

# SEI CSR Report 2014

## Editorial Policy

This report outlines the business and CSR initiatives of the Sumitomo Electric Group including the economic aspects and business strategies in the first half, and reports the Group's specific CSR activities in each of the CSR core categories.

- As we established the mid-term management plan "VISION 2017" in fiscal 2013 and selected new CSR core categories and priority themes, this report presents the basic approach to each priority theme as well as the activities of the staff in charge of the initiatives (P18 to 22).
- Among the five CSR priority themes, "promotion of diversity," "prevention of global warming" and "promotion of CSR procurement" were selected as the subjects for the Fourth Sumitomo Electric Group Stakeholder Dialogue. This report introduces the opinions exchanged between external experts and our General Managers in charge of the themes in the dialogue (P23 to 25).
- The Products & Services section reports on the "products and technologies that help solve social problems" provided by the Sumitomo Electric Group (P33 to 34).

We have continued to present the following items for better understanding of the contents of this report.

- In P17, the main targets and actual results in fiscal 2013, as well as the targets for fiscal 2014, are summarized to introduce our major activities in the CSR core categories for the Group.
- To ensure the accuracy and completeness of the performance indicators, we have engaged an independent third party to provide assurance on them, and the indicators subject to the assurance are  marked accordingly. In addition, comments on our initiatives and disclosure from an external expert in this field are published to enhance the credibility.
- A list of awards given by external organizations is published on our website in Japanese.  
( <http://www.sei.co.jp/award/index.html> )
- The acquisition of ISO 14001 certification is published on the following website:  
( <http://global-sei.com/csr/environment/data.html> )

### ■ Period Covered by This CSR Report

April 1, 2013 through March 31, 2014 (fiscal 2013).  
Some activities conducted in fiscal 2014 are also covered.

### ■ Boundary of This CSR Report

Sumitomo Electric Industries, Ltd. and its consolidated subsidiaries (342 companies)

In this CSR Report, "Sumitomo Electric," "the Company" or "our company" refers to Sumitomo Electric Industries, Ltd., "Group companies" or "affiliates" refers to the consolidated subsidiaries of Sumitomo Electric, and "the Sumitomo Electric Group" or "the Group" refers to Sumitomo Electric and its Group companies.

- When quantitative information is disclosed, Sumitomo Riko Co., Ltd., Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd., which are listed in stock exchanges in Japan, and their consolidated companies are excluded, and Sumitomo Electric alone or only the Company and limited consolidated subsidiaries are included in some cases. The items referenced within such a specifically limited boundaries are indicated in the text or footnotes in the table or graph.
- For details of the scope of data collection for environmental indicators, see Explanation of the Boundary in P59.
- The boundaries of the data compilation for "Corporate and Business Outline" (P9 to P10) are Sumitomo Electric and 381 consolidated companies.
- The data in "Social Contribution" (P69 to P72) also cover some of the equity-method companies.

### ■ Guidelines Referenced

GRI's Sustainability Reporting Guidelines Version 4  
This report presents information on the standard disclosures.  
The GRI Content Index is published on the following website:  
( <http://global-sei.com/csr/download.html> )

Environmental Reporting Guidelines 2012 issued by the Ministry of the Environment of Japan.

### ■ Date of Publication

November 2014  
(Last CSR Report: published in November 2013; and next CSR Report: scheduled for release in October 2015)

### Responses to findings by an external expert

#### Disclosure of information on diversity should be enhanced.

- » This report presents information about town meetings, which are organized to provide staff in specific functions with opportunities to talk directly with executives. The information includes data on the meetings held for female specialist staff, female general staff and employees in other functions, as well as comments from a female employee who participated in one of the meetings. We plan to consider promoting disclosure of various information on genders in overseas sites.

#### A reasonable explanation of the results of the "Survey to Create a Lively Working Environment" should be provided.

- » We will work to enhance the analysis and report of the results of the "Survey to Create a Lively Working Environment," and also make discussions to improve the analysis of results from the measurement of other indicators.

In order to enhance objectivity and transparency, the information disclosed in this report has been reviewed by an independent third party for assurance. The results are presented in P73. As a result of the assurance, we have been authorized to use the mark shown on the right. This mark is the registration proof that "SEI CSR Report 2014" satisfies the Environmental Reporting Assurance and Registration Criteria designated by the Japanese Association of Assurance Organizations for Sustainability Information (<http://www.j-sus.org/english.html>).



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# Making Efforts to Become a Glorious Excellent Company

Masayoshi Matsumoto  
President & CEO Sumitomo Electric Industries, Ltd.

*M. Matsumoto*

## ■ Preface

I sincerely express my gratitude to our stakeholders for their continued support and understanding of the Sumitomo Electric Group's business activities.

We are striving to maintain our “Glorious” state, which is an unchanging value for us as a corporate person based on the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, and to achieve “Excellent” business results. Through these efforts, we aim to become a “Glorious Excellent Company,” which is our ideal state in the future. As a milestone on the way to the goal, we are now committed to achieving the mid-term management plan “VISION 2017” by fiscal 2017.

## ■ CSR Core Initiatives

CSR activities underlie our efforts to achieve the VISION 2017. We have selected five CSR core categories, namely Products & Services, Supply Chain, Human Resources, Environmental Preservation and Social Contribution, and launched the activities for the CSR priority theme set for each of the categories to make efforts in a more focused manner.

The priority theme in the Products & Services category is “innovation.” This “innovation” aims to develop product lines with unique features and future potential, which will consequently contribute to society through business activities in a sustainable manner. In July 2013, our joint project with Hokkaido Electric Power Co., Inc. to demonstrate redox flow battery was selected to be subsidized

by the Ministry of Economy, Trade and Industry. We will promote this project, which is currently at the installation stage, to facilitate the use of renewable energy as it is a major social challenge.

In the Human Resources category, “promotion of diversity” is set as the priority theme. Our Group is a corporate group that operates business with more than 200,000 employees in about 40 countries around the world. Further growth of our Group therefore depends on the active use of human resources in our Group companies both in Japan and overseas. We recognized 24 officers and equivalents in overseas subsidiaries as “global leaders” under the newly established Global Grading System on April 1, 2014 to appoint them as “Group Global Executives.” Promotion of diversity is a priority initiative in VISION 2017 not only from a CSR perspective but also as a business strategy to enhance our competitiveness.

The priority theme in the Environmental Preservation category is “prevention of global warming.” As the key performance indicator (KPI) for this theme, we have set the target of reducing greenhouse gas (GHG) emissions from our global operations by 5% in fiscal 2017 from the fiscal 2012 level. While also taking the expansion of our business into consideration, we will promote energy saving and other environmental conservation measures based on recognition that environmental preservation is one of the most important business challenges.

While “promotion of CSR procurement” is the priority theme in the Supply Chain category, we promote our activities in



the Social Contribution category with focus on “promotion of social contribution activities at business locations” and “contribution through the SEI Group CSR Foundation.”

The CSR core initiatives mentioned above are the foundation for achieving VISION 2017. Needless to say, we also have to further strengthen the corporate structure and ensure compliance so that our Group can progress in a sustainable manner.

## ■ Compliance

As mentioned in P29, Sumitomo Electric received a surcharge payment order from the Japan Fair Trade Commission (JFTC) in connection to the supply of automotive wiring harnesses and related products in January 2012, and was also notified by the European Commission of its decision finding infringements of EU competition laws in July 2013. The competition authority of China also imposed a surcharge on the Company for its violation of the country's Anti-Monopoly Law in August this year. Following its investigation launched in January 2009, the European Commission imposed a surcharge on us in April of this year based on its decision that we had violated EU competition laws concerning the supply of high voltage and special high voltage power cables. We would like to offer our sincere apologies to our stakeholders for this situation. In response to the on-site investigation by JFTC in June 2009 concerning optical fiber cables and related products, we have taken corrective actions including strict compliance with the Antimonopoly Act and prompt recruitment of outside experts

to conduct studies into other infringement behavior, if any, in order to identify and eliminate conduct that violates the Act. Additionally, we have conducted intensive training, enforced Competition Law Compliance Regulations and established a system to ensure the administration and management of the Regulations by specialized organizations, in order to reinforce competition law compliance by the entire Group. While the decisions by the Japanese and other competition authorities concerning automotive wiring harnesses and related products, as well as high voltage and special high voltage power cables, applied to violations that predate those preventative measures, we recognize the gravity of the situation with sincerity and will strive to implement fair business activities that merit the trust of society, identifying competition law compliance as a top priority issue in our business management.

## ■ Closing Remarks

The Sumitomo Electric Group has inherited the Sumitomo Spirit that has a history of more than 400 years, and continuously grown through many challenges and difficulties. Keeping adherence to compliance and corporate ethics in mind as the absolute foundation, we will develop our business activities and continue to grow with the aims of becoming a Glorious Excellent Company that wins the trust of society including stakeholders and contributing to the creation of a new society.

We sincerely ask for your continued understanding and support for our endeavors.

## The Sumitomo Spirit

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

### 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.

### Traditional Beliefs and Principles

#### ● Attaching Importance to Technology

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

#### ● Respect for Human Resources

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

#### ● Long-Range Planning

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

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

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

## Monjuin Shiigaki (the Aphorisms of Monjuin)

Masatomo Sumitomo was born in 1585 of the late Sengoku Period, in Maruoka, Echizen (now Maruoka-cho, Sakai-shi, Fukui Prefecture) as the second son of a samurai warrior family, but entered priesthood in Kyoto at the age of 12. His intelligence led him to be given the name Monjuin, after Monju Buddhist saint who embodies enlightened wisdom. He later left the priesthood and started his own business to trade books and medicines, which was the origin of the House of Sumitomo. Even after he left the priesthood, many people continued to ask for his teachings and respect his faithful instructions. The fact that the founding father was a widely respected Buddhist priest is the unique feature of the Sumitomo Group. A letter written by Masatomo Sumitomo (Monjuin) in response to a family member's request for guidance on conducting business was Monjuin Shiigaki.

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

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

The Sumitomo Electric Group positions this "Banji-nissei" as the keyword representing the Sumitomo Spirit.



Monjuin Shiigaki※



Calligraphy work "Banji-nissei," which was given by Chairman Wang Jianyi of Futong Group Co., Ltd., China to commemorate the launch of joint ventures

※ Collection of Sumitomo Historical Archives

## 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 arising from 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.

## The Sumitomo Electric Group Charter of Corporate Behavior

To realize a "Glorious Excellent Company," which is the ideal state of the Sumitomo Electric Group, we must uphold the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles as a basis of all business activities and conduct business with our strong will and sincerity in an honest manner. In September 2005, the Sumitomo Electric Group Charter of Corporate Behavior was created to express the essence of our Group-wide code of conduct in a more straightforward and easy-to-understand manner, so as to help each and every administrator and employee in the Group make judgments and act to realize the principles presented in the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles.

### 1. Provision of Useful and Safe Products and Services

- We will aim to provide useful and safe products and services that will satisfy customers in all aspects including quality and cost.

### 2. Development of New and Original Businesses and Products

- We will aim to develop new, original and profitable businesses and products by using our unsurpassed creativity in meeting customer demands.

