monthly Remuneration and Bonuses
The ratio of monthly remuneration and bonuses is not established, and changes due to performance goals, individual evaluation, etc. as set forth in paragraph c. above. Furthermore, the payment ratio of monthly remuneration and bonuses is approximately 1:0.24-0.5 in the results for past few years.

(5) Procedure for Determining Remuneration
Regarding the procedure for determining monthly remuneration and bonuses, important matters such as the policy for their determination, the establishment and revision or abolition of related internal rules, etc., and the specific amounts of individual monthly remuneration and bonuses based on performance evaluations are discussed at the Compensation Advisory Committee from an objective perspective. The Board of Directors will discuss and determine the policy for their determination thereof, and establishment and revision or abolition of related internal rules based on the report from the Compensation Advisory Committee, and will determine the agenda items for the total amounts of bonuses and monthly remuneration for each fiscal year to be proposed in the shareholders' meeting if it reconsiders the cap on their total amounts. The specific amounts of individual monthly remuneration and bonuses and the timing and method of payment thereof are determined by the President, as delegated by the Board of Directors, based on the content reported by the Compensation Advisory Committee. 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.

(6) Holding of Company's Shares
In order to further raise motivation and morale to improve the Company's performance and promote management that takes shareholder value seriously, the Company has set a certain target level and encourages Inside Directors to hold Company's shares through the officer shareholding association, and Inside Directors continue to hold the Company's shares during their term of office.

Date held	the Nominating Advisory Committee / the Compensation Advisory Committee
Oct. 5, 2020	Review of the status of other companies' governance systems and executive structures, etc. / Research on governance laws and regulations, and confirm regulations on executive compensation, etc.
Dec. 7, 2020	Review of executive structure, research on revision of Corporate Governance Code, etc. / Organize ideas on executive compensation system, research on revision of Companies Act, etc.
Feb. 3, 2021	Deliberate on the new executive structure, deliberate on the response to the revision of the Corporate Governance Code, etc. / Confirm the policy on determining individual remuneration for directors, deliberate on the details of disclosure of director remuneration, confirm the policy and stance on director bonuses, etc.
Apr. 5, 2021	Deliberate on the new executive structure, deliberate on the handling of the expiration of the term of office of outside corporate auditors, deliberate on the handling of retired executives, deliberate on the composition of the Company's Board of Directors, etc. / Review the total amount of bonuses to be paid to executives, confirm the policy for assessing bonuses to executives, deliberate on the details of disclosure of executive remuneration, etc.
Jun. 1, 2021	Deliberate on the new executive structure, deliberate on the composition of the Company's Board of Directors, etc. / Confirm the Company's approach to assessing bonuses for directors and corporate auditors, and deliberate on the amount of bonuses and monthly remuneration for directors and corporate auditors by individuals.

Risk management

Our Basic Approach

The Sumitomo Electric Group identifies, analyzes, and assesses risks as factors that may hinder or adversely affect the execution of business activities and the achievement of management goals and strategies, and endeavors to mitigate or minimize these risks through reasonable costs and activities.

For Group-wide risks common to each division and affiliated company, each corporate staff group and a Company-wide committee formed by the director in charge identify, analyze, and assess the risks according to their duties their duties, and then implement mitigation measures.

With regard to the inherent risks associated with the execution of business and operations by each business unit, and R&D group, the relevant divisions implement mitigation measures after identifying, analyzing, and assessing the risks.

Basic Policy of Risk Management

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

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

Risk Management System

The Group's Risk Management Committee, which oversees all risk management activities, meets in conjunction with the Management Conference. The Risk Management Steering Committee, which is responsible for administrating the practical operations under the Risk Management Committee, formulates risk management policies, establishes a task force in the event of a crisis, collects information, and plans and implements risk management education. The Compliance & Risk Management Office is in charge of the secretariat for these committees.

Risk Management Activities

The Group's risk management activities are based on an annual risk inventory undertaken by each division and affiliate. We are striving to improve the risk management level of the entire Group by firmly implementing the risk management cycle, such as by promoting the planning and implementation of countermeasures for highly important risks and those for which countermeasures are insufficient.

The Group's risks are categorized as shown in the table on next page, and efforts are made to mitigate the risks.

Broad category	Medium Category	Minor Category
External Factors Risk	Non-financial risks	<ul style="list-style-type: none"> • Disaster risks, social crime risks • Politics, country risks, etc.
	Financial risks	<ul style="list-style-type: none"> • Credit risks • Market risks such as interest rate, currency, and material prices • Liquidity risks, etc.
Internal Factors Risk	Strategy risks	<ul style="list-style-type: none"> • Competitive strategy risks, etc.
	Operational risks	<ul style="list-style-type: none"> • Product quality and safety risks • Workplace accidents, equipment accidents and safety risks • Environmental risks • Compliance risks • Regulatory violation risks • Labor, Human Rights, and Personal Information Risks • Reliability of financial information and asset protection risks • Information and communication system risks • Intellectual property risks • Reputational risks, etc.

Business Continuity Initiatives

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

We are promoting Business Continuity Management (BCM) domestically and internationally to continuously upgrade our Business Continuity Plan (BCP) to ensure the continuation of important operations and rapid recovery even in the event of a large-scale natural disaster such as an earthquake. In addition to conducting periodic reviews of the BCP on an annual basis, we also verify the effectiveness of our Emergency Response Plan and conduct an inventory of supply chain risks.

In addition to this, with the aim of further enhancing the effectiveness of the BCP, we hold annual BCP training sessions for risk managers in order to reinforce our business continuity capabilities.

Business continuity in the event of an infectious disease outbreak

In addition to formulating the "Guidelines for Action Plans to Address New Influenza" in 2008, the Group has been building a crisis management system in Japan by formulating BCPs for countermeasures against infectious diseases for each division and affiliate.

With the outbreak of the COVID-19 pandemic this time, we are continuing our operations while taking thorough measures to prevent the spread of infection, including the active use of telecommuting and other remote work, and in our manufacturing division, we are continuing our operations with the highest priority on ensuring the health and safety of our employees by taking the utmost care to avoid the so-called "3Cs" (closed spaces, crowded places, close-contact settings) in our operations.

Based on the knowledge we obtained from this new coronavirus infection, we will further enhance the effectiveness of our BCP for infectious disease countermeasures and promote the creation of BCPs at our overseas subsidiaries to further strengthen our business continuity capabilities.

Strengthening of information security measures

As a cornerstone of our global expansion, we have organized ICT management committees in five countries (China, Thailand, Indonesia, Malaysia, and the U.S.) to strengthen our information security measures, and in this eighth year, we are actually seeing results in reducing the risk of computer virus infection and implementing information security education.

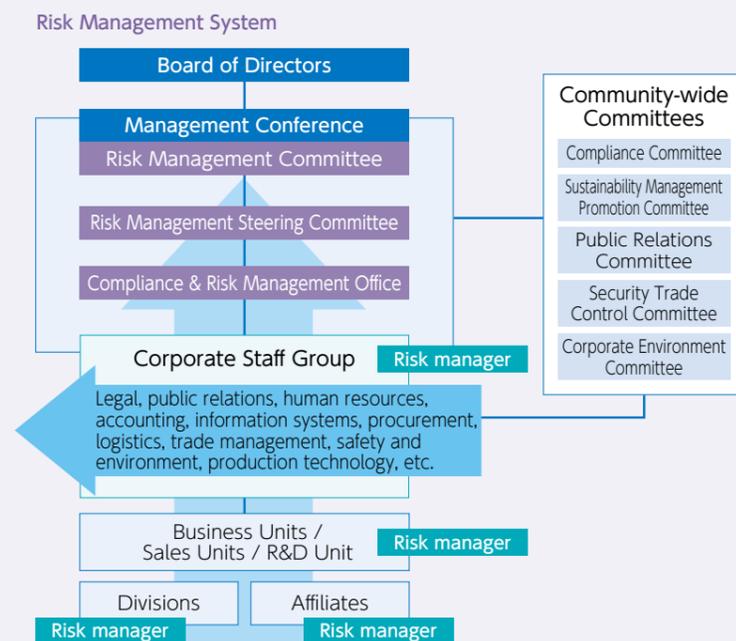
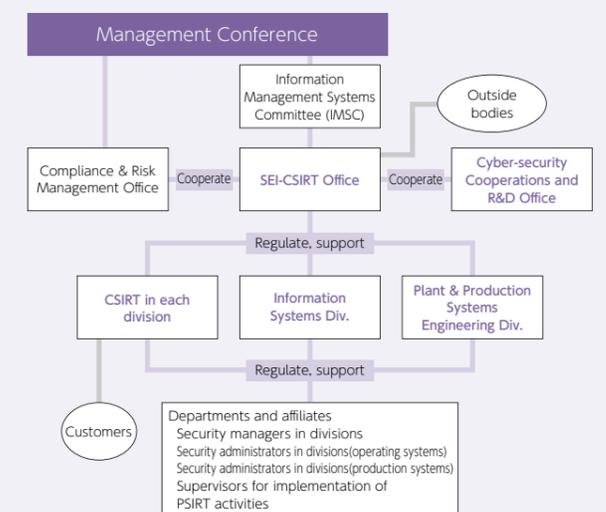
As measures to prevent information leaks of important management assets such as trade secrets, in addition to conventional anti-virus software and intrusion prevention systems (IPS), we have developed AI-type anti-malware software that can fight against unknown malware, and have built a system to detect fraud based on log information of various servers and network devices, and are operating the system for all group companies.

In addition, these days, the use of Internet-based services called "cloud services" has become a new risk of information leakage at the cost of convenience, so we have established a system to evaluate the introduction of such services in advance and are operating it for all Group companies.

In terms of the system, a communication and response system based on the SEI-CSIRT (Computer Security Incident Response Team) Office has been established in order to promptly identify and respond to information security incidents within the Group.

Annual information security training is implemented, and the degree of retention is checked. Targeted e-mail training is implemented once a year, and it has produced results in improving daily attention to incoming e-mails.

Organizational structure of SEI-CSIRT (System diagram)



Compliance

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

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

Organization That Supports Compliance and Its Structure

Compliance Committee

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

Compliance & Risk Management Office

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

every month to share relevant information and monitor the progress of compliance activities.

Sales Units and Automotive Business Unit respectively have an internal organization dedicated to compliance (Sales Compliance Office and Automotive Compliance Office).

Compliance Steering Committee

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

Compliance Activities

Code of Conduct

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

Compliance Education

To check compliance risks, ensure implementation of preventive measures



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

Speak-Up System

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

Priority Matters

Compliance with Competition Laws

The Sumitomo Electric Group prioritizes global competition law compliance as the most important compliance activity and has taken measures to eliminate, and prevent a recurrence of, cartel and collusion, including suspicious acts within the Group. These measures include the formulation of the Rules for Compliance

with Competition Laws in June 2010, which contain a provision that restricts contact with competitors only in the cases with legitimate business reasons, and mandatory compliance training (including online training) organized for sales staff and other employees around the world.

Prevention of Bribery

The Sumitomo Electric Group introduced an antibribery program in April 2013 to enhance its antibribery compliance system and has developed it on a global scale. In response to the recent tightening of anti-bribery regulations on domestic and foreign public officials in the US, Europe and emerging markets, this program has established anti-bribery rules, including prohibition against bribery, prior approval and ex-post report on gifts, hospitality and donations, and requested each division to appoint a bribery prevention manager to implement the rules.

Five years have passed since the anti-bribery program started. Based on environmental changes during that period, we revised it in January 2018 to focus on high risk in giving inappropriate hospitality. We have also distributed a bribery prevention manual to the bribery prevention managers of Group companies, who are in charge of operation of the program, and provided them with detailed training. We will keep working to maintain and enhance the global bribery prevention system through continuous education, improvement of the program and its manual as well as collection and dissemination of relevant information.

Corporate Governance

Officers (as of June 30, 2021)

Directors

**Masayoshi Matsumoto**

Chairman & CEO

Representative Director

1967 Joined Sumitomo Electric
2017 Appointed as Chairman & CEO**Osamu Inoue**

President

Representative Director

1975 Joined Sumitomo Electric
2017 Appointed as President & COO**Mitsuo Nishida**

Executive Vice President

Representative Director

1972 Joined Sumitomo Electric
2014 Appointed as Executive Vice President
General Manager of Automotive Business Unit**Hiroshi Sato**

Outside Director

Independent Officer

2016 Appointed as Outside Director

**Michihiro Tsuchiya**

Outside Director

Independent Officer

2018 Appointed as Outside Director

**Christina L. Ahmadjian**

Outside Director

Independent Officer

2018 Appointed as Outside Director

**Yoshitomo Kasui**

Senior Managing Director

Representative Director

1983 Joined Sumitomo Electric
2018 Appointed as Senior Managing Director

Corporate Staff Group (Compliance & Risk Management, Administration, Tokyo Administration, Secretary, Human Resources, Human Resources Development, Internal Auditing)

**Akira Nishimura**

Senior Managing Director

Representative Director

1984 Joined Sumitomo Electric
2019 Appointed as Senior Managing DirectorGeneral Manager of Research and Development Unit
Electronics Group (Flexible Printed Circuits Division)**Hideo Hato**

Senior Managing Director

Representative Director

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

Outside Director

Independent Officer

2013 Appointed as Outside Audit & Supervisory Board Member
2021 Appointed as Outside Director**Atsushi Horiba**

Outside Director

Independent Officer

2021 Appointed as Outside Director

Audit & Supervisory Board Members

**Satoru Ogura**

Audit & Supervisory Board Member (Standing Member)

1982 Joined Sumitomo Electric
2015 Appointed as Audit & Supervisory Board Members**Akira Hayashi**

Audit & Supervisory Board Member (Standing Member)

1981 Joined Sumitomo Electric
2017 Appointed as Audit & Supervisory Board Members**Masaki Shirayama**

Managing Director

1985 Joined Sumitomo Electric
2017 Appointed as Managing Director

General Manager of the Electric Wire & Cable and Energy Business Units

**Nobuyuki Kobayashi**

Managing Director

1985 Joined Sumitomo Electric
2019 Appointed as Managing Director

Corporate Staff Group (Accounting, Finance, Information Systems, Procurement, Logistics Management)

**Yasuhiro Miyata**

Managing Director

1984 Joined Sumitomo Electric
2021 Appointed as Managing Director

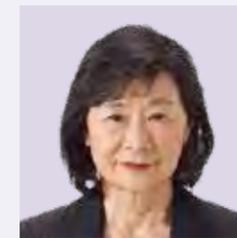
General Manager, Electronics Sales Unit

**Toshiyuki Sahashi**

Managing Director

1986 Joined Sumitomo Electric
2021 Appointed as Managing Director

Deputy General Manager, Advanced Materials Business Unit

**Michiko Uehara**

Outside Corporate Auditor

Independent Officer

2016 Appointed as Outside Audit & Supervisory Board Member

**Ikuo Yoshikawa**

Outside Corporate Auditor

Independent Officer

2018 Appointed as Outside Audit & Supervisory Board Member

**Tatsuo Kijima**

Outside Corporate Auditor

Independent Officer

2021 Appointed as Outside Audit & Supervisory Board Member

Messages from Outside Directors

As the business environment surrounding our company is rapidly changing, it is important to consider the management issues being faced from a variety of perspectives. We, the outside directors, exchanged opinions with the executives of the business operations division on 10 important issues, including growth strategies, human resources, R&D and innovation, and governance, and communicated our views and recommendations on these topics to top management.