### 3. Growth and Development of the Sumitomo Electric Group through Global Business Activities

- We will strive for consistent growth of the Sumitomo Electric Group, by consistently conducting our businesses with a global perspective and taking full advantage of the Group's dynamic business operations.

### 4. Contribution to Preservation of the Global Environment

- We will contribute to the building of a sustainable society, taking voluntary and active initiatives to preserve the global environment.

### 5. Observance of Laws and Regulations

- We will observe national and international laws and regulations and always act fairly and openly.

### 6. Fair and Proper Business Activities

- We will promote fair, transparent and free competition and sound trade.

### 7. Conduct as a Member of Society

- We will contribute to creating a better society, with a firm awareness of our social responsibility as a "good corporate citizen."
- We will maintain a strong stand against any force that threatens public order and safety.

### 8. Harmony with the International Community

- As a corporate member of the international community, we will respect the culture and customs of every region of the world and contribute to the development of those regions.

### 9. Safe, Sound Workplace and Employees' Growth and Development

- We respect the rights of all individuals and will endeavor to make our workplaces safe, sound and energetic.
- We will strive to respect personality and individuality of the employees and support their professional development and career to enable self-realization.

### 10. Disclosure of Relevant Information and Promotion of Communication with Society

- We will aim to disclose appropriate corporate information to our various stakeholders, including shareholders.
- We will also promote good communication with society through public information and hearings.

## Overall Strategy

Our group boasts superb technical expertise, providing a wide range of materials and products. Under VISION 2017, we strive to create new value in the form of materials, systems, and solutions through constant innovation and to provide such value globally. To achieve this, we will focus on six business fields essential to society in the three business fields: mobility, energy, and communications (ICT); environment and infrastructure as the integrated business field of the above three; and life sciences and resources as new business fields.

- ① Ensuring that our business activities are based on the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, we will firmly maintain the three bases of our group’s business activities: human resources, manufacturing (*monozukuri*), and finances.
- ② With “innovation” as our keyword, we will achieve new growth in current business fields, while expanding into integrated business fields and challenging new business fields.
- ③ We will focus on our primary areas: strengthening “strategic marketing,” increasing our “global presence,” and enhancing our “leading technology.”
- ④ We will strive to accomplish the numerical targets of sales of 3,000 billion yen, operating income of 180 billion yen, and ROA of 9%.

By promoting the above efforts, we aim to take a further step toward becoming a Glorious Excellent Company.



# 2013 Highlights

Major events during fiscal 2013 are listed below.

2013

April

Received FY2013 Intellectual Property Achievement Award from Japan's Ministry of Trade, Economy and Industry (METI).



May

June

Launched experimental research for a high-temperature superconductive direct-current power transmission system in Ishikari City, Hokkaido as a project entrusted by METI.



July

Redox flow battery was selected in the METI program for urgent demonstration project of large-scale power storage systems in fiscal 2012.

August

Held the Sumitomo Electric Group Global Awards Conference.



September

October

Received a Rare Metal Recycling Award at the Resource-Recycling Technologies and Systems Award 2013 Ceremony for the development of the tungsten recycling system from scrap carbide tools together with Toyota Motor Corporation.



Received Thomson Reuters 2013 Top 100 Global Innovators Award.



November

December

2014

January

February

Received the Minister of Education, Culture, Sports, Science and Technology Prize of the Technology Management & Innovation Award 2013 for the launch of high-voltage and high-efficiency gallium nitride transistor (GaN HEMT) intended for compact and power-saving cellular base stations.



March

Supported the 69th Lake Biwa Mainichi Marathon as a special sponsor.



Released a concentrator photovoltaic system, and delivered the system to the University of Miyazaki.



Received the 60th (FY2013) Okochi Memorial Technology Prize for the development of nano-polycrystalline diamond synthesis technology and applied products.



Basis for Management

Business Outline

Group's CSR Activities

Governance

Core Category

Products & Services

Supply Chain

Human Resources

Environmental Preservation

Social Contribution

## Global Business Expansion

The Sumitomo Electric Group is a global corporate group with 381 consolidated companies and over 220,000 employees in approximately 40 countries around the world - primarily in Asia, America, Europe and Japan. While providing superior products and services, we respect the cultures and customs of the countries and regions in which we operate. As a corporate entity we conduct business in harmony with society, so as to contribute to the development of the economy and society.



## Business Conditions in Fiscal 2013

During fiscal 2013, the Japanese economy recovered modestly with growth in private consumption and corporate earnings amid the depreciation of the yen and increases in stock prices underpinned by expectations for the economic policies as well as the impact of monetary easing. The global economy as a whole also achieved a mild recovery with resilience in the US economy and turnaround in the European economy although economic growth in China, India and other emerging countries showed signs of slowdown.

In the business environment surrounding the Sumitomo Electric Group, demand for wire harnesses remained strong mainly in overseas markets. In the environment and energy

businesses such as power cables, magnet wires, electric works, equipment for power generation and in the industrial material businesses such as cemented carbide tools for automotive as well, demand continued to be firm. Under these circumstances, consolidated net sales for fiscal 2013 totaled 2,568.8 billion yen, a year-on-year increase of 18.9%. Our operating income also grew by 56.3% from the previous fiscal year to 120.1 billion yen with increases in depreciation expenses and research and development costs as a result of upfront investment offset by the impact of the weaker yen and cost reduction. Net income increased as well to 66.7 billion yen, 75.9% higher than that in fiscal 2012.



Companies Consolidated |  
**381** in total  
 Breakdown of companies consolidated (as of March 31, 2014)  
 • Consolidated subsidiaries (342)  
 • Equity-method affiliates (39)

EUROPE	
UK	7
Germany	12
Poland	6
Slovakia	2
Hungary	3
Italy	3
Netherlands	3
Romania	2
Turkey	4
Portugal	1
Bulgaria	1
Ukraine	1
Belgium	1
France	6
Serbia	1
Russia	4
Spain	1
Czech Republic	1

JAPAN	
Japan	112

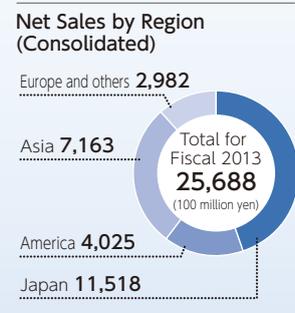
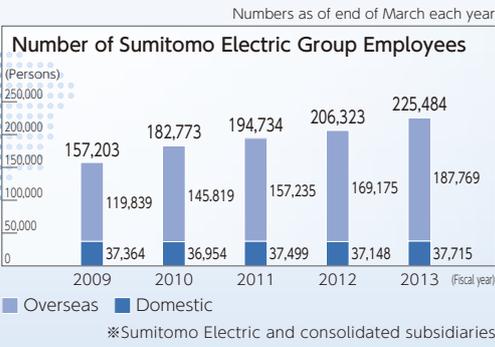
  

ASIA	
Singapore	4
Thailand	19
Malaysia	5
Indonesia	12
Philippines	11
Vietnam	9
China	68
Hong Kong	5
Taiwan	5
South Korea	4
India	6
Cambodia	1

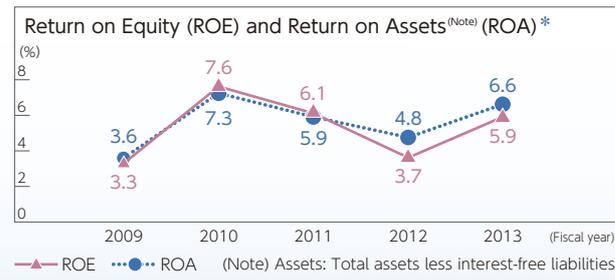
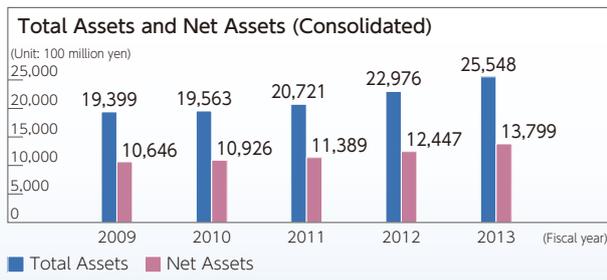
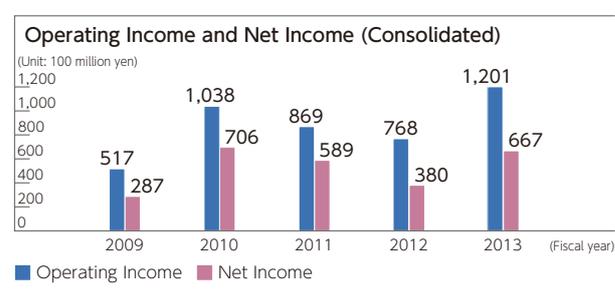
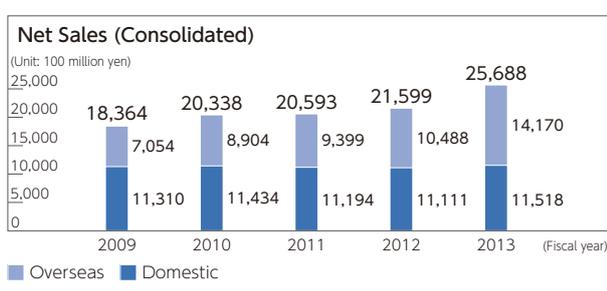
AMERICA	
USA	28
Canada	2
Mexico	9
Brazil	7
Argentina	1