Outside Director
Hiroshi Sato

Brief Personal History

He joined Kobe Steel, Ltd. in 1970 and served as General Manager of the Technology Development Division. He was President of Kobe Steel Ltd. since 2009 and Chairman since 2013. Currently, an advisor to the Company. He has been an outside director of the Company since 2016.



Outside Director
Christina L. Ahmadjian

Brief Personal History

In 1995, she was appointed as an Associate Professor at Columbia University's Business School, and in 2001, she was appointed as a Professor at Hitotsubashi University's Graduate School of Business Administration, where her main research area is corporate management and corporate governance. Currently, she is a professor at the University's Graduate School of Business Administration. She has been an outside director of the Company since 2018.



Outside Director
Michihiro Tsuchiya

Brief Personal History

Entered Tanabe Seiyaku Co., Ltd. (now Mitsubishi Tanabe Pharma Corporation) in 1976, where he served as head of the R&D and Corporate Planning Divisions, and has been President since 2009 and Chairman since 2014. He has been an outside director of the Company since 2018.



Outside Director
Katsuaki Watanabe

Brief Personal History

Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation) in 1964, and has been a director of Toyota Motor Corporation since 1992, president of Toyota Motor Corporation since 2005, Vice Chairman of the company from 2009 to 2011, and an advisor to Toyota Motor Corporation from 2015 to 2018. He has been an outside corporate auditor of the Company since 2013 and an outside director since 2021.



Outside Director
Atsushi Horiba

Brief Personal History

Joined HORIBA, Ltd. in 1972, became a director of the company in 1982, and became president in 1992. He is currently Chairman and Group CEO of the company. Appointed as an outside director of the Company in 2021.

Governance

The Board of Directors and the Nominating and Compensation Advisory Committee of the Company are operating properly and functioning satisfactorily. The management team takes governance seriously, and it can be said that the Company is well managed and has a high level of governance as compared to other companies. Since we, the outside directors, are provided with information and explanations on matters necessary for decision-making and related matters in advance of each Board of Directors meeting, lively discussions take place at each Board of Directors meeting. Each Board of Directors meeting among all participants. It would be even better if the time of the board meeting could be used more effectively to secure more time for discussion of important issues. In addition, as the pace of change in the external environment accelerates, We believe that the Company's Board of Directors is required to discuss the risks surrounding the Company's business in a more clear and systematic manner.

We are extremely delighted that this fiscal year we had more opportunities to have dialogue with the general managers of the business units and people in charge of operations.

However, due to the impact of the COVID-19 crises, it was unfortunate that we were not able to visit the various sites and discuss the issues in a more informal setting.

Business Structure and Accumulation of Technologies

The Company is structured to conduct business in five areas: Automotive, Electronics, Environment & Energy, Infocommunications, and Industrial Materials. Since its founding in the copper wire and cable business, the Company has diversified its business domain by developing elemental technologies refined in that business, as a result of years of R&D, and has strengthened the Company's foundation based on a sound financial base. In each of our business segments, we have focused on fostering relationships of trust with our customers, and at the individual product level, we have worked to develop new products and cultivate new markets through constant innovation. We are rooted in a "Product Tree" that has branched out into businesses founded on our proprietary technologies, and from this perspective, we are different from so-called "conglomerates*." Even when facing the stagnation of global economic activities due to COVID-19 the Company has exhibited a certain degree of resilience to the economic impact that varies depending on the business domain.

In order for the Company to sustain long-term growth and development in the future, it is necessary to secure the overwhelming strength of its mainstay wiring harness business in terms of quality, cost, and delivery, and at the

same time, to nurture other core businesses to follow in its footsteps. Even without overly selecting and focusing, we will place the three business segments of Mobility, Energy, and Communications at the center of our future business. We must utilize the diverse technology and product base that we have cultivated, and actively utilize internal and external resources through collaboration within and outside the Group, including joint research with universities and companies in other industries, and M&A.

Human Resources and Corporate Culture

Sumitomo Electric has traditionally maintained a management stance in harmony with the public interest, with the Sumitomo Spirit as its fundamental value axis. We believe that the culture of aiming to be our ideal future state of a "Glorious Excellent Company," has taken root in our company. The fact that there are many very sincere and dedicated individuals who work for the Company is a factor that forms the good corporate culture of this company. For the Company to continue to grow and develop sustainably over the long term, innovation based on the diversity and aggressive spirit that we possess is essential. The key to this is the development of human resources and organization base that enables diverse human resources to actively work together.

The Company is making constant progress in terms of a comfortable working environment for female employees, but the number of employees is still small. In particular, We think the ratio of women in management is low.

Also, it is desirable to increase the number of non-Japanese executives, taking advantage of our strength as a global corporate group with approximately 300 subsidiaries around the world outside of Japan. I hope that we will develop into a company that embraces diverse values by broadening employment opportunities for women, foreigners, and people with disabilities. As a company with a diverse range of businesses, we believe that our growth strategy will become stronger and more feasible when it interacts with opinions from a variety of external perspectives.

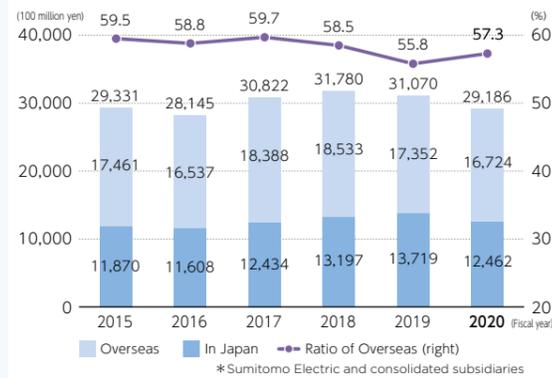
In order to fulfill our role as an outside director, we will endeavor to identify medium- to long-term management issues and exchange my views with the executive officers.

Corporate Data

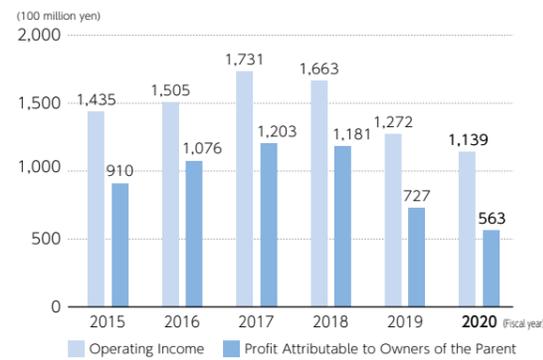
Financial and Non-Financial Highlights

Financial Highlights

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

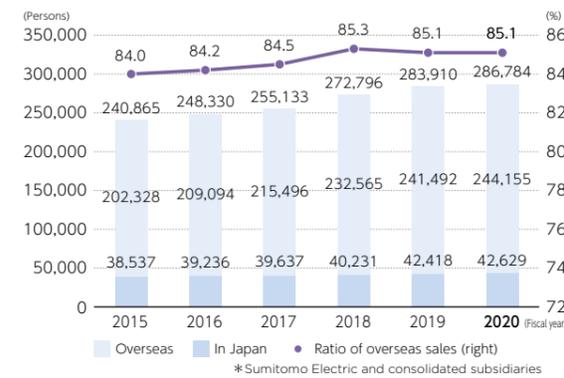


Operating Income and Profit Attributable to Owners of the Parent (Consolidated)

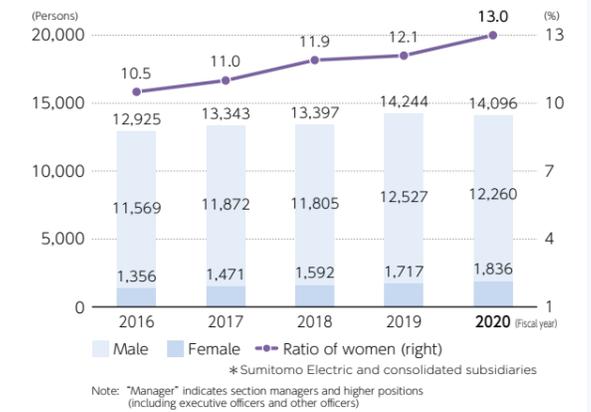


Non-Financial Highlights

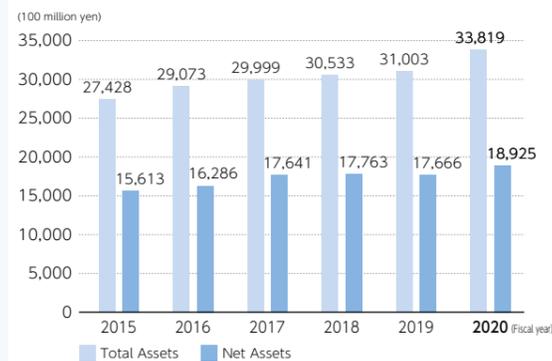
Number of employees in Japan and overseas and ratio of overseas employees by year



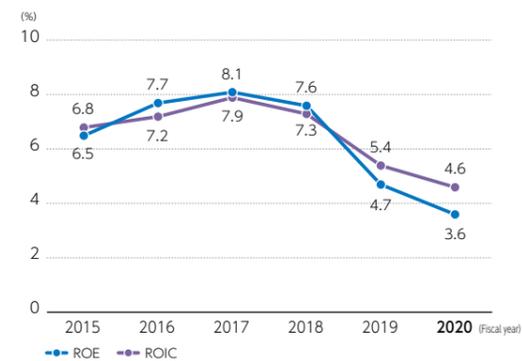
Number of male and female managers and ratio of female managers



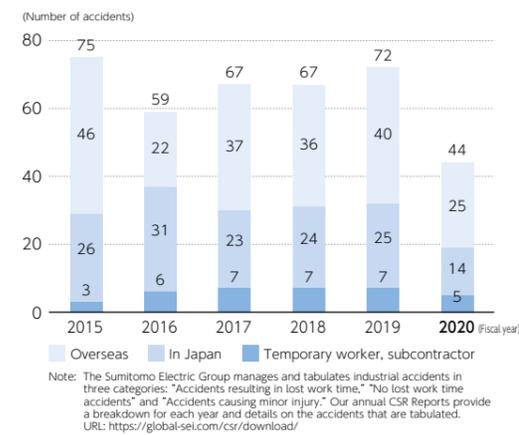
Total Assets and Net Assets (Consolidated)



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



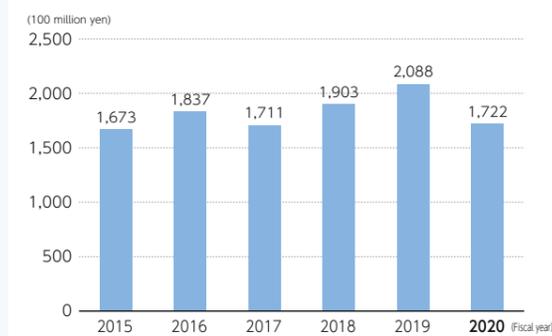
Number of Industrial Accidents



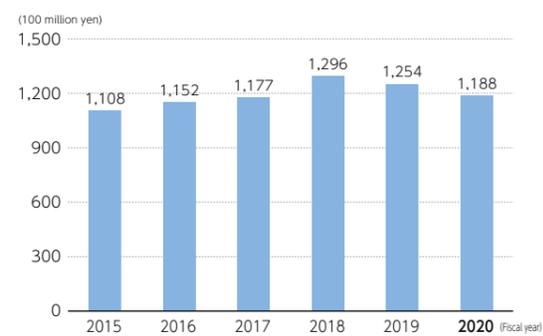
Greenhouse Gas Emissions



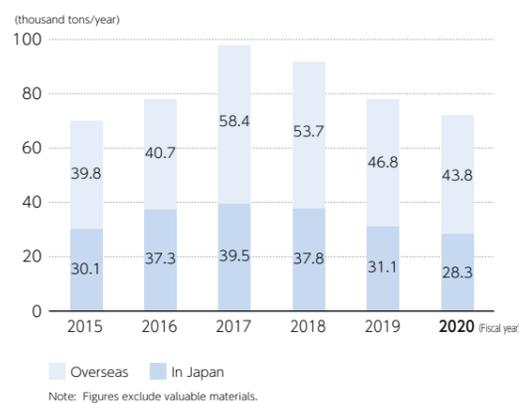
Capital Investment



R&D Expenditures



Amount of Waste



Number of patents retained over time



Financial and Non-Financial Summary for the Last 10 Years

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	(Million yen) FY2020	(Million dollars) FY2020
Financial Situation and Business Results											
Net Sales	2,059,344	2,159,942	2,568,779	2,822,811	2,933,089	2,814,483	3,082,247	3,117,985	3,107,027	2,918,580	26,362
Overseas Net Sales Ratio (%)	45.6	48.6	55.2	58.3	59.5	58.8	59.7	58.5	55.8	57.3	
Operating Income (loss)	86,946	76,790	120,058	134,457	143,476	150,503	173,139	166,260	127,216	113,926	1,029
Profit before Income Taxes	99,941	84,084	123,833	167,067	154,859	167,792	193,337	181,388	133,198	110,340	997
Profit Attributable to Owners of the Parent	58,861	37,955	66,748	119,771	91,001	107,562	120,328	118,063	72,720	56,344	509
Total Net Assets	1,138,931	1,244,695	1,379,912	1,646,913	1,561,289	1,628,615	1,764,086	1,776,313	1,766,647	1,892,506	17,094
Total Assets	2,072,064	2,297,567	2,554,819	2,925,785	2,742,848	2,907,292	2,999,903	3,053,263	3,100,260	3,381,914	30,548
Interest-bearing Debt	363,995	485,569	534,641	550,839	457,145	510,989	492,567	540,745	636,262	685,087	6,188
Capital Expenditure	135,000	147,900	150,800	148,200	167,300	183,700	171,100	190,300	208,800	172,200	1,555
Depreciation and Amortization	78,000	90,600	113,300	126,700	134,400	134,500	146,100	148,900	163,600	168,000	1,517
R&D Expenses	86,800	94,300	99,500	105,600	110,800	115,200	117,700	129,600	125,400	118,800	1,073
Per Share Information (yen, US dollars)											
Earnings per Share	74.21	47.85	84.15	151.00	114.73	137.61	154.29	151.38	93.24	72.25	0.65
Shareholders' Equity per Share	1,245.57	1,352.09	1,499.46	1,804.34	1,715.28	1,815.32	1,973.95	1,988.58	1,946.93	2,088.51	18.86
Dividends per Share	19	20	22	30	35	40	46	48	40	32	0.29
Dividend Payout Ratio (%)	25.6	41.8	26.1	19.9	30.5	29.1	29.8	31.7	42.9	44.3	
Cash Flow											
Cash Flows from Operating Activities	86,051	124,849	147,705	153,509	240,779	209,233	239,573	177,656	264,608	169,656	1,532
Cash Flows from Investing Activities	△ 129,223	△ 172,066	△ 174,102	△ 86,888	△ 117,387	△ 194,829	△ 174,265	△ 184,601	△ 178,020	△ 163,430	△ 1,476
Cash Flows from Financing Activities	△ 2,391	64,922	113	△ 64,037	△ 115,912	△ 4,763	△ 66,795	△ 4,324	△ 1,277	△ 13,099	△ 118
Free Cash Flow	△ 43,172	△ 47,217	△ 26,397	66,621	123,392	14,404	65,308	△ 6,945	86,588	6,226	56
Cash and Cash Equivalents	142,359	176,543	160,129	177,107	174,055	180,002	180,108	168,873	249,011	251,441	2,271
Financial Indexes											
Operating Income / Net Sales (%)	4.2	3.6	4.7	4.8	4.9	5.3	5.6	5.2	4.1	3.9	
Shareholders' Equity Ratio (%)	47.7	46.7	46.6	48.9	49.6	48.7	51.3	50.8	49.0	48.2	
Return on Equity (%)	6.1	3.7	5.9	9.1	6.5	7.7	8.1	7.6	4.7	3.6	
Operating Income / Invested Assets (ROIC) (%)	5.9	4.8	6.6	6.5	6.8	7.2	7.9	7.3	5.4	4.6	
Debt / Equity Ratio (%)	36.8	45.3	44.9	38.5	33.6	36.1	32.0	34.9	41.9	42.1	
Non-Financial Data											
Number of Employees	194,734	206,323	225,484	240,798	240,865	248,330	255,133	272,796	283,910	286,784	
In Japan	37,499	37,148	37,715	38,892	38,537	39,236	39,637	40,231	42,418	42,629	
Overseas	157,235	169,175	187,769	201,906	202,328	209,094	215,496	232,565	241,492	244,155	

*1 Values in US dollars are calculated at a rate of ¥110.71 to the US dollar in the Tokyo Foreign Exchange Market as of March 31, 2021.
*2 Values in yen below ¥1 million are truncated; values in US dollars below \$1,000 are rounded to the nearest thousand.

Financial Summary

Consolidated Balance Sheet

(Million yen)

	Previous Consolidated Fiscal Year (March 31, 2020)	This Consolidated Fiscal Year (March 31, 2021)
Assets		
Current Assets		
Cash and Time Deposits	250,600	253,668
Trade Notes and Accounts Receivable	670,337	755,258
Securities	384	727
Inventories	552,000	606,343
Other	103,885	115,341
Allowance for Doubtful Receivables	△1,765	△1,966
Total Current Assets	1,575,409	1,729,371
Non-current Assets		
Property, Plant and Equipment		
Buildings and Structures	711,006	748,670
Accumulated Depreciation	△428,138	△453,679
Buildings and Structures (Net)	282,868	294,991
Machinery and Equipment	1,469,514	1,556,281
Accumulated Depreciation	△1,058,408	△1,134,664
Machinery and Equipment (Net)	411,106	421,617
Tools, furniture and fixtures	296,774	310,181
Accumulated Depreciation	△244,363	△257,545
Tools, Instruments and Equipment (Net)	52,411	52,636
Leased Assets	70,232	81,585
Accumulated Depreciation	△14,821	△25,488
Leased Assets (Net)	55,411	56,097
Land	92,961	93,806
Construction in Progress	65,048	62,012
Total Property, Plant and Equipment	959,805	981,159
Intangible Assets		
Goodwill	2,776	1,645
Other	35,125	34,587
Total Intangible Assets	37,901	36,232
Investments and Other Assets		
Investment Securities	381,963	407,406
Net Defined Benefit Assets	66,234	158,447
Deferred Tax Assets	38,179	29,519
Other	42,028	40,869
Allowance for Doubtful Receivables	△1,259	△1,089
Total Investments and Other Assets	527,145	635,152
Total Non-current Assets	1,524,851	1,652,543
Total Assets	3,100,260	3,381,914

(Million yen)

	Previous Consolidated Fiscal Year (March 31, 2020)	This Consolidated Fiscal Year (March 31, 2021)
Liabilities		
Current Liabilities		
Trade Notes and Accounts Payable	361,155	397,439
Short-term Debt	307,620	310,695
Commercial papers	—	14,000
Current portion of bonds	—	10,000
Other	246,545	275,927
Total Current Liabilities	915,320	1,008,061
Non-current Liabilities		
Bonds	104,851	94,873
Long-term Debt	173,554	205,113
Deferred Tax Liabilities	31,291	49,998
Net Defined Benefit Liabilities	56,961	49,589
Other	51,636	81,774
Total Non-current Liabilities	418,293	481,347
Total Liabilities	1,333,613	1,489,408
Net Assets		
Shareholders' Equity		
Common Stock	99,737	99,737
Capital Surplus	170,881	170,875
Retained Earnings	1,251,595	1,281,762
Treasury Stock, at Cost	△20,759	△20,769
Total Shareholders' Equity	1,501,454	1,531,605
Accumulated Other Comprehensive Income		
Net Unrealized Holding Gains or Losses on Available-for-Sale Securities	57,781	74,866
Deferred Gains or Losses on Hedges	△493	△1,419
Foreign Currency Translation Adjustments	△42,327	△23,659
Remeasurements of Defined Benefit Plans	1,986	47,413
Total Accumulated Other Comprehensive Income	16,947	97,201
Non-controlling Interests	248,246	263,700
Total Net Assets	1,766,647	1,892,506
Total Liabilities and Net Assets	3,100,260	3,381,914

Financial Summary

Consolidated Statement of Income

(Million yen)

	Previous Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)	This Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)
Net Sales	3,107,027	2,918,580
Cost of Sales	2,553,902	2,387,237
Gross Profit	553,125	531,343
Selling, General and Administrative Expenses	425,909	417,417
Operating Income	127,216	113,926
Non-operating Income		
Interest Income	1,269	918
Dividend Income	4,309	3,983
Share of Profit of Investments Accounted for Using the Equity Method	11,771	12,519
Other	9,648	11,263
Total Non-operating Income	26,997	28,683
Non-operating Expenses		
Interest Expenses	7,434	5,404
Other	16,281	23,133
Total Non-operating Expenses	23,715	28,537
Ordinary Income	130,498	114,072
Extraordinary Profits		
Gain on Sales of Investment Securities	9,844	16,772
Gain on Return of Assets from Retirement Benefit Trust	2,627	—
Gain on Bargain Purchase	10,395	—
Total Extraordinary Profits	22,866	16,772
Extraordinary Losses		
Loss on Disposal of Property, Plant and Equipment	2,867	2,980
Impairment Loss on Fixed Assets	7,603	9,238
Restructuring Expenses	3,124	8,286
Loss on Step Acquisitions	6,572	—
Total Extraordinary Losses	20,166	20,504
Profit before Income Taxes	133,198	110,340
Income and Enterprise Taxes	37,578	40,975
Income Taxes-Deferred	7,186	577
Total Income Taxes	44,764	41,552
Profit for the Year	88,434	68,788
Profit Attributable to Non-controlling Interests	15,714	12,444
Profit Attributable to Owners of the Parent	72,720	56,344

Consolidated Statement of Cash Flows

(Million yen)

	Previous Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)	This Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)
Cash Flows from Operating Activities		
Profit before Income Taxes	133,198	110,340
Depreciation and Amortization	163,581	168,040
Impairment Loss on Fixed Assets	8,734	10,051
Share of Loss (Profit) of Investments Accounted for Using the Equity Method	△11,771	△12,519
Gain on Bargain Purchase	△10,395	—
Loss (Gain) on Step Acquisitions	6,572	—
(Increase) Decrease in Trade Notes and Accounts Receivables	50,879	△66,334
(Increase) Decrease in Inventories	△27,628	△39,377
Increase (Decrease) in Trade Notes and Accounts Payable	△24,780	28,299
Other	1,922	△6,042
Subtotal	290,312	192,458
Interest and Dividends Received	15,468	8,630
Interest Paid	△7,557	△5,336
Income Taxes Paid	△33,615	△26,096
Net Cash Provided by Operating Activities	264,608	169,656
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	△192,874	△166,831
Proceeds from Sales of Property, Plant and Equipment	4,665	1,781
Purchase of Investment Securities	△2,956	△1,707
Proceeds from Sales of Investment Securities	11,569	19,675
Proceeds from acquisition and sales of investments in subsidiaries resulting in change in scope of consolidation	8,482	△1,871
Other	△6,906	△14,477
Net Cash Used in Investing Activities	△178,020	△163,430
Cash Flows from Financing Activities		
Net Increase (Decrease) in Short-term Debt	75,087	△13,071
Net Increase (Decrease) in commercial paper	—	14,000
Proceeds from Long-term Debt	14,492	81,612
Redemption of Bonds and Repayments of Long-term Debt	△64,628	△49,303
Proceeds from Insurance of Bonds	30,000	—
Payment for Purchase of Treasury Stock	△10	△10
Cash Dividends Paid	△37,444	△24,963
Dividends Paid to Non-controlling Interests	△8,637	△21,364
Other	△10,137	△13,261
Net Cash Used in Financing Activities	△1,277	△13,099
Effect of Exchange Rate Changes on Cash and Cash Equivalents	△5,374	7,849
Net Increase (Decrease) in Cash and Cash Equivalents	79,937	976
Cash and Cash Equivalents at the Beginning of Year	168,873	249,011
Increase in Cash and Cash Equivalents of Newly Consolidated Subsidiaries	201	769
Amount of increase	—	685
Cash and Cash Equivalents at the End of Year	249,011	251,441

Company Overview (as of March 31, 2021)

Trade Name	Sumitomo Electric Industries, Ltd.	Settlement Period (fiscal year)	April 1 to March 31 each year
Head Office	4-5-33 Kitahama, Chuo-ku, Osaka, JAPAN (Sumitomo Bldg.)	Securities Code	5802
Established	April 1897	Stock Exchanges	Tokyo, Nagoya, Fukuoka
Businesses	Automotive Business, Information & Communications Business, Electronics Business, Environment & Energy Business, Industrial Materials Business	Annual General Meeting of Shareholders	Every June
Capital Stock	99,737 million yen	Shareholder Register Manager	Sumitomo Mitsui Trust Bank, Limited. 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Net Sales (period ending March 2021)	Consolidated: 2,918,580 million yen Non-Consolidated: 1,064,781 million yen	Stock Unit	100 shares
Number of Employees (end of March 2021)	Consolidated: 286,784 Non-Consolidated: 6,136	Accounting Auditors	KPMG AZSA LLC

Share Prices (March 31, 2016 - March 31, 2021)

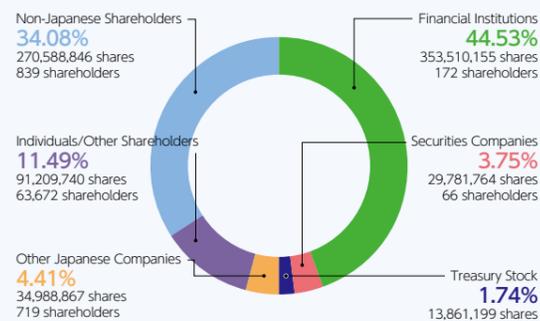


Stock information (as of March 31, 2021)

Current Status of Stock

Total issuable shares: 3,000,000,000
 Total shares issued: 793,940,571
 Number of shareholders: 65,469

Breakdown of Shareholders



Largest Shareholders (Top 10)

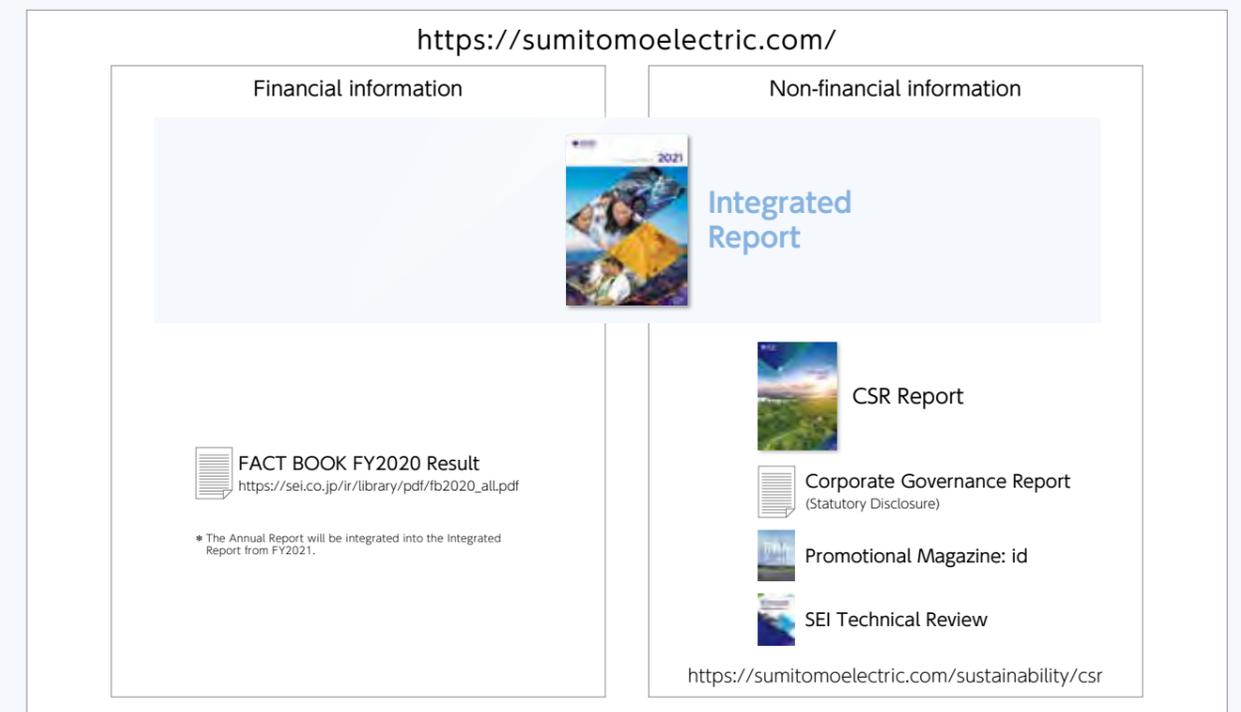
Shareholder	Shares owned (thousands)	Percentage*
The Master Trust Bank of Japan, Ltd. (trust account)	84,033	10.77
Custody Bank of Japan, Ltd. (Trust)	57,139	7.32
Nippon Life Insurance Company	24,703	3.17
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	16,177	2.07
Sumitomo Life Insurance Company	15,556	1.99
Custody Bank of Japan, Ltd. (Trust Unit 4)	14,472	1.86
The Master Trust Bank of Japan, Ltd. (Trust Exit J)	12,590	1.61
STATE STREET BANK WEST CLIENT – TREATY 505234	11,243	1.44
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	10,613	1.36
Custody Bank of Japan, Ltd. (Trust Unit 5)	10,581	1.36

* The shareholding ratio is calculated by deducting 13,861,199 treasury stock from the total number of issued shares.

Dividends per share and payout ratio

	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Dividends (yen)	35	40	46	48	40	32
Payout ratio (%)	30.5	29.1	29.8	31.7	42.9	44.3

Framework for Disclosure of Information



Management's Discussion and Analysis

Financial Information

Management's Discussion and Analysis

The global economy in the consolidated fiscal year under review deteriorated significantly in the first quarter as the COVID-19 pandemic restricted economic and social activities across the world. Although the economy was generally on a recovery trend in and after the second quarter, it remains weak in some areas as the resurgence in COVID-19 infections have restricted economic and social activities in some regions.

In terms of the business conditions for the Sumitomo Electric Group, the situation was extremely difficult mainly in the first half due to a decrease in automobile production and a delay in communications and power-related construction as a result of the impact of COVID-19, as well as a decline in optical fiber prices.

Against such a backdrop, net sales for the consolidated fiscal year under review contracted to ¥2,918,580 million (a 6.1% decrease on the ¥3,107,027 million recorded in FY2019). In terms of income, thorough cost reduction measures that were introduced, such as cutting unessential costs and reducing capital expenditure, failed to fully cover the drop in net sales, and operating income ended at ¥113,926 million (a 10.4% decrease on the ¥127,216 million recorded in FY2019). The operating income margin was 3.9% (0.2 percentage points down on 4.1% in FY2019).