AFRICA	
South Africa	2
Morocco	4
Tunisia	3
Egypt	2

OCEANIA	
Australia	3



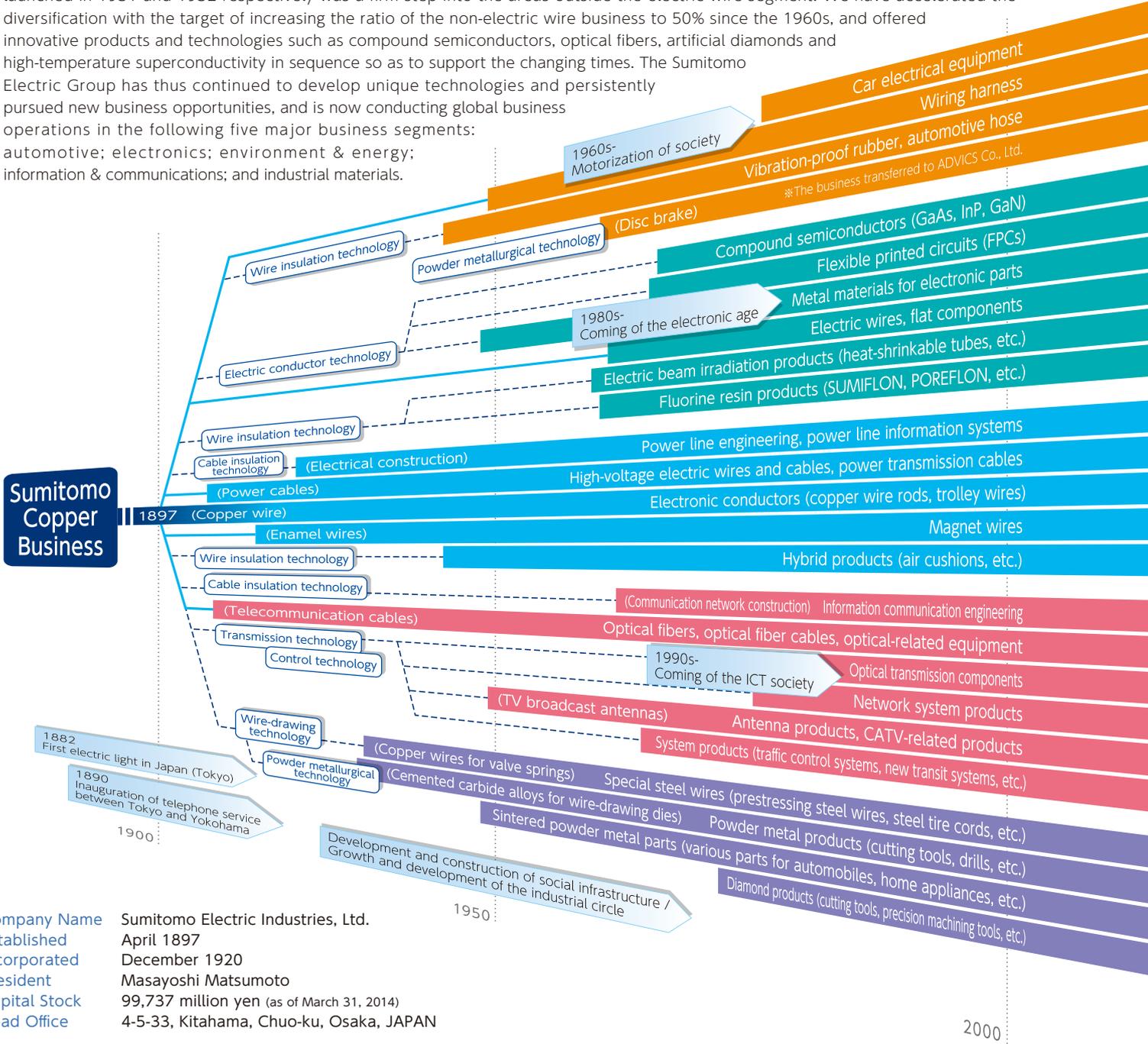
# NETWORK



**Glossary** \*ROA  
 ROA (Return on Asset) indicates how efficiently a company uses its assets to make profits. Sumitomo Electric calculates ROA by dividing operating income by assets (total assets less interest-free liabilities).

# Our History and Business

Starting with copper wire production, the electric wire and cable business of Sumitomo Electric has expanded in the respective segments, including the manufacturing of power cables and communication cables and then magnet wires, automotive wiring harnesses and electronic wires for information equipment, in line with the development of society. In the meantime, we also began to diversify our business in early years based on the technology to produce electric wires and cables. The production of cemented carbide tools and special steel wires launched in 1931 and 1932 respectively was a firm step into the areas outside the electric wire segment. We have accelerated the diversification with the target of increasing the ratio of the non-electric wire business to 50% since the 1960s, and offered innovative products and technologies such as compound semiconductors, optical fibers, artificial diamonds and high-temperature superconductivity in sequence so as to support the changing times. The Sumitomo Electric Group has thus continued to develop unique technologies and persistently pursued new business opportunities, and is now conducting global business operations in the following five major business segments: automotive; electronics; environment & energy; information & communications; and industrial materials.



- **Company Name** Sumitomo Electric Industries, Ltd.
- **Established** April 1897
- **Incorporated** December 1920
- **President** Masayoshi Matsumoto
- **Capital Stock** 99,737 million yen (as of March 31, 2014)
- **Head Office** 4-5-33, Kitahama, Chuo-ku, Osaka, JAPAN

## HISTORY

- 1897 ● Sumitomo Copper Rolling Works was founded.
- 1900 ● Started production of coated wires.
- 1908 ● Started production of power cables.
- 1909 ● Started trial production of telecommunication cables.
- 1911 ● Established Sumitomo Electric Wire & Cable Works (the foundation of the Company).  
Manufactured and supplied the first Japan-made underground high-voltage (11,000 V) cables.
- 1916 ● Opened a new factory (now the Osaka Works)  
Started production of enamel wires.
- 1920 ● Incorporated Sumitomo Electric Wire & Cable Works as a limited company (the establishment of the Company).
- 1931 ● Started production of cemented carbide ("IGETALLOY") tools.
- 1932 ● Started production of special steel wires.

- 1939 ● Company name changed to the current name, Sumitomo Electric Industries, Ltd.
- 1941 ● Opened the Itami Works.
- 1943 ● Started production of vibration-proof rubber and fuel tanks.
- 1946 ● Opened a branch office in Tokyo (now the Tokyo Head Office).
- 1948 ● Started marketing sintered powder metal products.
- 1949 ● Entered into the business of construction of overhead transmission lines.
- 1957 ● Supplied the first Japan-made television broadcasting antennas.
- 1961 ● Opened the Yokohama Works.  
Delivered the wiring harnesses for four-wheel vehicles for the first time in its history.
- 1962 ● Started production of IRRAX™ Tube electron beam irradiation tubes.  
The Head Office was moved from Osaka's Konohana Ward to the present address in Chuo Ward.
- 1963 ● Started production of disc brakes.
- 1964 ● Started production of electron beam irradiation wires.
- 1968 ● Entered into the business of traffic control systems.
- 1969 ● Established its first overseas production facility.  
Started development of flexible printed circuits (FPCs).

## Automotive



Aluminum wiring harnesses

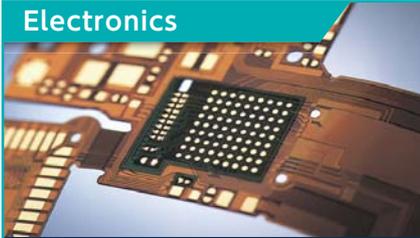


Vibration-proof rubbers



Quick charging connector for EVs

## Electronics



Flexible printed circuits



SUMITUBE™



SUMI-CARD™

## Environment & Energy



Copper wire rods

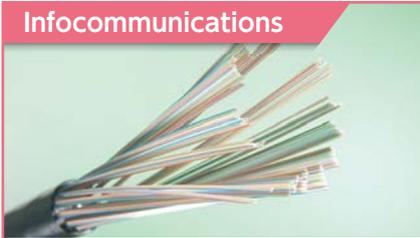


High-voltage optical fiber composite submarine cables



Magnet wires

## Infocommunications



Multicore optical fiber cables



Broadband network service devices



Optical data links

## Industrial Materials



Cutting tools



Sintered powder metal parts



Prestressing steel wires

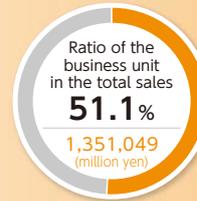
- 1970 ● Started production of compound semiconductors.
- 1971 ● Opened the Kanto Works.
- 1974 ● Started production of optical fiber cables.
- 1975 ● Contracted to construct a power transmission line in Iran.
- 1976 ● Received an order for a large telecommunications network project in Nigeria.
- 1978 ● Delivered and put into operation the world's first bi-directional fiber optic CATV system "Hi-OVIS."
- 1981 ● Delivered the fiber optic LAN system for the first time in its history.
- 1982 ● Succeeded in producing the world's-largest-class synthetic monocrystal diamonds (1.2 carats).
- 1996 ● Developed a technology for producing long-length oxide high-temperature superconducting wires.
- 1998 ● Developed and started marketing ecology wires and cables.
- 1999 ● Sumitomo Electric Fine Polymer, Inc. (fine polymer products) started operation.
- 2001 ● J-Power Systems Corporation (high-voltage power cables) started operation.
- 2002 ● Sumitomo Electric Networks, Inc. (network equipment) started operation. Sumitomo (SEI) Steel Wire, Corp. (special metal wires) started operation. Sumitomo Electric Wintec, Inc. (magnet wires) started operation.

- 2003 ● Sumiden Hitachi Cable Ltd. (wires and cables for buildings and industrial equipment) started operation. Sumitomo Electric Hardmetal Corp. (powder metal and diamond products) started operation.
- 2004 ● A.L.M.T. Corp. was made a wholly-owned subsidiary.
- 2006 ● The HTS cable used in a power transmission grid in the U.S. started supplying electricity.
- 2007 ● Sumitomo Wiring Systems, Ltd. was made a wholly-owned subsidiary. Nissin Electric Co., Ltd. was made a consolidated subsidiary.
- 2008 ● Opened the Technical Training Center. Sumiden Friend, Ltd. (Special subsidiary) started operation.
- 2009 ● Sumitomo Electric Device Innovations, Inc. was organized.
- 2010 ● Opened the WinD Lab, a new laboratory building. SEI Optifrontier Co., Ltd. was organized.
- 2014 ● J-Power Systems Corporation was made a wholly-owned subsidiary.

## Automotive

### Responding to safety, amenity and environmental needs of future motorized society

With a focus on the interface between the vehicle and driver, Sumitomo Electric offers various products to the global market. A representative example of these products is a wiring harness that transmits electric power and information to various points in an automobile. Growing public demands for more eco-friendly vehicles require the supply of sophisticated hybrid and electric vehicle parts based on a wide variety of advanced technologies. Keeping in mind "the next generation with harmony between vehicles and people," Sumitomo Electric will continue developing a variety of new automotive products in order to contribute to the creation of a comfortable automobile society.



## Infocommunications

### Supporting communications

Sumitomo Electric provides various solutions that make our society safer, more secure, and more comfortable. A wide array of these solutions include optical fibers/cables and other telecommunication-related products necessary for FTTH and other optical network construction, ITS-related products, and access-based networks. We will continue to develop innovative technologies and products and supply them to customers, thereby contributing to the construction and upgrade of broadband network infrastructures.



## Electronics

### Supporting advancement in the functions and performance of electronics

In the electronics field, devices are required to be ever smaller, lighter, more functional, and more sophisticated. To meet these requirements, Sumitomo Electric has been expanding its product lineup by continuously developing new materials, wires and other parts. Sumitomo Electric's leading-edge Technologies have been employed effectively for advanced medical, automotive and aircraft equipment, as well as for widely used products such as smartphones and tablet PCs.



## Environment & Energy

### Supporting a stable energy supply

Since its establishment, Sumitomo Electric has made efforts to develop wire and cable technologies that are essential for ensuring a stable power supply. The Company is now moving toward new businesses in the field of renewable energy and smart grids to supply environmentally friendly and energy-efficient products to the global market, thereby contributing to upgrading social infrastructure.



## Industrial Materials

### Using a wide range of technologies for the prosperity of industrial society

Taking advantage of its material development capabilities based on electric wire/cable drawing technology, Sumitomo Electric has developed various products with unique features, including PC steel wires, steel tire cords, and other special steel wires essential for civil structure construction. The Company also supplies a wide variety of superior materials including sintered parts used in automobiles and household appliances and synthetic diamond called the ultimate material. Various products made from these sophisticated industrial materials support the bases of industries, thereby contributing to the development of society.