Profit attributable to owners of the parent fell to ¥56,344 million, decreasing 22.5% from ¥72,720 million in FY2019.

Automotive

Net sales fell ¥81,588 million to ¥1,602,042 million (down 4.8% on FY2019) due to a drop in demand for wiring harnesses, automotive electronic parts, and anti-vibration rubber and hoses caused by a decline in automobile production resulting from the impact of COVID-19 mainly in the first quarter. On top of the sales decline, alternating production due to the lockdown of some production bases and an increase in distribution costs on the back of a rapid recovery of demand since the second half saw operating income fall ¥20,015 million to ¥48,198 million, despite maximum efforts to reduce costs. The operating income margin fell by 1.1 percentage points to 3.0%.

Infocommunications

With a rise in demand for optical & electronic devices and access network equipment, net sales rose ¥7,175 million (3.3%) to ¥224,576 million. Meanwhile, operating income posted a ¥6,508 million rise to ¥24,343 million thanks to increased sales, offsetting lower optical fiber prices by reducing costs through improved productivity. The operating income margin rose by 2.6 percentage points to 10.8%.

Electronics

While there was a decrease in sales of FPCs used in mobile devices, a rise in demand for electronic wire products, including lead wires for battery terminals (tab leads), and a contribution from Techno Associe Co., Ltd., which was made a consolidated subsidiary in the second quarter of FY2019, saw net sales remaining roughly unchanged from FY2019 (0.2%; up ¥448 million) at ¥252,618 million. An increase in sales of electronic wire products and efforts to recover profitability, such as cost improvements and a withdrawal from unprofitable areas in FPCs used in mobile devices, saw operating income drop ¥9,511 million to ¥10,047 million. The operating income margin rose by 3.8 percentage points to 4.0%.

Environment and Energy

A drop in demand for automobile applications, such as magnet wires and porous metal for batteries of electric vehicles (Celmet), and a delay in power cable and power construction projects owing to the impact of COVID-19, as well as a decrease in the construction of industrial cables for the construction and electric appliances markets and in electric equipment construction at Sumitomo Densetsu Co., Ltd., saw net sales drop ¥78,352 million (11.0%) to ¥634,191 million. Due to the fall in net sales, operating income fell to ¥25,024 million, a decrease of ¥2,090 million. The operating income margin rose by 0.1 percentage points to 3.9%. Meanwhile, orders received for plant and installation work came to ¥341,678 million (the order backlog at end of FY2020 being ¥320,458 million), a rise of ¥27,501 million (8.8%) on FY2019.

Industrial Materials

With a sharp decline in demand especially in the first half for cemented carbide tools, diamond/CBN tools, sintered parts, steel wire for springs, and steel cords owing to the impact of COVID-19, net sales fell by ¥28,826 million (8.7%) to ¥302,524 million. Operating income saw a decline of ¥6,765 million to ¥6,660 million due to a deterioration in profitability related to the falling factory capacity utilization rate. The operating income margin dropped by 1.9 percentage points to 2.2%.

Cashflows

Net cash provided by operating activities came to ¥169,656 million, a decrease in income to the tune of ¥94,952 million on the previous fiscal year. This was the result of factors such as the fluctuation in working capital being subtracted from profit before income taxes of ¥110,340 million in addition to depreciation and amortization of ¥168,040 million – in other words, a cash flow generated by business activity totaling ¥278,380 million.

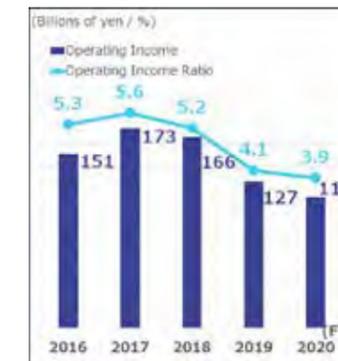
In terms of cash flows from investment activities, net cash used came to ¥163,430 million (down ¥14,590 million on the previous fiscal year). This was due, among other factors, to capital expenditure of ¥166,831 million on the purchase of tangible fixed assets.

Meanwhile, free cash flow, calculated by deducting net cash used in investing activities from net cash provided by operating activities, was ¥6,226 million in the black. (Free cash flow was ¥86,588 million in the black in FY2019.) Cash flow from financing activities saw a decrease of ¥13,099 million. (A decrease of ¥1,277 million was recorded in the previous fiscal year). This was due to the payment of dividends, among other expenditures, subtracted from the increase in loans payable and proceeds from the issuance of commercial papers. Due to the above, the year-end balance of cash and cash equivalents stood at ¥251,441 million, a year-on-year increase of ¥2,430 million (1.0%).

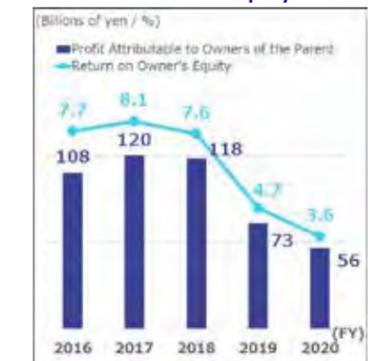
Net Sales



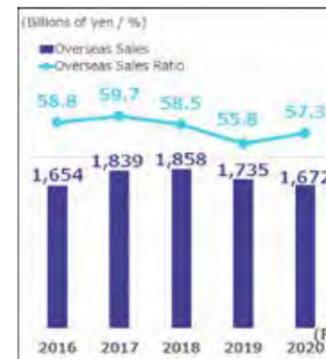
Operating Income / Operating Income Ratio



Profit Attributable to Owners Of the parent / Return on Owner's Equity



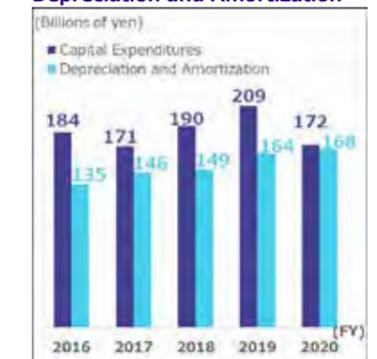
Overseas Sales / Overseas Sales Ratio



Invested Assets / ROIC



Capital Expenditures / Depreciation and Amortization



Independent Auditor's Report



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Electric Industries, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2021, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the valuation of fixed assets used in the Electronics business

The key audit matter	How the matter was addressed in our audit
In the consolidated financial statements of Sumitomo Electric Industries, Ltd. (the "Company") and its consolidated subsidiaries for the current fiscal year, the Company recognized segment assets related to the Electronics business of ¥238,291 million, which mainly included fixed assets.	In order to assess whether the Company's valuation of fixed assets used in the Electronics business was reasonable, we performed the following audit procedures with direct involvement of the senior members of the engagement team: (1) We tested the design and operating effectiveness of certain of the Company's internal controls

While fixed assets are depreciated in a systematic manner, an impairment loss may be recognized if the Company recognizes recurring operating losses for certain consecutive years or there are other impairment indicators due to a deterioration in market environment.

Within the Electronics business, the results of operation of certain asset groups were unstable due to significant fluctuations in market demand for relevant ultimate end products while some improvements were seen in the current fiscal year as a result of the progress in cost reduction measures. Accordingly, the Company assessed whether the carrying amounts of the asset groups were recoverable based on future cash flows or other means. However, market trends and demand for the ultimate end products are subject to significant fluctuations and the business plan that formed the basis for estimating the future cash flows included the following assumptions:

- the probability of continuously achieving cost reductions; and
- the feasibility of developing new products and expanding their sales.

We, therefore, determined that our assessment of the reasonableness of the Company's valuation of fixed assets used in the Electronics business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

relevant to determining whether an impairment loss should be recognized on fixed assets. In this assessment, we focused our testing on controls over the development of the business plan.

(2) We identified key assumptions related to sales (sales volume and unit selling prices) and cost of sales embedded in the business plan, which were important in determining whether an impairment loss should be recognized, and then evaluated them thoroughly by exercising our professional skepticism. Specifically, we:

- assessed whether fluctuations in the estimated sales volume were reasonable through comparison with the projected market growth rates estimated by external organizations;
- inquired of management regarding the status of negotiations with customers and assessed whether fluctuations in the estimated unit selling prices were reasonable through comparison with historical experience of customer negotiations;
- inquired of management regarding the feasibility of key cost reduction measures, and assessed whether those measures were reasonable through comparison with the achievement of past cost reduction measures; and
- assessed the reasonableness of the prospects for development and sales of new products by inquiring of the personnel responsible for the Technical Division regarding the status of negotiations with customers and inspecting the records of customer negotiations, as well as by inquiring of the personnel responsible for the Technical Division regarding the current status of product development and inspecting the records of product development.

Furthermore, we assessed the extent to which past business plans were achieved including an analysis on the causes of any variances with actual results, and then assessed whether there would be sufficient future cash flows, had we incorporated the effect of specific uncertainty into the business plan.

Independent Auditor's Report

Reasonableness of the estimate of the total construction costs for large-scale contracts

The key audit matter	How the matter was addressed in our audit
<p>As described in Note 19, "Revenue recognition" to the consolidated financial statements, Sumitomo Electric Industries, Ltd. (the "Company") and its consolidated subsidiaries recognized revenue, in the consolidated financial statements for the current fiscal year, from performance obligations as they are satisfied over time, mainly for construction contracts in the Environment & Energy segment, based on the estimated progress towards complete satisfaction of those performance obligations. The progress towards the completion of construction is estimated based on a proportion of construction costs incurred to the total construction costs in the project budgets. The order backlog in the Environment & Energy segment amounted to ¥320,458 million at the end of the current fiscal year.</p> <p>Large-scale construction projects related to power cable installation within the Environment & Energy segment are characterized by (1) long construction periods and individually unique conditions; (2) frequent changes in construction periods and tasks subsequent to accepting orders due to changes in circumstances; and (3) the resulting revisions to the total construction costs at multiple times throughout the period until completion. Accordingly, it is important that the estimate of the total construction costs is revised in a timely manner in response to changes in circumstances and that all the costs required to complete the construction are reflected in the project budgets. In addition, the estimate of the total construction costs includes the following estimates involving uncertainties:</p> <ul style="list-style-type: none"> - additional costs to be incurred as a result of the extension of the construction period due to external factors such as adverse weather conditions; and 	<p>With respect to the Company's estimate of the total construction costs used to calculate the progress towards the completion of large-scale contracts for power cable installation for revenue recognition in the Environment & Energy segment, we performed the following audit procedures with direct involvement of the senior members of the engagement team:</p> <ol style="list-style-type: none"> (1) We tested the design and operating effectiveness of certain of the Company's internal controls related to the project budgets for construction contracts. In this assessment, we focused our testing on controls over the approval and monitoring of the project budgets. (2) In order to assess whether the project budgets for construction contracts used to estimate the progress towards the completion of construction was reasonable, we primarily: <ul style="list-style-type: none"> - inspected the construction contracts to understand important terms and conditions; - inquired of the construction project managers regarding the progress of construction and any changes in the project budgets as well as additional questions, as necessary, regarding their judgment as to whether the project budgets should be revised thoroughly by exercising our professional skepticism, and inspected the documents supporting their responses; - inspected the materials for the project progress meetings in which revisions to the project budgets were discussed on a quarterly basis, inquired of the construction project managers, the personnel responsible for the Planning & Administrative Department and the personnel responsible for the Accounting Department, among others, regarding their judgment on costs to be included in the project budgets, and assessed whether their responses were consistent; - assessed the precision of the project budgets by comparing planned costs for the current fiscal year included in the project budget

- additional costs to be incurred as a result of changes in construction tasks during construction.

We, therefore, determined that our assessment of the reasonableness of the Company's estimate of the total construction costs used to calculate the progress towards the completion of large-scale contracts for revenue recognition was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

with actual costs incurred, and evaluated whether any differences were properly reflected in the revisions to the project budgets.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Daisuke Harada

Designated Engagement Partner

Certified Public Accountant

Toshiyuki Maeda

Designated Engagement Partner

Certified Public Accountant

Mitsuhiro Matsumoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

June 25, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Financial Data

Five-Year Financial Data and Indexes

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen					Thousands of U.S. dollars
	FY2020 For the years ended Mar. 31, 2021	FY2019 ³ Mar. 31, 2020	FY2018 Mar. 31, 2019	FY2017 ⁷ Mar. 31, 2018	FY2016 Mar. 31, 2017	FY2020 Mar. 31, 2021
For the Year:						
Net sales	¥2,918,580	¥3,107,027	¥3,177,985	¥3,082,247	¥2,814,483	\$26,362,388
Cost of sales	2,387,237	2,553,902	2,593,363	2,507,434	2,284,190	21,562,975
Selling, general and administrative expenses	417,417	425,909	418,362	401,674	379,790	3,770,364
Operating income	113,926	127,216	166,260	173,139	150,503	1,029,049
Profit before income taxes	110,340	133,198	181,388	193,337	167,792	996,658
Profit attributable to owners of the parent	56,344	72,720	118,063	120,328	107,562	508,933
Capital expenditures ¹	172,246	208,834	190,314	171,110	183,693	1,555,831
Depreciation and amortization	168,040	163,581	148,916	146,098	134,532	1,517,839
R&D expenses	118,820	125,449	129,627	117,735	115,155	1,073,254
At Year-End:						
Total assets	3,381,914	3,100,260	3,053,263	2,999,903	2,907,292	30,547,502
Total interest-bearing liabilities	685,087	636,262	540,745	492,567	510,989	6,188,122
Total net assets ²	1,892,506	1,766,647	1,776,313	1,764,086	1,628,615	17,094,264
			Yen			U.S. dollars
Per Share Data:	FY2020	FY2019 ³	FY2018	FY2017 ⁷	FY2016	FY2020
Profit attributable to owners of the parent ³ :						
Basic	¥ 72.25	¥ 93.24	¥ 151.38	¥ 154.29	¥ 137.61	\$ 0.653
Diluted	—	—	—	152.88	137.24	—
Cash dividends ⁴	32.00	40.00	48.00	46.00	40.00	0.289
Owner's equity ⁵	2,088.51	1,946.93	1,988.58	1,973.95	1,815.32	18.865
Weighted average number of shares outstanding (in thousands)	779,893	779,893	779,897	779,888	781,638	
Number of employees (at year-end)	286,784	283,910	272,796	255,133	248,330	
Average number of temporary employees	(38,227)	(37,065)	(40,134)	(38,136)	(38,168)	
Financial Indexes:						
Operating income / net sales (%)	3.9	4.1	5.2	5.6	5.3	
Profit attributable to owners of the parent / net sales (%)	1.9	2.3	3.7	3.9	3.8	
Operating income / invested assets ⁶ (ROIC) (%)	4.6	5.4	7.3	7.9	7.2	
Return on owner's equity (%)	3.6	4.7	7.6	8.1	7.7	
Owner's equity ratio (%)	48.2	49.0	50.8	51.3	48.7	
Current ratio (times)	1.7	1.7	1.7	1.7	1.7	
R&D expenses / net sales (%)	4.1	4.0	4.1	3.8	4.1	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥110.71 to U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2021.

¹ Capital expenditures are recorded as property, plant and equipment.

² See Note 9.

³ From the year ended March 31, 2019 to the year ended March 31, 2021, there were no potentially dilutive common shares.

⁴ Cash dividends per share for the year ended March 31, 2017 included a 2-yen distribution as commemorative dividends for the 120th anniversary.

⁵ Owner's equity is the sum of total shareholders' equity and total accumulated other comprehensive income.

⁶ Invested assets = total assets - interest-free liabilities

⁷ The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019. The financial data and indexes for the year ended March 31, 2018 have been adjusted retrospectively to conform to this accounting standard.

⁸ The U.S. consolidated subsidiaries have adopted IFRS to replace U.S. GAAP from the beginning of the fiscal year ended March 31, 2021. The financial data and indexes for the year ended March 31, 2020 have been adjusted retrospectively to reflect the changes in accounting policy.

Consolidated Balance Sheet

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
ASSETS			
Current Assets:			
Cash and time deposits (Notes 3 and 4)	¥ 253,668	¥ 250,600	\$ 2,291,284
Trade notes and accounts receivable (Note 4)	755,258	670,337	6,821,949
Securities (Notes 3, 4 and 5)	727	384	6,567
Inventories (Note 7)	606,343	552,000	5,476,858
Other current assets	115,341	103,853	1,041,830
Allowance for doubtful receivables	(1,966)	(1,765)	(17,758)
Total current assets	1,729,371	1,575,409	15,620,730
Non-current Assets:			
Property, Plant and Equipment (Note 8):			
Buildings and structures	748,670	711,006	6,762,442
Machinery, equipment and others	1,948,047	1,836,520	17,595,944
Land	93,806	92,961	847,313
Construction in progress	62,012	65,048	560,130
	2,852,535	2,705,535	25,765,830
Accumulated depreciation	(1,871,376)	(1,745,730)	(16,903,405)
Net property, plant and equipment	981,159	959,805	8,862,424
Intangible Assets	36,232	37,901	327,269
Investments and Other Assets:			
Investments in unconsolidated subsidiaries and affiliates (Note 4)	263,222	262,556	2,377,581
Investment securities (Notes 4 and 5)	144,184	119,407	1,302,358
Net defined benefit asset (Note 13)	158,447	66,234	1,431,190
Deferred tax assets (Note 12)	29,519	38,179	266,634
Other	40,869	42,028	369,154
Allowance for doubtful receivables	(1,089)	(1,259)	(9,837)
Total investments and other assets	635,152	527,145	5,737,079
Total non-current assets	1,652,543	1,524,851	14,926,773
Total assets	¥3,381,914	¥3,100,260	\$30,547,502

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

Financial Data

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
LIABILITIES			
Current Liabilities:			
Trade notes and accounts payable (Note 4)	¥ 397,439	¥ 361,155	\$ 3,589,911
Short-term debt (Notes 4 and 8)	310,695	307,620	2,806,386
Commercial papers (Notes 4 and 8)	14,000	—	126,457
Current portion of bonds (Notes 4 and 8)	10,000	—	90,326
Accrued income taxes	25,001	16,492	225,824
Other current liabilities	250,926	230,053	2,266,516
Total current liabilities	1,008,061	915,320	9,105,420
Non-current Liabilities:			
Bonds (Notes 4 and 8)	94,873	104,851	856,951
Long-term debt (Notes 4 and 8)	205,113	173,554	1,852,705
Deferred tax liabilities (Note 12)	49,998	31,291	451,612
Net defined benefit liabilities (Note 13)	49,589	56,961	447,918
Other non-current liabilities	81,774	51,636	738,632
Total non-current liabilities	481,347	418,293	4,347,819
Total liabilities	1,489,408	1,333,613	13,453,238
Contingent Liabilities (Note 14)			
NET ASSETS (Note 9)			
Shareholders' Equity:			
Common stock:			
Authorized—3,000,000 thousand shares in FY2020 and FY2019	99,737	99,737	900,885
Issued—793,941 thousand shares in FY2020 and FY2019	170,875	170,881	1,543,447
Capital surplus	1,281,762	1,251,595	11,577,653
Retained earnings	(20,769)	(20,759)	(187,598)
Treasury stock, at cost: 14,052 thousand shares in FY2020 and 14,044 thousand shares in FY2019	(20,769)	(20,759)	(187,598)
Total shareholders' equity	1,531,605	1,501,454	13,834,387
Accumulated Other Comprehensive Income:			
Net unrealized holding gains or losses on available-for-sale securities	74,866	57,781	676,235
Deferred gains or losses on hedges	(1,419)	(493)	(12,817)
Foreign currency translation adjustments	(23,659)	(42,327)	(213,702)
Remeasurements of defined benefit plans	47,413	1,986	428,263
Total accumulated other comprehensive income	97,201	16,947	877,979
Non-controlling Interests	263,700	248,246	2,381,899
Total net assets	1,892,506	1,766,647	17,094,264
Total liabilities and net assets	¥3,381,914	¥3,100,260	\$30,547,502

Consolidated Statement of Income
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2020 For the years ended March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Net Sales	¥2,918,580	¥3,107,027	\$26,362,388
Cost of Sales	2,387,237	2,553,902	21,562,975
Gross profit	531,343	553,125	4,799,413
Selling, General and Administrative Expenses	417,417	425,909	3,770,364
Operating income	113,926	127,216	1,029,049
Other Income (Expenses):			
Interest and dividend income	4,901	5,578	44,269
Interest expense	(5,404)	(7,434)	(48,812)
Loss on claims	(3,881)	(3,782)	(35,056)
Share of profit of investments accounted for using the equity method	12,519	11,771	113,079
Gain on sales of investment securities	16,772	9,844	151,495
Gain on return of assets from retirement benefit trust (Note 15)	—	2,627	—
Gain on bargain purchase	—	10,395	—
Loss on disposal of property, plant and equipment (Note 16)	(2,980)	(2,867)	(26,917)
Impairment loss on fixed assets (Note 17)	(9,238)	(7,603)	(83,443)
Restructuring expenses (Note 18)	(8,286)	(3,124)	(74,844)
Loss on step acquisitions	—	(6,572)	—
Other, net	(7,989)	(2,851)	(72,162)
	(3,586)	5,982	(32,391)
Profit before Income Taxes	110,340	133,198	996,658
Income Taxes (Note 12):			
Current	40,975	37,578	370,111
Deferred	577	7,186	5,212
	41,552	44,764	375,323
Profit for the year	68,788	88,434	621,335
Profit Attributable to Non-controlling Interests	(12,444)	(15,714)	(112,402)
Profit Attributable to Owners of the Parent	¥ 56,344	¥ 72,720	\$ 508,933
	Yen		U.S. dollars (Note 1)
Per Share of Common Stock (Note 10):			
Basic	¥72.25	¥93.24	\$0.653
Diluted	—	—	—
Cash dividends	32.00	40.00	0.289

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

Financial Data

Consolidated Statement of Comprehensive Income
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2020 March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
For the years ended			
Profit for the year	¥68,788	¥88,434	\$621,335
Other Comprehensive Income (Loss) (Note 11):			
Net unrealized holding gains or losses on available-for-sale securities	19,578	(27,142)	176,840
Deferred gains or losses on hedges	(888)	(352)	(8,021)
Foreign currency translation adjustments	34,310	(31,160)	309,909
Remeasurements of defined benefit plans	48,086	(15,619)	434,342
Share of other comprehensive income (loss) of affiliates accounted for using equity method	(7,389)	(2,720)	(66,742)
Total other comprehensive income (loss)	93,697	(76,993)	846,328
Comprehensive Income (Loss)	¥162,485	¥11,441	\$1,467,663
Comprehensive income (loss) attributable to:			
Owners of the parent	136,602	4,844	1,233,872
Non-controlling interests	25,883	6,597	233,791

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Changes in Net Assets
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen									
	Shareholders' Equity				Accumulated Other Comprehensive Income					Total net assets (Note 9)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	
Balance at Beginning of FY2019	¥99,737	¥170,868	¥1,216,207	¥(20,749)	¥83,430	¥(128)	¥(13,927)	¥15,445	¥225,430	¥1,776,313
Cumulative effects of changes in accounting policy			(479)							(479)
Restated Balance at Beginning of FY 2019	99,737	170,868	1,215,728	(20,749)	83,430	(128)	(13,927)	15,445	225,430	1,775,834
Cash dividends			(37,444)							(37,444)
Profit attributable to owners of the parent for the year			72,720							72,720
Purchases of treasury stock				(10)						(10)
Disposal of treasury stock		13		0						13
Effect arising from net change of scope of consolidation			78							78
Change in ownership interests arising from transactions with non-controlling shareholders										—
Change based on generally accepted accounting standards adopted by overseas subsidiaries			513					(513)		—
Other					(25,649)	(365)	(28,400)	(12,946)	22,816	(44,544)
Balance at End of FY2019	¥99,737	¥170,881	¥1,251,595	¥(20,759)	¥57,781	¥(493)	¥(42,327)	¥1,986	¥248,246	¥1,766,647
Balance at Beginning of FY2020	¥99,737	¥170,881	¥1,251,595	¥(20,759)	¥57,781	¥(493)	¥(42,327)	¥1,986	¥248,246	¥1,766,647
Cumulative effects of changes in accounting policy			(1,102)						(863)	(1,965)
Restated Balance at Beginning of FY 2020	99,737	170,881	1,250,493	(20,759)	57,781	(493)	(42,327)	1,986	247,383	1,764,682
Cash dividends			(24,963)							(24,963)
Profit attributable to owners of the parent for the year			56,344							56,344
Purchases of treasury stock				(10)						(10)
Disposal of treasury stock		(0)		0						0
Effect arising from net change of scope of consolidation			(112)							(112)
Change in ownership interests arising from transactions with non-controlling shareholders		(6)								(6)
Change based on generally accepted accounting standards adopted by overseas subsidiaries										—
Other					17,085	(926)	18,668	45,427	16,317	96,571
Balance at End of FY2020	¥99,737	¥170,875	¥1,281,762	¥(20,769)	¥74,866	¥(1,419)	¥(23,659)	¥47,413	¥263,700	¥1,892,506

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Financial Data

Thousands of U.S. dollars (Note 1)

	Shareholders' Equity				Accumulated Other Comprehensive Income						Total net assets (Note 9)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests		
Balance at Beginning of FY2020	\$900,885	\$1,543,501	\$11,305,167	\$(187,508)	\$521,913	\$(4,453)	\$(382,323)	\$17,939	\$2,242,309	\$15,957,429	
Cumulative effects of changes in accounting policy			(9,954)						(7,795)	(17,749)	
Restated Balance at Beginning of FY 2020	900,885	1,543,501	11,295,213	(187,508)	521,913	(4,453)	(382,323)	17,939	2,234,514	15,939,680	
Cash dividends			(225,481)							(225,481)	
Profit attributable to owners of the parent for the year			508,933							508,933	
Purchases of treasury stock				(90)						(90)	
Disposal of treasury stock		(0)		0						0	
Effect arising from net change of scope of consolidation			(1,012)							(1,012)	
Change in ownership interests arising from transactions with non-controlling shareholders		(54)								(54)	
Change based on generally accepted accounting standards adopted by overseas subsidiaries										—	
Other					154,322	(8,364)	168,621	410,324	147,385	872,288	
Balance at End of FY2020	\$900,885	\$1,543,447	\$11,577,653	\$(187,598)	\$676,235	\$(12,817)	\$(213,702)	\$428,263	\$2,381,899	\$17,094,264	

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Cash Flows
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
			FY2020
	For the years ended	March 31, 2021	March 31, 2020
Cash Flows from Operating Activities:			
Profit before income taxes		¥110,340	¥133,198
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization		168,040	163,581
Impairment loss on fixed assets		10,051	8,734
Amortization of goodwill		1,148	1,068
Interest and dividend income		(4,901)	(5,578)
Interest expenses		5,404	7,434
Share of loss (profit) of investments accounted for using the equity method		(12,519)	(11,771)
Net loss (gain) on sales of property, plant and equipment		(181)	(1,417)
Net loss (gain) on sales of investment securities		(16,733)	(9,810)
Loss on disposal of property, plant and equipment		2,980	2,867
Loss (gain) on valuation of investment securities		28	931
Gain on return of assets from retirement benefit trust		—	(2,627)
Gain on bargain purchase		—	(10,395)
Loss (gain) on step acquisitions		—	6,572
(Increase) decrease in trade notes and accounts receivable		(66,334)	50,879
(Increase) decrease in inventories		(39,377)	(27,628)
Increase (decrease) in trade notes and accounts payable		28,299	(24,780)
Increase (decrease) in net defined benefit assets and liabilities		(31,562)	2,933
Other, net		37,775	6,121
Subtotal		192,458	290,312
Interest and dividend received		8,630	15,468
Interest paid		(5,336)	(7,557)
Income taxes paid		(26,096)	(33,615)
Net cash provided by operating activities		169,656	264,608
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment		(166,831)	(192,874)
Proceeds from sales of property, plant and equipment		1,781	4,665
Purchase of investment securities		(1,707)	(2,956)
Proceeds from sales of investment securities		19,675	11,569
Proceeds from redemption of investment securities		—	10,000
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)		—	8,482
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation		(1,871)	—
Other, net		(14,477)	(16,906)
Net cash used in investing activities		(163,430)	(178,020)

Financial Data

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2020	FY2019	FY2020
	For the years ended March 31, 2021	March 31, 2020	March 31, 2021
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term debt	(13,071)	75,087	(118,065)
Increase (decrease) in commercial papers	14,000	—	126,457
Proceeds from long-term debt	81,612	14,492	737,169
Redemption of bonds and repayments of long-term debt	(49,303)	(64,628)	(445,335)
Proceeds from issuance of bonds	—	30,000	—
Payments for purchase of treasury stock	(10)	(10)	(90)
Cash dividends paid	(24,963)	(37,444)	(225,481)
Dividends paid to non-controlling interests	(8,103)	(8,637)	(73,191)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(64)	(9)	(578)
Other, net	(13,197)	(10,128)	(119,203)
Net cash used in financing activities	(13,099)	(1,277)	(118,318)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	7,849	(5,374)	70,897
Net Increase (Decrease) in Cash and Cash Equivalents	976	79,937	8,816
Cash and Cash Equivalents at Beginning of Year	249,011	168,873	2,249,219
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	769	201	6,946
Increase in Cash and Cash Equivalents Resulting from Merger with Unconsolidated Subsidiaries	685	—	6,187
Cash and Cash Equivalents at End of Year (Note 3)	¥251,441	¥249,011	\$2,271,168

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2021 and 2020

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

The accounts of overseas consolidated subsidiaries and some domestic consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS") with adjustments for the following specified five items as applicable.

- Goodwill not subject to amortization
- Actuarial gains and losses of defined benefit retirement plans recognized outside profit and loss
- Capitalized expenditures for research and development activities
- Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
- Subsequent changes in fair value of equity instruments presented as other comprehensive income

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

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2021, which was ¥110.71 to U.S. \$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Amounts in the consolidated financial statements and notes are rounded to the nearest million yen. For translations into U.S. dollars, amounts are rounded to the nearest thousand dollars. As a result, totals shown in the consolidated financial statements and notes do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. All significant intercompany transactions and balances have been eliminated. The difference between the cost of investments in consolidated subsidiaries and the underlying equity at dates of acquisition is treated as goodwill.

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

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

b) Translation of Foreign Currencies

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

c) Cash and Time Deposits

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

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d) Securities

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

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

Debt and equity securities not classified as above are classified as available-for-sale securities. Available-for-sale securities which have fair values are stated at the fair value at the fiscal year end, and unrealized holding gains and losses, net of related taxes and non-controlling interests, are reported as a separate component of net assets. Available-for-sale securities which do not have fair values are stated at moving average cost. Realized gains and losses on sales of such securities are computed using moving average cost.