(Note) The sales figures include internal sales between segments, and the sum of the sales by segment accordingly differs from the total sales.

# Growth Strategies for VISION 2017

## Market Status

- Solid growth is expected in the automotive market, particularly in emerging nations.
- Hybrid electric vehicles (HEVs), plug-in hybrid electric vehicles (PHEVs), electric vehicles (EVs) and other eco vehicles will become more common. We also expect progress in fuel efficiency technology for internal combustion vehicles (gasoline-fueled cars, etc.) and growth in idling stop systems (ISS).

## Strategies

In addition to further growth in wiring harnesses/connectors and anti-vibration rubber products as our core businesses, we will expand in the following areas:

### Growth in Non-Japanese Share

- Growth in share of wiring harnesses/connectors and anti-vibration rubber products for non-Japanese automotive companies

### Acceleration of New Product Development

- Pursue lighter weight (aluminum wiring harnesses, etc.) and responding to modularization
- Broadening range of electronics products (central gateways, etc.)
- Introducing products for next-generation/eco vehicles (ISS related products, etc.)

### Cost Reduction

- Striving for optimally located production
- Development of automation technology

## Market Status

- Growth is expected in development of high-speed, high-capacity communication infrastructure due to the worldwide increase in communication traffic.
- The global shift to FTTH, including the CATV markets, should gain momentum, and growth is also expected in the ITS business.

## Strategies

### Acceleration of Overseas Expansion

- Expansion of overseas production (local production for local consumption of optical fiber, etc.) and improving participation in overseas markets (CATV, ITS, etc.)
- Building a system for global procurement and quality control

### Cost Reduction and Improvement of Product Profitability

- Continuing/Promoting business restructuring
- Striving for optimally located production
- Strengthening manufacturing and development capabilities (laser diodes, optical transceivers, etc.)
- Shifting to high-margin products (low-loss fibers, etc.)

### Expanding Products for Smart Functionality

- Providing optimal product solutions for each overseas region (HEMS, telematics, etc.)

## Market Status

- There should be steady growth in the consumer product market, centered on mobile phones, and growth of the automotive market is also expected to continue.
- Further progress is expected in areas such as product modularization, acceleration of commoditization, and diversification of customer needs.

## Strategies

### Strengthening of Global Manufacturing and Sales System

- Responding to diversification of customer needs through efforts such as establishing specifications customization centers, and ensuring a flexible production response

### Strengthening of New Product Development

- Focusing on developing new products that integrate core technologies, such as FPC for smartphones and tablets, high-speed wiring harnesses, and automotive tab leads
- Accelerating development of key device products

### Expansion of Customers and Business Fields

- Expansion to systems/units/modules and strengthening solution proposals
- Acceleration of strategy for broadening user base

## Market Status

- We expect to see growth, both inside and outside of Japan, in markets relating to new energy systems to cope with increased sophistication of electric power infrastructure, energy conservation, and demand restraint, etc.
- Growth is also expected in infrastructure demand, primarily in emerging nations.

## Strategies

### Strengthening Development of Products Relating to Next-Generation Energy Systems

- Accelerating and launching development and commercialization of products and new materials relating to next-generation energy systems such as renewable energy, storage batteries, superconducting cable, and other key areas of integrated fields

### Strengthening Ability to Propose Solutions

- Strengthening solution business for new social infrastructure and electric power infrastructure

### Strengthening Global Supply System

- We will improve our production and sales organization on a global basis, starting with areas such as supply of copper and aluminum

## Market Status

- Steady growth is expected in the automotive market.
- We should also see growth in infrastructure demand, primarily in emerging nations.
- Problems related to rare metals, such as procurement difficulties and high prices, are expected to become more severe.

## Strategies

### Core Technology Improvement and Innovation

- Strengthening ability to deal with structural change in products (switching to EVs, etc.)
- Strengthening core technologies and improving processing technologies, etc.
- Challenging healthcare and other new fields

### Strengthening Raw Material Procurement

- Promoting global procurement and recycling

### Accelerating Overseas Expansion

- Expanding overseas production and strengthening participation in overseas markets
- Building a global sales and development system

# CSR Management

## CSR Basic Policy

The Sumitomo Spirit, which gives top priority to social credibility and corporate ethics, is deeply instilled into the Sumitomo Electric Group. With the Sumitomo Spirit, as well as the Sumitomo Electric Group Corporate Principles, serving as the basic value standards that guide us, we will contribute to a better society and environment through business operations in line with compliance regulations.

We have specified five CSR core categories: products & services; supply chain; human resources; environmental preservation; and social contribution. Based on this approach, we will establish good relationships with stakeholders and continue sustained growth with the aim of becoming a Glorious Excellent Company, i.e., realizing the ideal state of the Sumitomo Electric Group, so as to fulfill our corporate social responsibility.



From FY2013		CSR priority themes	
New five CSR core categories		Priority themes for achievement of the targets for VISION 2017	
Products & services	▶	Innovation	
Supply chain	▶	Promotion of CSR procurement	
Human resources	▶	Promotion of diversity	■ Setting of KPI*: The indicator will be determined after establishment of the global HRM system
Environmental preservation	▶	Prevention of global warming	■ KPI (target for FY2017): Reduce global greenhouse gas emissions by 5% from the FY2012 level
Social contribution	▶	Promotion of social contribution activities at business locations	Contribution through the SEI Group CSR Foundation

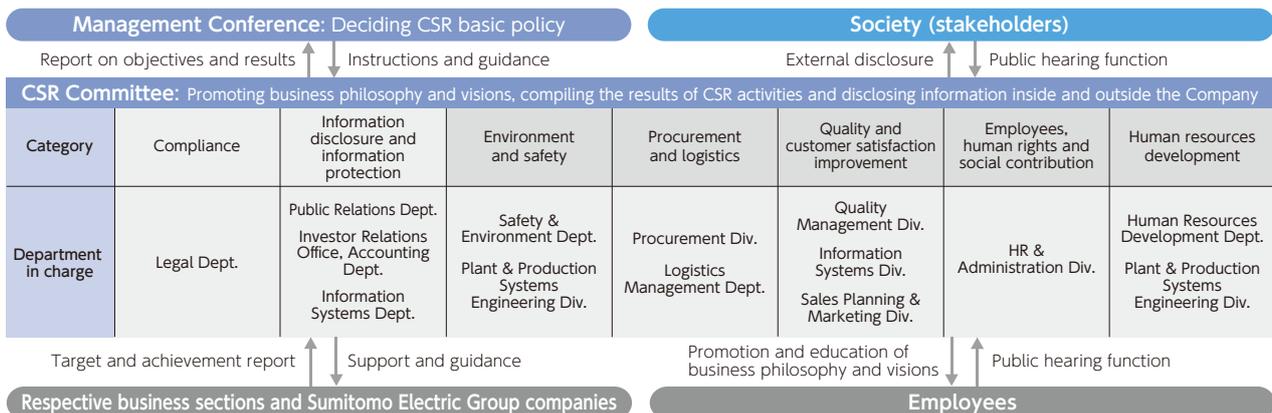
Contribution to the establishment of a sustainable society



## Sumitomo Electric Group CSR Promotion System

In July 2004, Sumitomo Electric established the CSR Committee, which is chaired by the officer in charge of personnel and general administration and comprised by the managers of the departments in charge of CSR-related areas. Under the system shown in the figure below, the Committee conducts its activities as a cross-sectional organization to promote CSR initiatives in the Sumitomo Electric Group. The roles of the CSR Committee include:

1. Holding semiannual meetings to review the CSR activities from a group-wide perspective and give support and guidance on the future development.
2. Promoting internal and external information disclosure and public hearings on CSR.
3. Promoting CSR education programs throughout the Sumitomo Electric Group, etc.



# Relationships with Stakeholders

	Outline of the stakeholder	Main responsibilities of the Sumitomo Electric Group	Main means of communications	
Sumitomo Electric Group	Central and Local Governments	<ul style="list-style-type: none"> <li>For us, central and local governments around the world are not only regulators but also customers of our products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws, regulations, administrative guidance, etc.</li> <li>Tax payments</li> <li>Cooperation for government policies to solve public problems</li> </ul>	<ul style="list-style-type: none"> <li>Communications through economic organizations and trade associations</li> <li>Notifications, response to surveys and questionnaires</li> <li>Consultation with competent authorities, public comments</li> </ul>
	Global Environment	<ul style="list-style-type: none"> <li>We promote environmental management based on our policy that places environmental conservation activities as a top business priority.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of greenhouse gas emissions</li> <li>Promotion of energy saving and recycling</li> <li>Reduction of waste, reduction of hazardous chemical substances</li> </ul>	<ul style="list-style-type: none"> <li>Comply with the relevant laws and regulations</li> <li>Environmental conservation activities in accordance with the PDCA cycle</li> <li>Stakeholder dialogue</li> </ul>
	Customers	<ul style="list-style-type: none"> <li>We provide customers across the world with a wide range of products and services in five categories: Automotive; Information &amp; Communications; Electronics; Environment &amp; Energy; and Industrial Materials.</li> </ul>	<ul style="list-style-type: none"> <li>Supply of socially useful and safe products and services</li> <li>Improvement of customer satisfaction on all aspects including delivery time, etc.</li> <li>Provision of accurate and appropriate information on products</li> </ul>	<ul style="list-style-type: none"> <li>Communication through daily operations</li> <li>Newsletters, e-mail delivery, websites</li> <li>Information exchange at exhibitions etc.</li> </ul>
	Local Communities and NPOs/NGOs	<ul style="list-style-type: none"> <li>The Sumitomo Electric Group conducts business activities through 382 companies located in approx. 40 countries all over the world (as of March 31, 2014).</li> </ul>	<ul style="list-style-type: none"> <li>Respect for culture and custom, contribution to development</li> <li>Prevention of accidents and disasters, environmental conservation</li> <li>Cooperation and coordination for the solution of environmental and other problems</li> </ul>	<ul style="list-style-type: none"> <li>Participation in events, support of traditional performing arts</li> <li>Factory tours, opening of facilities, joint hosting of festivals</li> <li>Employees' contribution to local communities</li> <li>Communication through cooperation and support</li> <li>Stakeholder dialogue</li> </ul>
	Employees	<ul style="list-style-type: none"> <li>The Sumitomo Electric Group has approx. 226,000 employees consisting of approx. 38,000 employees in Japan and approx. 188,000 employees in other countries. Around 80% of the Group employees thus work outside Japan (as of March 31, 2014).</li> </ul>	<ul style="list-style-type: none"> <li>Respect for human rights, personality and individuality</li> <li>Development, use and evaluation of human resources</li> <li>Creation of a work environment where all employees can demonstrate their capabilities</li> <li>Contribution to occupational safety and health</li> </ul>	<ul style="list-style-type: none"> <li>Surveys to create a lively work environment</li> <li>In-house magazines, Global Magazines</li> <li>Intranet, President's blog</li> <li>Management council meetings for discussion between labor and management</li> <li>Informal meetings between executives and employees</li> </ul>
	Shareholders and Investors	<ul style="list-style-type: none"> <li>The total number of our shareholders is approx. 60,000, and the number of shares issued and outstanding is about 800 million. By type of shareholders, financial institutions and foreign holders own 39.83% and 41.14% of the shares respectively, followed by Japanese individuals and others (12.39%) (as of March 31, 2014).</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance and improvement of the corporate value</li> <li>Proper return of the profits (as dividends)</li> <li>Timely and proper disclosure of corporate information</li> </ul>	<ul style="list-style-type: none"> <li>General meetings of shareholders</li> <li>Financial result briefings</li> <li>Reception of investors and interviewers</li> <li>Annual reports</li> <li>Investor relations website</li> </ul>
	Suppliers	<ul style="list-style-type: none"> <li>The Partners' Meeting held in fiscal 2013 gathered 218 of our main suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Fair trade</li> <li>Support and cooperation for the achievement of CSR procurement</li> </ul>	<ul style="list-style-type: none"> <li>Communication through daily procurement activities</li> <li>Partners' meetings</li> <li>Communication through the supplier evaluation sheet</li> </ul>

## Disclosure of Corporate Information

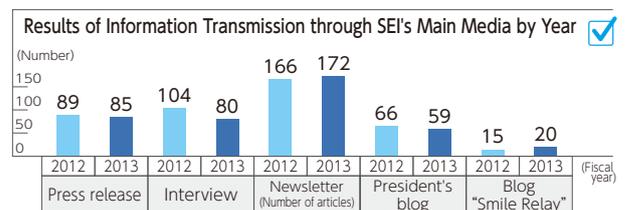
The Sumitomo Electric Group Charter of Corporate Behavior stipulates that we will aim to disclose appropriate corporate information to our stakeholders to promote communication with society. In accordance with the charter, we have established a system in which information on occurred material facts and decisions is collected and confirmed by public relations sections in cooperation with relevant divisions so as to promote timely and accurate information disclosure. In addition, Sumitomo Electric established the Public Relations Committee in 2006 as a cross-sectional organization to enhance the information disclosure system. The committee engages in activities such as development of rules on corporate information disclosure, related education and knowledge dissemination within the Group and planning of measures to enhance the corporate brand value.

## Communication with Shareholders and Investors

Sumitomo Electric believes that an important goal of its investor relations is to notify market participants of accurate information in a timely and fair manner, so as to obtain appropriate evaluation of our corporate value in the capital market. The Company ensures communication with institutional investors and analysts by organizing briefings on financial results and interviews. We also strive to enhance communication with general shareholders and investors by developing the websites in consideration of such shareholders. For example, we post financial information and press releases and distribute video images of financial result briefings. We will continuously promote fair and prompt information disclosure and further improvement of the content.

## Efforts to Disseminate Information

Sumitomo Electric continued its commitment to active dissemination of information on various Group activities in fiscal 2013 as well. While we had fewer interviews and press releases than in the previous fiscal year, we posted more articles on our newsletter "SEI WORLD," as well as on "Smile Relay," our blog about social contribution activities. Through complete revision of the company's introductory pamphlet and DVD and other efforts, a wide range of information on our corporate activities was provided to help our stakeholders improve understanding of the Group.



We also worked to improve our websites by adding contents concerning Near-Infrared Ray Composition Imaging System "Compovision™" and Smart Energy System, among others. As Sumitomo Electric has been a special sponsor for the Lake Biwa Mainichi Marathon since 2013, we launched a special website for the marathon again in 2014, and also launched a Facebook page to publicize the event. Meanwhile, "President & CEO Masayoshi Matsumoto's Blog," which was opened to disseminate the Sumitomo Electric Group's policies among Group employees and related persons and also encourage external stakeholders to understand our Group and feel closer to us, marked its seventh anniversary.

# Main Targets and Actual Results in Fiscal 2013 / Main Targets for Fiscal 2014

In the Sumitomo Electric Group, the departments in charge of the CSR core categories respectively set annual targets, prepare specific action plans based on the annual targets and work to achieve them autonomously. The table below shows the main targets and results in fiscal 2013 and targets for fiscal 2014 on the main initiatives in core categories. To meet the targets, we will continue to promote the initiatives based on the PDCA (plan-do-check-act) cycle.

Core Category	Main Targets for Fiscal 2013	Results in Fiscal 2013	Evaluation	Page	Main Targets for Fiscal 2014
Products & services	Reduce complaints by 26% from the previous fiscal year	Reduced complaints by 16% from the previous fiscal year	△	36	Reduce complaints by 18% from the previous fiscal year
	Continue to promote own process quality assurance activities (fourth year) • Continue activities striving to overcome key issues at each division • Develop the activities on a global scale • Improve the improvement process • Raise the assurance level: enhancement of checking stations (measuring techniques), foolproof mechanism*	Performed theme-based activities (107 themes in the first half and 123 themes in the second half) at each division, expanded the activities into overseas facilities, mainly in China and Tiwan (3 regions), and enhanced the improvement process at 8 sites in Japan through the examination of the approach to reduce in-process defects	○	35	Continue to promote own process quality assurance activities (fifth year) • Continue activities striving to overcome key issues at each division ① Determination of defect-free process conditions, ② Maintenance of defect-free process conditions, ③ Pursuit of defect-free process conditions • Accelerate introduction of the activities into global facilities • Apply the examination of the approach to reduce in-process defects to more sites
Supply chain	Continue to make requests based on the CSR Procurement Guidelines to individual suppliers and expand the initiative. Consider the implementation of monitoring of suppliers	In Japan, made requests at the Sumitomo Electric Group Partners' Meeting. Overseas, Shanghai IPO organized a briefing session at the North China reverse trade fair. Conducted monitoring of 122 main suppliers concerning CSR procurement	○	40 41	Continue to make requests based on the CSR Procurement Guidelines to individual suppliers and expand the initiative. Promote the establishment of supplier monitoring
	Continue to implement the education program that supports compliance, and translate, develop and apply common basic rules on procurement	Provided 7 courses including "procurement-related laws and regulations" and "CSR, environment and ethics," and launched a training program to develop key personnel on the Subcontract Act. Overseas, provided training sessions for affiliates at liaison committees of the staff in charge of procurement and outsourcing	△	42	Continue to implement the education program that supports compliance, and translate, develop and apply common basic rules on procurement
Human resources	Promote initiatives to implement the Global HRM Policy • Steadily continue the talent management cycle • Common personnel system for executives • Guidelines on international transfer, etc.	Organized human resource meetings at 9 Business Units to promote the talent management cycle, and introduced the Global Grade System and the Group Global Executive Personnel System in April 2014	○	43 44	Promote initiatives to implement the Global HRM Policy • Promote the establishment and improvement of the Global Grade System and the Global Executive Personnel System, which were introduced in April 2014 • Steadily continue the talent management cycle • Prepare guidelines on international transfer, etc. • Cooperate with HR managers in main overseas facilities
	Continue to develop the SWITCH Plus Campaign (third and final year) • Improve work efficiency and productivity • Promote communication • Enhance the health of employees • Develop the next generation	Increased the number of half-day paid holidays (from 24 to 30 times), and further encouraged employees to take paid holidays by introducing "Positive-off Holiday" Held a town meeting 19 times Conducted a stress level test for all employees Extended the paid period during childcare leave from the first 3 days to 5 days	○	45 49 50 52	Develop the SWITCH 17 Campaign (first year) • Work style (review of the way of working, adjustment of working hours, improvement of work efficiency) • Communication (cultivation of a corporate culture to praise, thank and appreciate) • Healthcare (improvement of physical and mental health) • Self-development (encouragement of employees to pursue self-development)
	Eliminate accidents resulting in lost work time, reduce the number of no lost work time accidents to 10 or less and reduce that of accidents causing minor injury to 10 or less	Accidents resulting in lost work time: 3, no lost work time accidents: 24, and accidents causing minor injury: 18	△	54	Eliminate serious accidents and accidents resulting in lost time work, and reduce the total number of no lost work time accidents and accidents causing minor injury to 20 or less
	• Establish activities involving all employees • Implement global safety evaluation • Enhance cross-departmental activities • Enhance plant disaster prevention activities • Supervise construction work and take safety measures for operation at a height • Develop and disseminate safety global standard • Continue education for human resource development in Japan and overseas • Continue and enhance activities at the operation sites designated for safety management* and activities subject to priority management	Implemented priority items for fiscal 2013 • Strengthened and implemented the 1-2-3 activities • Started the second series of global safety evaluation • Performed cross-departmental activities (inspection of drums and reels, etc.) • Inspected plant disaster prevention and maintenance skills at 12 sites • Supported and gave guidance to safety measures for construction work and operation at height • Developed safety global standard • Continued to develop personnel in charge of safety promotion through overseas safety work groups • Supported activities at the operation sites designated for safety management and activities subject to priority management until abilities to take voluntary measures were achieved	○	53	Implement priority items for fiscal 2014 • Enhance site inspection by managers and supervisors (1-2-3 activities) and identification of problems through dialogues • Strengthen the horizontal diffusion of accident prevention measures to eliminate similar disasters • Continue education for human resource development in Japan and overseas, as well as practice activities in KKP • Promote activities to prevent unsafe actions • Continue and enhance activities at the operation sites designated for safety management and activities subject to priority management • Develop and disseminate safety global standard • Continue to implement global safety evaluation
	Achieve the targets in all items in the Action ECO-21 (Phase V) campaign	Out of the 14 items, Performance improved (◎, ○, △): 12 items, Performance unchanged (▽): 1 item, Performance deteriorated (▼): 1 item	△	56	Achieve the targets in all items in the Action ECO-21 (Phase V) campaign
Environmental preservation	Conduct environmental audits In Japan: Promote the second series of audits with focus on prevention of environmental accidents Overseas: Conduct audits at 8 group companies	In Japan: Assessed facilities' water quality 11 sites Overseas: Conducted legal compliance audits at 9 sites, assessed facilities' water quality at 7 sites	△	57	Conduct environmental audits In Japan: Promote the second series of legal compliance audits, and continue the examination of facilities in terms of water quality Overseas: Conduct audits at 9 Group companies in the Americas. Start the examination of facilities in terms of water quality with sites in China including those that have undergone legal compliance audits
	Improve environmental education In addition to the existing systematic education, introduce case studies using the past incidents of "hiyari", or near-miss	Provided position-based training on the subjects of environment in general, environmental laws, chemical control and global warming with content including environmental inspection of facilities and the issues indicated in past inspections	○	57	Improve environmental education In addition to the existing education programs, introduce practical training using the past incidents of "hiyari" or near-miss and issues indicated in past audits into all courses in the position-based training and into construction work training
Social contribution	Increase monetary contributions to university courses, scholarships and grants to academic and research activities supplied through the fund	① Monetary contributions to university courses: 94.5 million yen in total for 8 courses ② Subsidies for academic and research programs: 20 million yen in total for 16 programs ③ Supply of scholarships: 23.6 million yen in total for 98 persons	○	69	Increase monetary contributions to university courses, scholarships and grants to academic and research activities supplied through the fund
	Promote cooperation with NPOs for support of the reconstruction of the Tohoku Region and other purposes	Held a fair of products from the Tohoku region to support the region's reconstruction from the Great East Japan Earthquake Participated in the TABLE FOR TWO program	○	70	Promote cooperation with NPOs for support of the reconstruction of the Tohoku Region and other purposes

Legend ◎: Target achieved and performance far exceeding the target by more than about 50%; ○: Target achieved; △: Target not achieved (performance improved from the previous fiscal year); ▽: Target not achieved (performance similar to that in the previous fiscal year); ▼: Target not achieved (performance deteriorating from the previous fiscal year)

<CSR Priority Theme>

# Innovation

Our social contribution begins with the development of products and services that meet new social needs.