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

e) Derivatives and Hedging Transactions

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

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

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

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

f) Allowance for Doubtful Receivables

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

g) Inventories

Inventories are stated mainly at the lower of the cost, using the weighted average method, or net realizable value.

h) Property, Plant and Equipment (Excluding Leases)

The straight-line method is applied.

i) Goodwill

Goodwill is amortized on a straight-line basis over a period within 20 years (mostly 5 or 10 years).

j) Revenue Recognition

The Company and its domestic consolidated subsidiaries apply "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018). The amount expected to be received in exchange for promised goods or services is recognized as revenue at the time when the control of the goods or services is transferred to the customer.

k) Research and Development

Expenses related to research and development activities are charged to expenses as incurred and totaled ¥118,820 million (US\$1,073,254 thousand) and ¥125,449 million for the years ended March 31, 2021 and 2020, respectively.

l) Retirement Benefits

(1) Method of attributing expected benefits to periods of service

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

(2) Method for calculating expenses for actuarial gains and losses and past service cost

The amount of defined benefit liabilities (assets) is based on the benefit obligation and fair value of plan assets at the end of the fiscal year.

Past service cost is amortized on a straight-line basis over certain periods within the average remaining service years of employees (mainly 3 years) from the year in which it arises or accounted for as an expense when it arises at some consolidated subsidiaries.

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

m) Income Taxes

Income tax expense comprises current and deferred tax.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

n) Leases

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

o) Consolidated Statement of Cash Flows

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

p) Appropriation of Retained Earnings

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

q) Use of Estimates

In the preparation of these financial statements in accordance with generally accepted accounting principles, the management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Certain amounts based upon accounting estimates and recorded in the financial statements of the current fiscal year may have a significant effect on the following fiscal year ending March 31, 2022 as follows:

(Impairment of fixed assets)

(1) Amount recorded in the consolidated financial statements for the current fiscal year

The amount of assets reported in the Electronics segment in the current fiscal year was ¥238,291 million. Although there are indications of impairment in some asset groups, impairment loss was not recorded for the current fiscal year as future cash flows exceeded the book value.

(2) Other information that contributes to the understanding of accounting estimates

The Company and its consolidated subsidiaries group cash-generating units mainly by business division, except that assets scheduled to be disposed of and idle assets are grouped as individual asset groups. When any indication of impairment exists, the future cash flow of the asset group is estimated. If the future cash flow is less than the book value, the book value of the asset is reduced to its recoverable amount. If this recoverable amount decreases in the future, an impairment loss may be incurred and may affect business performance.

In the current consolidated fiscal year, the future cash flows of some asset groups in the Electronics segment were estimated based on the medium-term business plan that consists of available market information, customers' forecasts and activities for development and sales expansion of new products and cost reduction, etc. Consequently, impairment loss was not recorded for the current fiscal year. Considering the high volatility in market trends of final products and

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demands in this segment, a decrease in future cash flows due to unpredictable changes in the business environment in the future may have a significant impact on the determination of impairment of fixed assets.

(Large construction projects)

(1) Amount recorded in the consolidated financial statements for the current fiscal year
The amount of sales in the Environment and Energy segment was ¥634,191 million.

(2) Other information that contributes to the understanding of accounting estimates

In the Environment and Energy business segment, the Company and its consolidated subsidiaries operate the business of design and construction such as electrical/power supply work, engineering and the installation of products as well as the manufacture and sales of the products.

In the recognition of revenue for construction contracts, for the performance obligation satisfied over time, revenue is recognized over time based on the estimated progress towards the satisfaction of that performance obligation. If it is possible to measure the outcome of the performance obligation reasonably, the method used to estimate the progress towards the satisfaction of the performance obligation is the input method based on the ratio of the actual costs to the total estimated costs. If it is not possible to measure the outcome of the performance obligation reasonably, revenue is recognized only to the extent of actual costs incurred.

When estimating the total construction cost, the Company and its consolidated subsidiaries calculate the appropriate cost after considering the entire content of the work to be performed according to the customer's specifications and review the estimate in a timely manner in response to the change in the situation after receiving the order. However, regarding long-term construction projects, such as large power-cable projects, if additional costs that exceed the estimate as of the end of the current consolidated fiscal year are incurred because of unexpected circumstances such as an extension of the construction period or additional costs due to influence of the weather or unseen changes in the content of the work, they may affect the profit and loss of the next consolidated fiscal year.

r) Reclassifications and Restatements

Certain prior year amounts are reclassified and restated to conform to the current year presentation. These reclassifications and restatements have had no effect on previously reported results of operations or retained earnings except the retrospective adoption of IFRS-based accounting treatment by the U.S. consolidated subsidiaries noted below at "v) Changes in Accounting Policy."

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied from the end of the current fiscal year ended March 31, 2021. Regarding the amounts recorded on the consolidated financial statements of the current fiscal year ended March 31, 2021 based on accounting estimates which may have a significant effect on the consolidated financial statements of the next fiscal year ending March 31, 2022 are noted.

The note does not include information for the prior fiscal year ended March 31, 2020 in accordance with the transitional provision set out in Paragraph 11 of the Accounting Standard.

s) Accounting for Consumption Taxes

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

t) Adoption of Consolidated Taxation System

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

u) Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

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

v) Changes in Accounting Policy

(Adoption of IFRS-based accounting treatment by the U.S. consolidated subsidiaries)

Previously, the U.S. consolidated subsidiaries had prepared financial statements in accordance with U.S. GAAP, and the other overseas consolidated subsidiaries, excluding the U.S. consolidated subsidiaries, had prepared financial statements in accordance with IFRS. The U.S. consolidated subsidiaries, however, have adopted IFRS from the beginning of the fiscal year ended March 31, 2021. The main purpose of this change was to promote standardization of accounting treatment and to strengthen performance management by unifying the accounting standards adopted by the overseas consolidated subsidiaries to IFRS. The changes in the accounting policy have been applied retrospectively, and with respect to the consolidated financial statements for the fiscal year ended March 31, 2020, the amounts have been adjusted retrospectively.

As a result, on the consolidated balance sheet for the fiscal year ended March 31, 2020, machinery, equipment and others in property, plant and equipment increased by ¥15,368 million and other non-current liabilities in non-current liabilities increased ¥14,461 million mainly. In addition, net assets at the beginning of the fiscal year ended March 31, 2020 was adjusted to reflect the cumulative effects. In light of this, after the retrospective application of the changes, the balance at beginning of previous period decreased by ¥183 million in retained earnings.

(Application of Accounting Standards for Revenue Recognition)

The Company and its domestic consolidated subsidiaries have applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018) from the beginning of the fiscal year ended March 31, 2021, as they are applicable from the beginning of fiscal years starting on or after April 1, 2018. The amount expected to be received in exchange for promised goods or services is recognized as revenue at the time when the control of the goods or services is transferred to the customer.

The company and its domestic consolidated subsidiaries have changed the time of revenue recognition for domestic sales transactions from the time of shipment to the time of acceptance inspection by the customer or arrival at the customer and have changed that of export sales transactions from the time of export customs clearance to the time when risks are transferred to the customer on the basis of trade terms such as incoterms. Regarding certain transactions under repurchase agreements in which the company and its subsidiaries manufacture products from raw materials purchased from the customer and sell the products to the same customer, the amount of revenue recognition has been changed from the gross amount including the purchased price to the net amount after deducting the purchased price.

In addition, some domestic consolidated subsidiaries identify the delivery of products and the installation and on-site adjustment of these products, which were previously identified as distinct transactions, as a single performance obligation and recognize revenue at the time of completion of installation and on-site adjustment. And, regarding contract constructions, the percentage of completion method was previously applied for construction for which certain outcomes for the work progress was recognizable, and the completed contract method was applied for other constructions. However, for the performance obligation satisfied over time, the method has been changed and revenue is recognized over time based on the estimated progress towards the satisfaction of that performance obligation. For the performance obligation not satisfied over time, revenue is recognized at the time of the completion of the installation as the performance obligation satisfied at a point in time. If it is possible to measure the outcome of the performance obligation reasonably, the method used to estimate the progress towards the satisfaction of the performance obligation is the input method based on the ratio of the actual costs to the total estimated costs. If it is not possible to measure the outcome of the performance obligation reasonably, revenue is recognized only to the extent of actual costs incurred.

The application of the Accounting Standard for Revenue Recognition is in accordance with the transitional treatment as provided in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application is added to or deducted from the retained earnings at the beginning of the fiscal year ended March 31, 2021.

As a result, at the beginning of the fiscal year ended March 31, 2021, retained earnings decreased by ¥1,102 million and non-controlling interests decreased by ¥863 million. And, in the fiscal year, net sales decreased by ¥32,999 million and cost of sales decreased by ¥33,434 million, whereas operating income and profit before income taxes increased by ¥435 million.

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w) Standards Issued but Not Yet Adopted

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Summary

Presentation and disclosure about revenue recognition are stipulated.

(2) Planned Adoption Date

The Company and its domestic consolidated companies plan to adopt the standards from the beginning of the fiscal year ending March 31, 2022.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Summary

Under the circumstances that IASB and FASB have similar detailed guidance about fair value measurement (IFRS 13 – Fair Value Measurement – in IFRS and Topic 820 in the Accounting Standards Codification – Fair Value Measurement – in U.S. GAAP), ASBJ has made efforts to make the Japanese standards consistent with international accounting standards, mainly regarding the guidance and disclosure of the fair value of financial instruments and has published .

From the viewpoint of improving the comparability of financial statements between domestic and overseas companies by using a uniform calculation method as a basic policy for the development of accounting standards for fair value measurement, ASBJ has basically adopted all the provisions of IFRS 13 and has stipulated other treatments for individual items to the extent that comparability between financial statements is not significantly impaired considering the practices that have been conducted in Japan up to now.

(2) Planned Adoption Date

The Company and its consolidated companies plan to adopt the standards from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of Adoption

The impact of the application of the accounting standards on the consolidated financial statements has not yet been determined.

3. CASH AND CASH EQUIVALENTS**a) Obtaining Control of Subsidiary**

In FY2019, the Company obtained control of TECHNO ASSOCIE Co., Ltd. due to the acquisition of shares.

The breakdown of the assets and liabilities of this company at the time of consolidation in connection with the acquisition cost and proceeds from the acquisition was as follows:

FY2019	Millions of yen
Current assets	¥ 50,380
Non-current assets	16,243
Current liabilities	(17,747)
Non-current liabilities	(1,484)
Non-controlling interests	(23,894)
Previously held equity interests before obtaining control	(15,902)
Loss on step acquisitions	6,572
Gain on bargain purchase	(10,395)
Acquisition cost	3,773
Cash and cash equivalents	(12,255)
Proceeds from acquisition	¥ 8,482

b) Reconciliations

The reconciliations between cash and time deposits in the consolidated balance sheet and cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of
	FY2020	FY2019	FY2020
As of	March 31, 2021	March 31, 2020	March 31, 2021
Cash and time deposits	¥253,668	¥250,600	\$2,291,284
Cash equivalents included in securities	724	383	6,540
Deposits placed with banks with a maturity of over three months	(2,951)	(1,972)	(26,655)
Cash and cash equivalents	¥251,441	¥249,011	\$2,271,168

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4. FINANCIAL INSTRUMENTS

a) Qualitative Information on Financial Instruments

(1) Policies for using financial instruments

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

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

Trade notes and accounts receivable are exposed to the credit risks of customers. The Company and its consolidated subsidiaries try to reduce and manage the risk according to rules for credit control. Operating receivables denominated in foreign currencies are exposed to foreign exchange risks. The Company and its consolidated subsidiaries hedge the risks using forward exchange contracts, etc., for the net position of foreign currency operating receivables and payables. Securities and investment securities are held mainly to build and strengthen long-term and stable customer relationships and to facilitate business and technical customer partnerships and are exposed to market value fluctuation risks. The Company and its consolidated subsidiaries review the circumstances periodically and evaluate the fair value of the securities and investment securities and the financial condition of the issuers, which are generally business counterparties.

Payment terms of operating payables such as trade notes and accounts payable are mostly less than one year. Operating payables denominated in foreign currencies are exposed to foreign exchange risks, but it is consistently less than the accounts receivable balance denominated in the same foreign currencies. The main purpose of holding debt and issuing bonds and commercial papers is to secure financing for capital expenditure and working capital. The derivative transactions entered into comprise forward exchange contracts to hedge exchange risks of foreign currency debts and credits, interest swap contracts to hedge fluctuation risks of interest rates and fair value for debt and bonds and commodity forward transactions to hedge the risk of price fluctuation for raw materials. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

b) Fair Value of Financial Instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2021 and 2020 are set forth in the table below. Financial instruments whose fair values are hard to determine are not included in the table.

As of	Millions of yen						Thousands of U.S. dollars		
	FY2020			FY2019			FY2020		
	March 31, 2021			March 31, 2020			March 31, 2021		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 253,668	¥ 253,668	¥ —	¥ 250,600	¥ 250,600	¥ —	\$ 2,291,284	\$ 2,291,284	\$ —
Trade notes and accounts receivable	755,258	755,258	—	670,337	670,337	—	6,821,949	6,821,949	—
Securities, investments in unconsolidated subsidiaries and affiliates and investment securities	304,105	482,947	178,842	282,084	262,266	(19,818)	2,746,861	4,362,271	1,615,410
Total assets	1,313,031	1,491,873	178,842	1,203,021	1,183,203	(19,818)	11,860,094	13,475,504	1,615,410
Trade notes and accounts payable	397,439	397,439	—	361,155	361,155	—	3,589,911	3,589,911	—
Short-term debt	310,695	310,695	—	307,620	307,620	—	2,806,386	2,806,386	—
Commercial papers	14,000	14,000	—	—	—	—	126,457	126,457	—
Bonds	104,873	104,996	123	104,851	105,012	161	947,277	948,388	1,111
Long-term debt	205,113	207,318	2,205	173,554	176,308	2,754	1,852,705	1,872,622	19,917
Total liabilities	1,032,120	1,034,448	2,328	947,180	950,095	2,915	9,322,735	9,343,763	21,028
Derivative transactions	(3,911)	(3,911)	—	222	222	—	(35,327)	(35,327)	—

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

Cash and time deposits, trade notes and accounts receivable:

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

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

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

Trade notes and accounts payable:

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

Short-term debt:

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

Commercial papers:

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

Bonds:

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

Long-term debt:

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

Derivative transactions:

See Note 6.

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

	Millions of yen		Thousands of U.S. dollars
	FY2020		FY2020
	As of March 31, 2021	March 31, 2020	March 31, 2021
Unlisted securities (available-for-sale securities)	¥ 6,129	¥ 6,259	\$ 55,361
Unlisted investments in unconsolidated subsidiaries and affiliates	97,899	94,004	884,283

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

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5. SECURITIES

The carrying amounts of securities in current assets and investment securities as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Securities in current assets:			
Available-for-sale securities	¥727	¥384	\$6,567
Held-to-maturity debt securities	—	—	—
	¥727	¥384	\$6,567
Investment securities:			
Available-for-sale securities	¥144,184	¥119,407	\$1,302,358
Held-to-maturity debt securities	—	—	—
	¥144,184	¥119,407	\$1,302,358

Available-for-sale securities with fair values or quoted market values included in securities in current assets and investment securities as of March 31, 2021 and 2020 were as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
FY2020				
Equity securities	¥23,167	¥115,117	¥(229)	¥138,055
Other	727	—	—	727
	¥23,894	¥115,117	¥(229)	¥138,782
	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
FY2019				
Equity securities	¥25,893	¥87,921	¥(666)	¥113,148
Other	384	—	—	384
	¥26,277	¥87,921	¥(666)	¥113,532
	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
FY2020				
Equity securities	\$209,258	\$1,039,807	\$(2,068)	\$1,246,997
Other	6,567	—	—	6,567
	\$215,825	\$1,039,807	\$(2,068)	\$1,253,564

Proceeds from sales of available-for-sale securities were ¥19,664 million (US\$177,617 thousand) and ¥11,322 million for the years ended March 31, 2021 and 2020, respectively. The net realized gains were ¥16,760 million (US\$151,387 thousand) and ¥9,713 million, respectively.