The Sumitomo Electric Group considers "innovation," which is to create products with original features and future potential, as a priority theme. Using a wide range of technologies and products owned by the Group, we are promoting R&D activities that can contribute to the creation of a sustainable society.

- Expand into integrated business fields - Contribution to the establishment of a sustainable society with a new style of electric power and energy
- Enter the life-science business field
- Enter the resources business field

We are proud that our products are essential for infrastructure that is vital to people's life.

**Toshikazu Shibata**

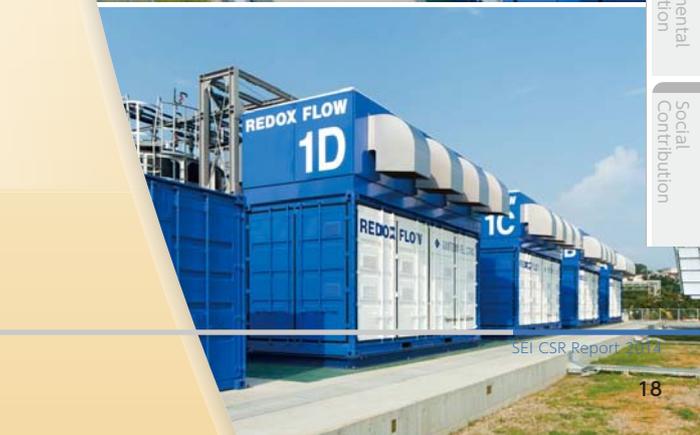
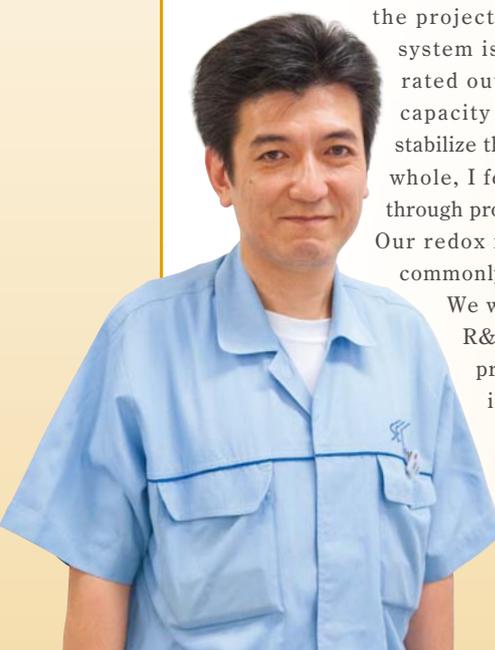
Manager, System Engineering Group, Engineering Department, Energy System Division

In July 2013, our joint project with Hokkaido Electric Power Co., Inc. for the demonstration of redox flow battery, on which we have worked for about 30 years, was selected to be subsidized by the Ministry of Economy, Trade and Industry. This is one of the projects aimed at making effective use of photovoltaic power generation and other renewable energy. In

the project, construction of a large-scale system is currently underway to have a rated output of 15,000 kW and storage capacity of 60,000 kWh. As it can help stabilize the power system in Hokkaido as a whole, I feel that our social contribution through products has begun.

Our redox flow battery will be used more commonly on a global scale in the future.

We will continue to be committed to R&D activities with pride that our products are essential parts of the infrastructure that underpins society.



Basis for Management

Business Outline

Groups CSR Activities

Governance

Core Category

Products & Services

Supply Chain

Human Resources

Environmental Preservation

Social Contribution

〈CSR Priority Theme〉

# Promotion of CSR Procurement

We are working to promote CSR procurement activities in response to market expansion.

The Sumitomo Electric Group currently recognizes three dimensions of market expansion in relation to material procurement: geographical expansion; expansion of risk factors and other issues concerning procurement activities; and expansion of procurement of materials for new businesses. To respond to such changes, we set promotion of CSR procurement as a priority theme for VISION 2017 and seek to strengthen the trustful relationships with our suppliers.

- Check efforts to perform CSR activities in the domestic suppliers under the control of our Procurement Division.
- Check efforts to perform CSR activities in overseas suppliers through international procurement bases of our Procurement Division.
- Introduce the CSR procurement mechanism established as mentioned above into Group companies.

We continue to give top priority to trustful relationships with our suppliers.

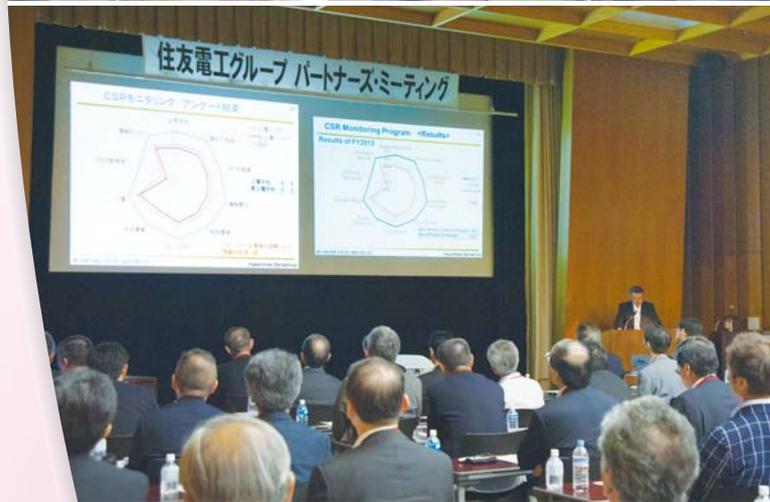
Yoshie Fujinuma

Itami Group, Procurement Division

In an effort to promote CSR procurement, we conducted the first CSR procurement questionnaire survey in fiscal 2013 with cooperation of our main suppliers in Japan. I was in my first year at Sumitomo Electric and in Planning and Administrative Group of Procurement Division at that time. I was able to learn many things through analysis of the answers in the questionnaire.

Our suppliers are wide ranging from listed companies to small factories with which we have had a long-term business relationship, and their scales and business forms are also diverse. In consideration of the problems identified in the first questionnaire survey, I would like to develop an original questionnaire tailored to the characteristics of our supply chain.

At the present time, companies have to make various CSR-related requests to their entire supply chains while also performing their own CSR activities. We will continuously give top priority to trustful relationships with our suppliers and make efforts to promote CSR procurement.



〈CSR Priority Theme〉

# Promotion of Diversity

Removing various barriers, we will accelerate the globalization of our human resources and organization.

The Sumitomo Electric Group operates with more than 200,000 employees at approximately 380 companies located in roughly 40 countries all over the world. We have started to actively promote globalization of the human resources employed in Group companies in Japan and overseas. We believe that globalization is not only a part of the CSR activities but also a business strategy to maintain market competitiveness.

- Introduce a new HR system to show career opportunities within the Sumitomo Electric Group beyond individual companies.
- Develop an institutional framework to identify executives in group companies as Global Executives.
- Develop common guidelines for both international and inter-firm mobility.

We are keen to take on new challenges.

## Mariko Nose

Global HR Group, Human Resources Department,  
HR & Administration Division

To realize the Global HRM Policy, we introduced the Global Grading System, which is to be commonly applied to the whole Group, in fiscal 2014 so that employees can have a wide range of options for career opportunities on a Group-wide scale. As a first step, we identified 24 people who are board members or similar executive position holders of overseas affiliates as our Group Global Executives. We believe that they will play bigger roles taking various opportunities.

Though I'd had experience of establishing a new HR system in Japan, the task to introduce a new global HR system was very challenging because it was a totally new type of initiatives for our company. I therefore visited overseas Group companies and held discussions to get opinions from a wide range of people.

We have received many favorable comments on this system, which encouraged both my motivation and a sense of responsibility. We will keep working to make it more effective, and seek to establish an environment where motivated and talented people can play more active roles irrespective of nationality or other backgrounds.



Basis for Management

Business Outline

Groups CSR Activities

Governance

Core Category

Products &amp; Services

Supply Chain

Human Resources

Environmental Preservation

Social Contribution

〈CSR Priority Theme〉

# Prevention of Global Warming

While making energy saving efforts, we also aim to lower the environmental impact of products throughout their lifecycle.

The Sumitomo Electric Group considers that prevention of global warming is a crucial theme because it leads to promotion of energy saving activities and can also bring about business opportunities. We are committed to development and improvement of energy saving initiatives at domestic and overseas establishments, as well as reduction of overall environmental impact of products throughout their lifecycle.

- Develop the Action ECO-21 (Phase V) campaign based on the ISO 14001 environmental management system
- Enhance efforts to introduce energy saving initiatives into overseas establishments
- Strengthen our capacity to propose environmentally conscious products to contribute to reduction of overall environmental impact across society

## Energy saving, which also helps prevent global warming, is my lifework.

### Akihisa Kontani

Plant Engineering Group, Manufacturing Department,  
Sumitomo Electric Wintec, Inc.

We are performing energy saving activities to achieve not only VISION 2017 but also an even higher target set to respond to the rising electricity cost associated with shutdown of nuclear power plants. After estimating the effects of potential energy saving measures, we prepare and examine a list of the measures and their expected effects to determine whether each of the measures should be taken or not. Intangible energy saving activities, such as switch-off of unused engines and increases in energy efficiency through improvement of manufacturing conditions, cannot be promoted without cooperation of production sections. We try to visualize the energy saving effects and encourage all staff to cooperate, and have achieved significant results.

We are also introducing the measures that have been taken in Japan into our plants in Indonesia and other countries. While we have regular meetings with the local staff to review their initiatives and follow up the progress, proposals are often made by the local staff, and I feel that they have acquired abilities to take voluntary measures. Energy saving is my lifework, and I will endeavor to be an expert.



〈CSR Priority Theme〉

# Contribution through Our Business Locations and Foundation

We will promote long-term social contribution in local communities even more and in a wider range of fields.

The business activities of the Sumitomo Electric Group cover a vast range of technologies, markets and business domains, which involve various stakeholders. In addition to social contribution through business activities, we will continue to make long-term social contribution in a wide variety of fields.

- Develop social contribution activities that meet local needs
- Establish partnerships with community-based organizations
- Continue long-term social contribution initiatives

## I want to keep running with the local community.

### Hiroshi Dote

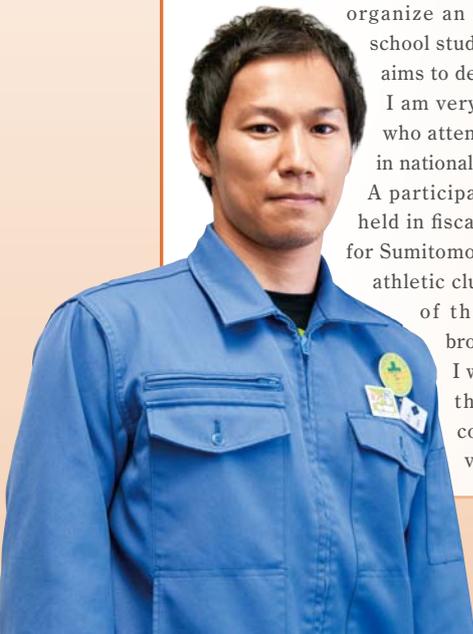
Quality Assurance Section, Quality Assurance Department, Sumitomo Electric Sintered Alloy, Ltd.

Four years have passed since I started working at Sumitomo Electric. While I now take charge of various business tasks, I have also been the captain of the company's men's sprint race team since March 2014. Our team is steadily gaining a high profile in the track and field world as the members achieve high rankings in the national championship.

During winter, which is the off-season for our athletic club, we organize an athletics workshop for junior high school students four times a year. The workshop aims to develop junior high school athletes, and I am very pleased to hear news that students who attended it have shown great performance in national competitions.

A participant of the first workshop, which was held in fiscal 2008, is now 20 years old, working for Sumitomo Electric performing brilliantly in our athletic club. I am happy about the long history of the workshop and the encounters brought by it.

I would like to continue to contribute to the future of children and the local community through the workshop and various other activities.



Basis for Management

Business Outline

Groups CSR Activities

Governance

Core Category

Products & Services

Supply Chain

Human Resources

Environmental Preservation

Social Contribution

# On the Occasion of the Launch of Initiatives for the New CSR Core Categories

The Sumitomo Electric Group sets five CSR priority themes. Among them, the three themes of “promotion of diversity,” “prevention of global warming” and “promotion of CSR procurement” were selected as subjects for the fourth Stakeholder Dialogue, in which the respective managers in charge of the themes at Sumitomo Electric exchanged opinions with experts with outstanding knowledge on the themes.

## ■ Outline of the Stakeholder Dialogue

Date: June 4, 2014 (Wed.)

Venue: Osaka Works of Sumitomo Electric Industries, Ltd.

## ■ Schedule

1. Factory tour
2. Presentation on the background of the review of the CSR core categories
3. Exchange of opinions



Factory tour

## ■ Guests

### Mr. Eiichiro Adachi

Counselor, The Japan Research Institute, Limited

Mr. Adachi specializes in socially responsible investment (SRI) and corporate social responsibility (CSR). He has participated in various projects organized by the Ministry of the Environment, the Cabinet Office, Government of Japan, etc., and is mainly engaged in industrial surveys and corporate evaluation from the perspective of CSR.

### Professor Yoshinao Kozuma

Faculty of Economics, Sophia University

Prof. Kozuma specializes in environmental accounting theory and international accounting theory. He has served as chair and member of CSR- and environment-related review committees and study groups organized by Ministry of the Environment, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Agriculture, Forestry and Fisheries, Cabinet Office, Government of Japan, Japanese Institute of Certified Public Accountants, etc.

### Facilitator

Mr. Takashi Fukushima (President, Sustainability Accounting Co., Ltd.)

### Participants from Sumitomo Electric

**Masatoshi Nakata** (General Manager, Human Resources Department, HR & Administration Division),

**Nobuya Oooka** (General Manager, Safety & Environment Department),

**Satoshi Maegawa** (General Manager, Procurement Division),

**Masahito Kasuga** (Manager, CSR Promotion Office, HR & Administration Division)

Exchange of  
Opinions

Theme / Commitment to the new CSR priority themes

## 【 Setting of the priority themes 】

**Kasuga:** Based on the new mid-term management plan VISION 2017, which was formulated in May 2013, we have reviewed the five CSR core categories to enhance the integration of CSR activities with business activities. The new five core categories are Products & Services, Supply Chain, Human Resources, Environmental Preservation and Social Contribution. Products & Services is included to highlight our social contribution through the main business. For each of the categories, a priority theme is selected (see P15). The priority themes for Human Resources, Supply Chain and Environmental Preservation are promotion of diversity, promotion of CSR procurement and prevention of global warming, respectively.



## 【 Promotion of diversity 】

**Nakata:** We adopted the Global HRM Policy as the Group's common policy to be applied worldwide in 2011. While our business has been promoted on a global



scale, the number of the overseas personnel appointed as executives was not large enough. To improve this situation, we established the Global Executives System in April 2014. We then set up a grade called “GL (global leader)” and appointed 24 officers and equivalents from overseas subsidiaries other than those of listed companies. In terms of promotion of female workers, our Japanese sites lag behind overseas ones. We focus on employment of excellent female workers in the recruitment of new employees for main career track in Japan.

**Adachi:** The companies that promote recruitment of women can be divided into those which have a definite purpose and those which just follow other companies to keep pace with the trend of the times. I think that the answer to the question why a company has to increase female workers depends on the type of the business.



**Kozuma:** The issues underlying the promotion of diversity are very complicated. In addition to constraints in companies, many factors generated by social systems prevent effective use of female workers. In a company with many overseas facilities like Sumitomo Electric, I assume that working conditions are different between Group companies in many



aspects. While the situation concerning women and minorities totally differs from country to country, is your company handling it on a global scale?

**Nakata:** We have surveyed the number of male and female workers in our Group on a global scale to obtain data, and worked to share information between different companies beyond national borders and cultures. The Sumitomo Electric Group will enhance the human resource recruitment system to promote diversity.



**Kozuma:** In EU, it is said that diversity should start from executives. Japan lags far behind in diversity of executives. Promotion of it is crucial to promote diversity of the whole company. How is the situation in your overseas Group companies?



**Nakata:** We have to encourage the promotion of appointing local staff to executives in overseas companies more actively. A major principle in our global policy is that we provide workplaces where all the employees can work actively regardless of race or gender. We will broadly and strongly publicize this as a solid policy of our Group in human resource management.

## 【 Prevention of global warming 】

**Oooka:** Our target for prevention of global warming is the reduction of CO<sub>2</sub> emissions by 5% in fiscal 2017 from the fiscal 2012 level. In the action plan established to meet this aggressive target, we aim to reduce energy consumption per unit of sales by 20% in 5 years. While our energy saving efforts have consisted mainly of equipment-related initiatives such as introduction of energy saving devices, we now recognize that issues related to productivity such as poor quality and equipment failure are all linked with energy saving. We plan to promote activities in cooperation of various sections while sharing this recognition with them.



**Adachi:** To meet the target of increasing sales from approximately 2,200 billion yen in fiscal 2012 to 3,000 billion yen in fiscal 2017, you need to increase sales by 40%. In this context, the target of reducing total emissions by 5% seems to be too aggressive. I wonder that the financial prospects may be inconsistent with the non-financial prospects.

**Oooka:** An aggressive target is necessary to remind our divisions of the need to eliminate energy loss. Just trying to balance out the manufacturing areas with low energy efficiency is not enough. We aim to make them aware of this fact to be thoroughly committed to energy saving activities.



**Adachi:** I understand energy consumption per unit of sale is greatly different between business segments at present. There must be differences between overseas factories as well. It will be convincing if you also have a plan to change business segments or improve overseas production sites with low energy efficiency to raise their energy efficiency to the level of the mother factories in Japan.

**Kozuma:** It is preferred to encourage related suppliers to take such measures at a similar pace. In addition, I would like to point out that expansion of the sales of existing environmentally conscious products that can help reduce CO<sub>2</sub> emissions may be more effective in contributing to prevention of global warming.



**Oooka:** We do have environmentally conscious products that can help customers save energy, reduce waste and improve productivity. Many of our products are parts, and we are making efforts to raise the ratio of sales of such environmentally conscious products. Nevertheless, we have calculated the contribution to reduction of CO<sub>2</sub> emissions only on some of our products.

**Kozuma:** Sales and reduction targets should be set even if they are rough ones. I think your factories, which have lots of basic technologies, are filled with hope.

**Oooka:** Thank you. There are still differences in awareness in some divisions. We will focus on the areas where the efforts have been insufficient in order to achieve results.

## 【 Promotion of CSR procurement 】

**Maegawa:** We request suppliers to comply with our CSR procurement guidelines. As we did not know how much the guidelines were actually followed, we surveyed suppliers to determine the situation in fiscal 2013. While we conducted a questionnaire survey of 122 main suppliers under the control of our Procurement Division, we plan to expand the scope to cover around 900 suppliers with which we have continuous business each month in fiscal 2014.



**Kozuma:** I suggest you consider the objective of such surveys as well as the objective of supply chain management and review the results to improve the accuracy of the survey. It is important to continue questionnaire surveys and feed back the results into the current supply chain management to constantly check the progress.

**Adachi:** As the Sumitomo Electric Group has diversified its business and engages mainly in B-to-B activities, the supply chain is not visible from outside. I recommend that purchased goods be clarified first and efforts related to the procurement of them be presented together with any problems in the upstream of the supply chain.



**Maegawa:** It would be ideal if our Procurement Division could develop a database with such information collected in a cross-sectional manner. So far, we only support divisions and operating companies in aiming at the same target on a specific subject when promoting initiatives on a division or operating company basis. I hope that we can eventually collect basic data that are common among the divisions and analyze them at the Procurement Division to prepare a comprehensive report and give feedback.



## 【 Overall CSR activities 】

**Kozuma:** I can see that cross-sectional operations are increasing rapidly in addition to independent duties of each section. You will be facing such challenges as how these operations should be managed, who should control them and how they should be coordinated.

**Adachi:** I believe such issues on CSR governance are common challenges for Japanese companies.

**Kasuga:** The CSR Committee chaired by the officer in charge of human resources and administration holds a meeting twice a year, which has been joined by staff from each division since the last meeting. Participation of divisions means participation of all of the organizations under them, whether in Japan or other countries. Our future challenge will be how we involve the whole Group and all employees in our CSR activities.

### After the Stakeholder Dialogue

The dialogue was very fruitful with advice from the two experts concerning three of the CSR priority themes established last year based on VISION 2017. We will make use of the advice about the challenges for our CSR activities. At the same time, we will discuss how we should address the cross-sectional operations, which are increasing as our business activities are globalized, in the approach to the CSR governance of the whole Group. This is a common challenge for all of the themes.



**Yoshitomo Kasui**  
Chair of  
the CSR Committee  
Managing Director

## Basic Structure of Corporate Governance

We adopted the Executive Officer System and the Business Unit System, which resulted in transfer of authority on business execution to individual business units and in the clarification of their responsibilities. Through these measures, we reduced the number of directors to accelerate decision making on business management and improve supervising functions in business activities by selecting an independent outside director.

We also enhance the auditing functions of corporate auditors. We selected independent outside corporate auditors with various specialized knowledge and multifaceted views for the majority of the corporate auditors.