Impairment loss on securities during fiscal year 2020 amounted to ¥28 million (US\$253 thousand), which consisted of ¥28 million (US\$253 thousand) for available-for-sale securities. Impairment loss of securities during fiscal year 2019 amounted to ¥931 million, which consisted of ¥931 million for available-for-sale securities.

6. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have entered into foreign currency forward exchange contracts, foreign currency option contracts and foreign currency swap contracts to hedge risks of exchange rate fluctuations in connection with foreign currency monetary assets and liabilities, interest rate swap contracts to hedge risks of interest rate fluctuations and commodity forward contracts, etc., to hedge risks of fluctuations in the price of raw materials. The Company and its consolidated subsidiaries use derivative transactions for managing market risk related to recorded assets and liabilities as well as for future commitments and not for speculation or dealing purposes. The Company and its consolidated subsidiaries deal only with highly rated international financial institutions and trading concerns as counterparties to these transactions to minimize credit risk exposure. Derivative transactions are entered into by each operational division, and the processing of the transactions is controlled and reviewed by administrative divisions in accordance with established policies that restrict dealing in derivatives, including limits on authority and amounts.

Additional information for derivative transactions as of and for the years ended March 31, 2021 and 2020 is as follows:

	Millions of yen									
	FY2020					FY2019				
	Contracts for which hedge accounting is not adopted		Contracts for which hedge accounting is adopted*			Contracts for which hedge accounting is not adopted		Contracts for which hedge accounting is adopted*		
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Foreign currency forward exchange and currency option contracts:										
Buy	¥ 28,196	¥ 622	¥ 622	¥ 32,164	¥ (13)	¥19,411	¥ (118)	¥ (118)	¥ 32,076	¥(183)
Sell	80,646	(1,502)	(1,502)	201,763	(3,013)	32,222	490	490	151,968	(458)
Interest rate and currency swap contracts	622	(28)	(28)	8,500	(85)	611	11	11	—	—
Commodity forward contracts (copper, nickel and aluminum):										
Buy	16,313	(22)	(22)	425	(12)	7,439	(65)	(65)	291	(24)
Sell	22,962	(449)	(449)	6,438	86	11,849	765	765	2,545	119
Commodity swap contracts (copper and silver)	—	—	—	1,887	505	—	—	—	1,521	(315)
	¥148,739	¥(1,379)	¥(1,379)	¥251,177	¥(2,532)	¥71,532	¥1,083	¥1,083	¥188,401	¥(861)
	Thousands of U.S. dollars									
	FY2020					FY2019				
	Contracts for which hedge accounting is not adopted		Contracts for which hedge accounting is adopted*			Contracts for which hedge accounting is not adopted		Contracts for which hedge accounting is adopted*		
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Foreign currency forward exchange and currency option contracts:										
Buy	\$ 254,683	\$ 5,618	\$ 5,618	\$ 290,525	\$ (117)					
Sell	728,444	(13,567)	(13,567)	1,822,446	(27,215)					
Interest rate and currency swap contracts	5,618	(253)	(253)	76,777	(768)					
Commodity forward contracts (copper, nickel and aluminum):										
Buy	147,349	(199)	(199)	3,839	(108)					
Sell	207,407	(4,056)	(4,056)	58,152	777					
Commodity swap contracts (copper and silver)	—	—	—	17,045	4,561					
	\$1,343,501	\$(12,456)	\$(12,456)	\$2,268,783	\$(22,871)					

* Certain foreign currency forward exchange contracts meeting certain hedging criteria, except forecasted transactions, are excluded from the fair value of the table above for the years ended March 31, 2021 and 2020. Certain interest rate swap contracts in the amount of ¥65,192 million (US\$588,854 thousand) and ¥98,068 million for the years ended March 31, 2021 and 2020, respectively, meeting certain hedging criteria are excluded from the table above.

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7. INVENTORIES

Inventories as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Merchandise and finished goods	¥218,868	¥184,580	\$1,976,949
Work in process	176,707	173,421	1,596,125
Raw materials and supplies	210,768	193,999	1,903,785
	¥606,343	¥552,000	\$5,476,858

8. INTEREST-BEARING LIABILITIES

a) Short-Term Debt and Bonds in Current Liabilities

Short-term debt and bonds in current liabilities at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Short-term debt, principally from banks, with a weighted average interest rate of 0.53% at March 31, 2021	¥257,833	¥257,875	\$2,328,904
Current portion of long-term debt, principally from banks and insurance companies, with a weighted average interest rate of 0.42% at March 31, 2021	52,862	49,745	477,482
Commercial papers, with a weighted average interest rate of 0.00% at March 31, 2021	14,000	—	126,457
Current portion of bonds	10,000	—	90,326
	¥334,695	¥307,620	\$3,023,169

b) Bonds and Long-Term Debt

Bonds and long-term debt at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Unsecured bonds, due 2022 to 2031, with an interest rate of 0.08%-0.936%	¥104,873	¥104,851	\$ 947,277
Long-term debt, principally from banks and insurance companies, due 2022 to 2030, with a weighted average interest rate of 0.35% at March 31, 2021	257,975	223,299	2,330,187
	362,848	328,150	3,277,464
Current portion of bonds and long-term debt	(62,862)	(49,745)	(567,808)
	¥299,986	¥278,405	\$2,709,656

The aggregate annual maturities of bonds and long-term debt at March 31, 2021 were as follows:

(Bonds)

March 31	Millions of yen	Thousands of U.S. dollars
2022 (= current portion)	¥10,000	\$ 90,326
2023	10,000	90,326
2024	—	—
2025	10,000	90,326
2026	—	—
2027 and thereafter	75,000	677,446

(Long-term debt)

March 31	Millions of yen	Thousands of U.S. dollars
2022 (= current portion)	¥52,862	\$477,482
2023	60,488	546,364
2024	46,360	418,752
2025	37,540	339,084
2026	10,050	90,778
2027 and thereafter	50,675	457,727

The following assets were pledged as collateral for short-term debt and long-term debt, including the current portion, at March 31, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Property, plant and equipment, net of accumulated depreciation	¥2,014	¥2,059	\$18,192

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9. NET ASSETS

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

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

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

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

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

a) Stock Information

Changes in the number of shares issued and outstanding during the years ended March 31, 2021 and 2020 were as follows:

	Thousands of shares	
	FY2020 For the years ended March 31, 2021	FY2019 March 31, 2020
Common stock outstanding		
Balance at beginning of year	793,941	793,941
Balance at end of year	793,941	793,941
Treasury stock outstanding		
Balance at beginning of year	14,044	14,047
Increase due to purchase of shares of common stocks	—	—
Increase due to purchase of odd-lot stocks	2	2
Other, net	7	(5)
Balance at end of year	14,052	14,044

b) Dividend Information

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
Dividends paid in fiscal year 2020				
Shareholders' meeting on June 25, 2020	March 31, 2020	June 26, 2020	¥12,481	\$112,736
Board of Directors on November 6, 2020	September 30, 2020	December 1, 2020	¥12,481	\$112,736

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
Dividends paid after March 31, 2021 with respect to fiscal year 2020				
Shareholders' meeting on June 25, 2021	March 31, 2021	June 28, 2021	¥12,481	\$112,736

Resolution	Record date	Effective date	Total amount
			Millions of yen
Dividends paid in fiscal year 2019			
Shareholders' meeting on June 21, 2019	March 31, 2019	June 24, 2019	¥18,722
Board of Directors on November 1, 2019	September 30, 2019	December 2, 2019	¥18,722

Resolution	Record date	Effective date	Total amount
			Millions of yen
Dividends paid after March 31, 2020 with respect to fiscal year 2019			
Shareholders' meeting on June 25, 2020	March 31, 2020	June 26, 2020	¥12,481

10. AMOUNTS PER SHARE

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

In the year ended March 31, 2021 and 2020, there were no potentially dilutive common shares.

Cash dividends per share in the consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the consolidated fiscal year.

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11. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Reclassification adjustments and tax effects on other comprehensive income (loss) for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2020 For the years ended March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Net Unrealized Holding Gains or Losses on Available-for-Sale Securities:			
Increase (decrease) during the year	¥44,194	¥(30,679)	\$399,187
Reclassification adjustments	(16,570)	(8,857)	(149,670)
Subtotal, before tax	27,624	(39,536)	249,517
Tax effects	(8,046)	12,394	(72,676)
Subtotal, net of tax	¥19,578	¥(27,142)	\$176,840
Deferred Gains or Losses on Hedges:			
Increase (decrease) during the year	¥(2,910)	¥ 148	\$(26,285)
Reclassification adjustments	1,771	(546)	15,997
Subtotal, before tax	(1,139)	(398)	(10,288)
Tax effects	251	46	2,267
Subtotal, net of tax	¥ (888)	¥(352)	\$ (8,021)
Foreign Currency Translation Adjustments:			
Increase (decrease) during the year	¥34,214	¥(31,160)	\$309,042
Reclassification adjustments	96	—	867
Subtotal, before tax	34,310	(31,160)	309,909
Tax effects	—	—	—
Subtotal, net of tax	¥34,310	¥(31,160)	\$309,909
Remeasurements of Defined Benefit Plans			
Increase (decrease) during the year	¥61,299	¥(17,743)	\$553,690
Reclassification adjustments	7,155	(3,402)	64,628
Subtotal, before tax	68,454	(21,145)	618,318
Tax effects	(20,368)	5,526	(183,976)
Subtotal, net of tax	¥48,086	¥(15,619)	\$434,342
Share of Other Comprehensive Income (Loss) of Affiliates Accounted for Using Equity Method:			
Increase (decrease) during the year	¥ (7,499)	¥ (2,730)	\$ (67,736)
Reclassification adjustments	110	10	994
Subtotal, net of tax	¥ (7,389)	¥ (2,720)	\$ (66,742)
Total other comprehensive income (loss)	¥93,697	¥(76,993)	\$(846,328)

* Reclassification adjustments of the portion of other comprehensive income (loss) of affiliates accounted for using the equity method include adjustments for the acquisition cost of assets.

12. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.6% for the years ended March 31, 2021 and 2020.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2021 and 2020:

	For the years ended	
	FY2020 March 31, 2021	FY2019 March 31, 2020
Statutory tax rate	30.6%	30.6%
Share of profit of investments accounted for using the equity method	(3.5)	(2.7)
Non-deductible expenses	0.2	0.3
Non-taxable dividend income	(0.2)	(0.2)
Tax credits	(2.3)	(1.8)
Effect of lower tax rates for overseas consolidated subsidiaries	(4.5)	(4.8)
Change in valuation allowance	9.5	5.3
Intercompany profits	(0.5)	2.0
Change in undistributed earnings of consolidated subsidiaries and affiliates	2.7	(1.1)
Amortization of goodwill	0.3	0.2
Foreign income taxes	3.8	4.3
Other	1.6	1.5
Effective tax rate	37.7%	33.6%

Deferred tax assets and liabilities included in the consolidated balance sheet at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	As of FY2020 March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Deferred tax assets	¥ 29,519	¥ 38,179	\$ 266,634
Deferred tax liabilities	(49,998)	(31,291)	(451,612)
	¥(20,479)	¥ 6,888	\$(184,979)

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Significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Deferred tax assets:			
Net operating loss carryforwards*	¥ 58,108	¥ 49,351	\$ 524,867
Fixed assets	17,717	17,046	160,031
Net defined benefit liabilities	15,499	17,647	139,996
Accrued expenses	14,084	14,223	127,215
Intercompany profits	12,274	12,396	110,866
Inventories	11,423	10,586	103,179
Foreign tax credits	5,327	6,355	48,117
Allowance for doubtful receivables	707	725	6,386
Investment securities	518	3,206	4,679
Other	40,467	25,618	365,523
	176,124	157,153	1,590,859
Valuation allowance regarding net operating loss carryforwards*	(52,874)	(45,063)	(477,590)
Valuation allowance regarding deductible temporary differences	(24,200)	(22,255)	(218,589)
Total valuation allowance	(77,074)	(67,318)	(696,179)
Total deferred tax assets	99,050	89,835	894,680
Deferred tax liabilities:			
Net defined benefit assets	(41,124)	(16,105)	(371,457)
Net unrealized holding gains or losses on available-for-sale securities	(34,879)	(26,821)	(315,048)
Undistributed earnings of consolidated subsidiaries and affiliates	(28,413)	(25,343)	(256,643)
Accelerated depreciation of overseas consolidated subsidiaries	(7,695)	(7,172)	(69,506)
Excess of fair value over the book value of assets and liabilities of consolidated subsidiaries at the acquisition dates	(4,036)	(4,274)	(36,456)
Reserve for tax purpose reduction entry of non-current assets	(856)	(864)	(7,732)
Other	(2,526)	(2,368)	(22,816)
Total deferred tax liabilities	(119,529)	(82,947)	(1,079,659)
Net deferred tax assets (liabilities)	¥ (20,479)	¥ 6,888	\$ (184,979)

* The expiration of net operating loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2021 and 2020 were as follows:

	Millions of yen		
	FY2020		
March 31	Net operating loss carryforwards [†]	Valuation allowance	Deferred tax assets
2022	¥ 2,459	¥ (2,183)	¥ 276
2023	1,243	(1,054)	189
2024	1,634	(1,443)	191
2025	1,537	(1,387)	150
2026	10,496	(8,139)	2,357
2027 and thereafter	40,739	(38,668)	2,071
	¥58,108	¥(52,874)	¥5,234

	Millions of yen		
	FY2019		
March 31	Net operating loss carryforwards [†]	Valuation allowance	Deferred tax assets
2021	¥ 987	¥ (439)	¥ 548
2022	2,673	(1,400)	1,273
2023	1,087	(1,076)	11
2024	1,527	(1,388)	139
2025	2,403	(1,241)	1,162
2026 and thereafter	40,674	(39,519)	1,155
	¥49,351	¥(45,063)	¥4,288

	Thousands of U.S. dollars		
	FY2020		
March 31	Net operating loss carryforwards [†]	Valuation allowance	Deferred tax assets
2022	\$ 22,211	\$ (19,718)	\$ 2,493
2023	11,228	(9,520)	1,707
2024	14,759	(13,034)	1,725
2025	13,883	(12,528)	1,355
2026	94,806	(73,516)	21,290
2027 and thereafter	367,979	(349,273)	18,707
	\$524,867	\$(477,590)	\$47,277

[†] This amount is net operating loss carryforwards multiplied by statutory tax rate.

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13. RETIREMENT BENEFITS

The Company and most of its domestic consolidated subsidiaries have contributory and noncontributory defined benefit plans and lump-sum retirement benefit plans. The Company and some of its subsidiaries have defined contribution plans and prepaid retirement allowance plans. Some overseas subsidiaries have defined benefit plans and defined contribution plans. Some subsidiaries apply the simplified method for the computation of benefit obligations.

a) Defined Benefit Plans

(1) Movements in retirement benefit obligations, except for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	FY2020	FY2019	FY2020
	For the years ended March 31, 2021	March 31, 2020	March 31, 2021
Balance at beginning of year	¥334,600	¥333,448	\$3,022,311
Service cost	14,922	15,613	134,785
Interest cost	2,701	2,863	24,397
Actuarial gains and losses	3,323	(1,720)	30,015
Benefits paid	(19,108)	(17,798)	(172,595)
Net change as a result of business combinations	—	3,948	—
Decrease due to transfer to defined contribution plan	(25,389)	—	(229,329)
Other	2,185	(1,754)	19,736
Balance at end of year	¥313,234	¥334,600	\$2,829,320

(2) Movements in plan assets, except for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	FY2020	FY2019	FY2020
	For the years ended March 31, 2021	March 31, 2020	March 31, 2021
Balance at beginning of year	¥347,275	¥368,769	\$3,136,799
Expected return on plan assets	6,127	7,161	55,343
Actuarial gains and losses	67,546	(18,396)	610,117
Contributions paid by the employer	13,048	12,308	117,857
Benefits paid	(12,215)	(11,433)	(110,333)
Return of assets from retirement benefit trust	—	(15,000)	—
Net change as a result of business combinations	—	4,651	—
Other	3,472	(785)	31,361
Balance at end of year	¥425,253	¥347,275	\$3,841,144

(3) Movements in net defined benefit liabilities (or assets) for defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	FY2020	FY2019	FY2020
	For the years ended March 31, 2021	March 31, 2020	March 31, 2021
Balance at beginning of year	¥3,402	¥2,604	\$30,729
Retirement benefit costs	336	738	3,035
Benefits paid	(585)	(175)	(5,284)
Contributions paid by the employer	(80)	(83)	(723)
Other	88	318	795
Balance at end of year	¥3,161	¥3,402	\$28,552

(4) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheet, including the defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	FY2020	FY2019	FY2020
	As of March 31, 2021	March 31, 2020	March 31, 2021
Funded retirement benefit obligations	¥ 284,087	¥302,693	\$2,566,046
Plan assets	(427,543)	(349,133)	(3,861,828)
	(143,456)	(46,440)	(1,295,782)
Unfunded retirement benefit obligations	34,598	37,167	312,510
Total net defined benefit liabilities (assets)	¥(108,858)	¥ (9,273)	\$ (983,272)
Net defined benefit liabilities	¥ 49,589	¥ 56,961	\$ 447,918
Net defined benefit assets	(158,447)	(66,234)	(1,431,190)
Total net defined benefit liabilities (assets)	¥(108,858)	¥ (9,273)	\$ (983,272)

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	FY2020	FY2019	FY2020
	For the years ended March 31, 2021	March 31, 2020	March 31, 2021
Service cost	¥14,467	¥15,151	\$130,675
Interest cost	2,701	2,863	24,397
Expected return on plan assets	(6,127)	(7,161)	(55,343)
Amortization:			
Actuarial gains and losses	3,913	(2,262)	35,345
Past service cost	578	731	5,221
Retirement benefit costs from plans applying the simplified method	336	738	3,035
Gain on return of assets from retirement benefit trust	—	(2,627)	—
Other	497	484	4,489
Total retirement benefit costs	¥16,365	¥ 7,917	\$147,819

1. Employees' contribution to the corporate pension fund is deducted from "Service cost."

2. In addition to the retirement benefit costs listed above, an extra payment of retirement benefits in the amount of ¥2,402 million (US\$21,696 thousand) and ¥1,072 million were recognized as restructuring expenses in the consolidated statement of income for fiscal years 2020 and 2019, respectively.

(6) Remeasurements of defined benefit plans (before tax)

	Millions of yen		Thousands of U.S. dollars
	FY2020	FY2019	FY2020
	For the years ended March 31, 2021	March 31, 2020	March 31, 2021
Past service cost	¥ 1,221	¥ 466	\$ 11,029
Actuarial gains and losses	67,233	(21,611)	607,289
Total	¥68,454	¥(21,145)	\$618,318

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(7) Accumulated remeasurements of defined benefit plans (before tax)

	Millions of yen		Thousands of U.S. dollars
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Unrecognized past service cost	¥ (180)	¥(1,401)	\$ (1,626)
Unrecognized actuarial gains and losses	65,448	(1,785)	591,166
Total	¥65,268	¥(3,186)	\$589,540

(8) Plan assets

1. Plan assets comprise:

	FY2020	FY2019
Equity securities	48.6%	44.3%
Bonds	25.4	28.5
General account	10.3	12.3
Cash and cash equivalents	4.3	2.8
Other	11.4	12.1
Total	100.0%	100.0%

2. Long-term expected rate of return

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2021 and 2020 (expressed as weighted averages) were as follows:

	FY2020	FY2019
Discount rate	0.8%	0.8%
Long-term expected rate of return	1.8	2.0

The Company and some of its consolidated subsidiaries do not apply expected rates of pay raises to calculate retirement benefit obligations because they have adopted a point basis.

b) Defined Contribution Plans and Prepaid Retirement Allowance Plans

The amount of required contributions to the defined contribution plans and the prepaid retirement allowance plans of the Company and its consolidated subsidiaries was ¥5,953 million (US\$53,771 thousand) and ¥6,737 million for FY2020 and FY2019, respectively.

c) Revision in the Pension Plan

The amount of assets transferred to the defined contribution plan as a result of the transfer of a portion of the lump-sum payment plan of the Company was ¥23,062 million (\$208,310 thousand). The transfer is scheduled to be completed in eight years. The ¥23,062 million (\$208,310 thousand) yet to be transferred as of the end of the current consolidated fiscal year is included in "Accounts payable (non-trade) (Other current liabilities)" or "Long-term accrued liabilities (Other non-current liabilities)".

14. CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2020 As of March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Notes receivable discounted	¥ —	¥ 30	\$ —
Notes receivable endorsed	480	403	4,336

FY2020 As of March 31, 2021

	Millions of yen	Thousands of U.S. dollars
Guarantees: Debt guarantees and similar agreements		
Jiaxing SEI-Futong Optical Fiber Co., Ltd.	¥1,771	\$15,997
Daeheung SumiRiko Rubber Material (Yancheng) Co., Ltd.	867	7,831
Sumiden International Trading (Shanghai) Co., Ltd.	247	2,231
Employees	136	1,228
Others	222	2,005

FY2019 As of March 31, 2020

	Millions of yen
Guarantees: Debt guarantees and similar agreements	
Jiaxing SEI-Futong Optical Fiber Co., Ltd.	¥2,278
SEI Optifrontier Vietnam, Ltd.	1,088
Daeheung SumiRiko Rubber Material (Yancheng) Co., Ltd.	789
Chongqing Xinminkang Co., Ltd.	482
Employees	193
Others	365

15. GAIN ON RETURN OF ASSETS FROM RETIREMENT BENEFIT TRUST

In fiscal year 2019, gain on return of assets from retirement benefit trust in extraordinary income resulted from amortization of unrecognized actuarial gains and losses related to the return of a portion of retirement benefit trust of the Company.

16. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Loss on disposal of property, plant and equipment for the years ended March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2020 For the years ended March 31, 2021	FY2019 March 31, 2020	FY2020 March 31, 2021
Buildings and structures	¥ 566	¥ 678	\$ 5,112
Machinery, equipment and others	1,853	1,762	16,737
Other	477	333	4,309

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17. IMPAIRMENT LOSS ON FIXED ASSETS

The Company and its consolidated subsidiaries grouped long-lived assets into asset groups by business segment and conducted impairment tests with the conclusion that the carrying amounts should be reduced to the recoverable amounts by ¥10,051 million (US\$90,787 thousand) and ¥8,734 million in FY2020 and FY2019, respectively. The recoverable amount is mainly the net selling price.

Impairment loss on fixed assets for each reportable segment is disclosed in Note 20 b) (4), for the years ended March 31, 2021 and 2020.

Impairment loss on fixed assets for the years ended March 31, 2021 and 2020 was as follows:

	Millions of yen	Thousands of U.S. dollars
FY2020		
Machinery, equipment and others	¥ 7,257	\$65,550
Buildings and structures	1,024	9,249
Land	736	6,648
Other	1,034	9,340
	¥10,051	\$ 90,787*

* The amount of ¥813 million (US\$7,344 thousand) is included in "Restructuring expenses" (Note 18) in the consolidated statement of income for fiscal year 2020.

	Millions of yen
FY2019	
Machinery, equipment and others	¥7,282
Buildings and structures	578
Other	874
	¥8,734*

* The amount of ¥1,131 million is included in "Restructuring expenses" (Note 18) in the consolidated statement of income for fiscal year 2019.

18. RESTRUCTURING EXPENSES

In fiscal year 2020, restructuring expenses of ¥8,286 million (US\$74,844 thousand) were related to the reorganization and closing of business locations, etc., to strengthen profitability and to make more efficient the production structure of anti-vibration rubbers business, optical devices business, wiring harness business, FPC business, etc.

In fiscal year 2019, restructuring expenses of ¥3,124 million were related to the reorganization of the business locations and the right-sizing of the number of employees in proportion to the scale of business to make more efficient the production structure and to strengthen the profitability of the optical devices business, FPC business, sintered parts business, etc.

Major expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen	Thousands of U.S. dollars
FY2020		
Loss related to transfer of shares of subsidiary	¥2,698	\$24,370
Extra payment of retirement benefits	2,402	21,696
Impairment loss on fixed assets (Note 17)	813	7,344

	Millions of yen
FY2019	
Impairment loss on fixed assets (Note 17)	¥1,131
Extra payment of retirement benefits	1,072

19. REVENUE RECOGNITION

The main businesses of the company and its domestic subsidiaries are manufacture and sales of products in the following business segments: Automotive, Infocommunications, Electronics, Environment and Energy and Industrial Materials and others. Revenue for domestic sales transactions is recognized mainly at the time of the acceptance inspection by the customer or arrival at the customer, and revenue for export sales transactions is recognized mainly at the time when risks are transferred to the customer on the basis of trade terms such as incoterms. In the Environment and Energy business segment, the company and its consolidated subsidiaries operate the business of design and construction, such as the installation of products, as well as the manufacture and sales of the products. For construction contracts in which the performance obligation is satisfied over time, revenue is recognized based on the estimated progress towards the satisfaction of the performance obligation. For other contracts, revenue is recognized mainly on the completion of installation as the performance obligation satisfied at a point in time.

Financial Data

(2) Information about geographical areas

Sales to customers

FY2020	Millions of yen						Consolidated
	Japan	Asia		Americas		Europe and Others	
		China	Others	U.S.	Others		
Sales to customers	¥1,246,166	¥574,369	¥313,207	¥345,424	¥123,662	¥315,752	¥2,918,580

FY2019	Millions of yen						Consolidated
	Japan	Asia		Americas		Europe and Others	
		China	Others	U.S.	Others		
Sales to customers	¥1,371,875	¥486,027	¥381,227	¥386,862	¥153,344	¥327,692	¥3,107,027

FY2020	Thousands of U.S. dollars						Consolidated
	Japan	Asia		Americas		Europe and Others	
		China	Others	U.S.	Others		
Sales to customers	\$11,256,129	\$5,188,050	\$2,829,076	\$3,120,079	\$1,116,990	\$2,852,064	\$26,362,388

Net property, plant and equipment

FY2020	Millions of yen						Consolidated
	Japan	Asia		Americas	Europe and Others		
		China	Others				
Net property, plant and equipment	¥495,795	¥99,928	¥177,249	¥106,816	¥101,371	¥981,159	

FY2019	Millions of yen						Consolidated
	Japan	Asia		Americas	Europe and Others		
		China	Others				
Net property, plant and equipment	¥494,484	¥91,476	¥166,144	¥112,485	¥95,216	¥959,805	

FY2020	Thousands of U.S. dollars						Consolidated
	Japan	Asia		Americas	Europe and Others		
		China	Others				
Net property, plant and equipment	\$4,478,322	\$902,610	\$1,601,021	\$964,827	\$915,644	\$8,862,424	

(3) Information about major customers

This information is omitted because the Company does not have any major customers that account for 10% or more of net sales in the consolidated statement of income for FY2020 or FY2019.

(4) Information about impairment loss on fixed assets by reportable segment

FY2020	Millions of yen						Total
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	

FY2019	Millions of yen						Total
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	

FY2020	Thousands of U.S. dollars						Total
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	

(5) Information about goodwill by reportable segment

FY2020	Millions of yen						Total
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others		
						Amortization	
Balance at end	¥134	¥—	¥—	¥8	¥1,503	¥1,645	

FY2019	Millions of yen						Total
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others		
						Amortization	
Balance at end	¥200	¥—	¥—	¥2	¥2,574	¥2,776	

FY2020	Thousands of U.S. dollars						Total
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others		
						Amortization	
Balance at end	\$1,210	\$—	\$—	\$72	\$13,576	\$14,859	

6) Information about gain on bargain purchase by reportable segment

In FY2020, gain on bargain purchase was not recognized.

In FY2019, gain on bargain purchase of ¥10,395 million was recognized in the Electronics segment because the Company made TECHNO ASSOCIE CO., LTD. a subsidiary from its then-current status as an equity method affiliate by additional acquisition of its common shares through a public tender offer.

Financial Data

21. RELATED PARTY INFORMATION

a) Related party transactions

Transactions with the corporate pension for employees

FY2019										
(Millions of yen)										
Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions	Financial statement line item	Amount outstanding at end of year
Corporate pension	Employee pension trust	-	-	-	-	Pension assets of retirement benefit accounting	Return of assets from retirement benefit trust	15,000	-	-

b) Notes on Significant Affiliates

Condensed financial information for a significant affiliate, Sumitomo Rubber Industries, Ltd., that has a fiscal year ending December 31, at the end of FY2020 is as follows:

	Millions of yen	Thousands of U.S. dollars
FY2020		
Total current assets	¥436,652	\$3,944,106
Total non-current assets	538,153	4,860,925
Total current liabilities	246,128	2,223,178
Total non-current liabilities	261,580	2,362,750
Total equity	467,097	4,219,104
Sales revenue	790,817	7,143,140
Profit before tax	29,771	268,910
Profit for the year attributable to:		
Owners of the parent company	22,596	204,101

Condensed financial information for a significant affiliate, Sumitomo Rubber Industries, Ltd., that has a fiscal year ending December 31, at the end of FY2019 is as follows:

	Millions of yen
FY2019	
Total current assets	¥460,054
Total non-current assets	575,430
Total current liabilities	288,847
Total non-current liabilities	271,100
Total equity	475,537
Sales revenue	893,310
Profit before tax	27,295
Profit for the year attributable to:	
Owners of the parent company	12,072

22. ADDITIONAL INFORMATION

Due to the impact of COVID-19, there was a noticeable drop in demand for products mainly in the first quarter of the fiscal year ended March 31, 2021. However, there has been a general recovery trend from the second quarter. Based on external information, such as customers' forecasts, as of the end of the fiscal year ended March 31, 2021, the Company and its consolidated subsidiaries have made accounting estimates for the impairment of fixed assets under the assumption that COVID-19 will not continue to make a significant impact on the business from the next fiscal year ending March 31, 2022. However, the impact of COVID-19 on the future economy and business activities is unclear, so if the above assumptions change, there is a possibility that it will affect the business results for the next consolidated fiscal year.

23. OTHER

The Company is in negotiations with some automakers for damages regarding violation of competition law by it in the automotive segment.