## Business Execution System

The Company holds monthly meetings of the Board of Directors, which comprises 14 directors, as well as extraordinary meetings when necessary. The meetings deliberate and take decisions on execution of important business with the President as chairperson because the position of chairman of the Board of Directors is vacant. Prior to meetings of the Board of Directors, to facilitate the Board's deliberation a management conference is convened to discuss important subjects.

Directors (13 persons, excluding the outside director) received 755 million yen in total for fiscal 2013. The business activities based on the decisions taken at the Board of Directors meetings are executed promptly by individual general managers as well as directors and executive officers in charge of the Corporate Staff Group under the President. In addition, to establish an internal check function in its corporate regulations, Sumitomo Electric has clarified the scope of authority of individual business units and persons in charge of certain business activities, and has stipulated appropriate business procedures. As to the gender of the directors, all of them are male.

## Auditing and Supervision Systems

Sumitomo Electric receives three types of audits, namely corporate auditor audits, internal audits and accounting audits, to ensure the legality and appropriateness of its business management. In the corporate auditor audits, five corporate auditors, three of whom are outside auditors, inspect the performance of Board members in business execution, making use of staffs to corporate auditors (Office of Corporate Auditors).

The Board of Corporate Auditors establishes audit plans and policies, in accordance with which each corporate auditor fulfills his role, as assigned by the Board of Corporate Auditors.

Specifically, corporate auditors attend important meetings including those of the Board of Directors, conduct hearings with the directors, Internal Auditing Department and other relevant divisions regarding their performance, inspect important authorization documents, and visit major establishments to conduct audits. Corporate auditors also receive reports from other auditors regarding their audit status, and exchange information with the accounting auditor when required.

## Outside Directors & Outside Corporate Auditors

We have one outside director and three outside corporate auditors with no business relationship with our company.

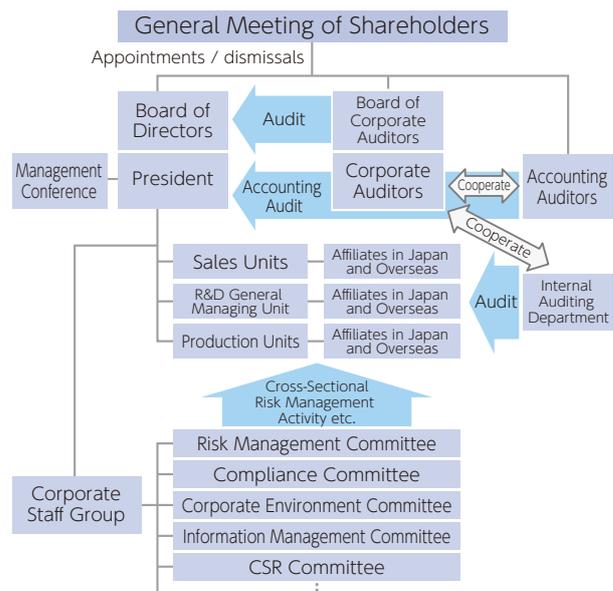
Sumitomo Electric has selected an independent outside director to further enhance the supervising functions of the Board of Directors with an external viewpoint and to improve the transparency and objectiveness of the management. We have also appointed independent outside corporate auditors with expertise in various fields and a multifaceted perspective. To reinforce the monitoring system that ensures lawful and proper management of our company, such corporate auditors represent the majority of the Board of Corporate Auditors.

These independent outside officers provide useful opinions from an independent standpoint at board meetings and other occasions.

## System to Ensure 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 and 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.

Sumitomo Electric Group's corporate governance structure



## Basic Approach

The Sumitomo Electric Group identifies, analyzes and assesses business risks, which include the factors that prevent the implementation of its business activities or achievement of management goals and strategies, as well as the factors that potentially have adverse impact, and then seeks to reduce and minimize them at a reasonable cost and with reasonable efforts.

With respect to cross-sectional risks common to all divisions and affiliates in the Group, the relevant corporate staff divisions, as well as company-wide committees organized by directors in charge of the related sections, identify, analyze and assess the risks according to their duties, and then take measures to mitigate them.

The divisions and sales and R&D groups individually identify, analyze and assess the risks associated with their business operations, and then take measures to reduce them.

Upon risk management, the significance of the risks is determined in consideration of the following issues:

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

## Risk Management System

The Sumitomo Electric Group has set up the Risk Management Committee as an organization to control overall risk management activities, and holds its meeting in conjunction with a meeting of the Management Conference. The Risk Management Steering Committee, which has been founded as a subordinate body, is in charge of formulation of risk management policies and planning and organization of risk management education, as well as establishment of task forces and collection of information at the time of an emergency. The Risk Management Office serves as the organizer for these committees.

In addition, a risk manager is appointed in each division and affiliate to promote various risk management activities including development of risk inventory and periodical review of the business continuity plan, in addition to improvement of the system to send information at the time of an emergency.

### Risk Management System



## Risk Management Activities

Risk management activities of the Sumitomo Electric Group are based on taking inventory of risks that is conducted by each unit and each affiliate every year. We survey and analyze significant risks and the risks that need to be addressed with additional measures in each division/affiliate, as well as common risks across the Group, and promote planning and implementation of measures to cope with the risks. Annual results of risk management are shared with executives and the corporate staff divisions. With mutual cooperation between them, group-wide risk management activities are promoted steadily.

### Risk Categories

Major category	Middle category	Minor category
Externally generated risk	Non-financial risk	<ul style="list-style-type: none"> <li>● Disaster risk, crime risk</li> <li>● Political and country risks etc.</li> </ul>
	Financial risk	<ul style="list-style-type: none"> <li>● Credit risk</li> <li>● Market risk; e.g. interest rate, exchange rate and material prices, and liquidity risk, etc.</li> </ul>
Internally generated risk	Strategic risk	<ul style="list-style-type: none"> <li>● Competitive strategy risk etc.</li> </ul>
	Operational risk	<ul style="list-style-type: none"> <li>● Product quality and safety risks</li> <li>● Occupational hazards, facility accident and safety risks</li> <li>● Environmental risk</li> <li>● Compliance risk</li> <li>● Violation risk</li> <li>● Labor, human rights and personal information risks</li> <li>● Financial information credibility and asset protection risks</li> <li>● Information and communication system risks</li> <li>● Intellectual property rights risk</li> <li>● Reputational risk etc.</li> </ul>

### 《 Strengthening of Risk Management 》

The direction of risk management is discussed repeatedly at the Risk Management Committee. We examine and take specific measures to meet the following targets, in addition to conventional initiatives:

- ① Enhanced coordination between business activities and risk management
- ② Arrangement of monitoring functions
- ③ Enhanced response to global risks
- ④ Higher awareness of risk management
- ⑤ Stronger risk management base

We will make continuous efforts to develop a more effective mechanism to respond to expansion of our business fields and changes in the external environment.

## Initiatives for Business Continuity

### 《 Revision of Business Continuity Plans (BCPs) 》

As part of the Company's risk management efforts, Sumitomo Electric has developed Business Continuity Plans (BCPs) since fiscal 2007 to ensure that our important businesses can be continued even in the event of an emergency, such as an earthquake and pandemic of influenza, and that we can swiftly resume operations when our operations are interrupted. The BCPs are periodically reviewed every fiscal year.

While we used to focus on preparation for earthquakes in the development of BCPs, we have been working to establish more fundamental BCPs in preparation for all types of critical events (other large-scale disasters and accidents, etc.) in line with the new guidelines published by the Cabinet Office of the Japanese Government since fiscal 2013.

In the periodical review of BCPs, we also verify the effectiveness of the emergency response plan and take

inventory of supply chain risks. In addition to the periodical review, a table top exercise that simulates the BCPs of specific divisions and affiliates is organized with relevant persons to examine any problems and reflect the results on the business continuity strategy.

《Continuous Implementation of Group-wide Joint Emergency Drills》

The Sumitomo Electric Group enhances disaster awareness of employees by checking the initial reaction and confirming the safety of employees twice a year (in the daytime and at night). Our production facilities carry out evacuation drills, inspection of places where hazardous materials are used and simulation of emergency measures. In the meantime, headquarters of countermeasures also implement drills of information transmission and sharing with the aims of acquiring and sorting out disaster information swiftly in a disaster situation to report it accurately and promptly to executives, and of sharing disaster information among the Group.

《Cooperation with Local Communities》

As a corporate citizen, we are committed to enhancing disaster preparedness abilities of the local communities where our bases are located, through the conclusion of disaster preparedness agreements with local governments and other means.

## Strengthening of the Information Management System

In fiscal 2012, Sumitomo Electric reorganized the relevant rules to improve the information management system, revised rules and enhance the mechanism to prevent information leakage in each of its divisions and affiliates. Regarding the use of social media, we have also established a social media policy, which specifies our basic approach to its use, as well as social media guidelines, which provide specific issues to be noted. The policy and guidelines serve to raise the awareness of employees. We will continue to promote information management of the Group through improvement of the system in domestic and overseas affiliates and enhancement of the internal training program.

《Protection of Personal Information》

As to the personal information of customers, business partners and employees handled in the course of its business, Sumitomo Electric declares that it will observe laws, regulations and other rules relating to the protection of personal information, and will establish, implement and maintain voluntary rules and frameworks. This is stipulated in our Personal Information Protection Policy, which was established in fiscal 2005. To effect the above declaration, the Company also set forth the Personal Information Protection Rules. Through employee education programs and other means, the Company has worked to develop and improve the in-house system for personal information management.

《Information Security Measures》

Sumitomo Electric regards internal information including trade secrets as important management assets and has established the Information Security Policy. In accordance with the revision of this policy, we provide education for all employees every year to ensure their awareness of it.

Our information security measures include data encryption in USB devices and laptop computers, as well as a system to prevent the use of file sharing software and other prohibited software. In fiscal 2013, we renewed the system for safe and secure delivery of large files, and also began to address the strengthening of information security with IT staffs of overseas affiliates globally.

## Security Trade Control

Sumitomo Electric has set forth internal rules on security trade control to ensure compliance with export control regulations aimed at international security, and established an export control system headed by a representative director.

Our export activities are conducted after proper screening of individual business transactions and obtainment of necessary export licenses such as comprehensive export license.

Our employees and persons concerned are provided with position-based training, as well as periodical training, which deals with the latest cases, and training at the time of their appointment to the position, so that they are aware of their responsibility for security trade control and obtain necessary knowledge.

We also conduct audits in the Company and its affiliates in Japan and overseas constantly to monitor proper export activities.

Record of Various Training Sessions in Fiscal 2013

Target of the training	No. of sessions	No. of participants	Main content
Staff in charge of classification	22	133	Tasks on how to classify goods and technologies
Export control sections	13	299	Export control practice
General employees	19	501	Outline of export control and internal rules
Domestic affiliates	2	55	Outline of export control
Overseas affiliates	11	276	Outline of export control and issues to be noted in foreign countries

## Intellectual Property Protection

Sumitomo Electric seeks protection of the company's own technology by proper management of technical know-how, as well as acquisition of the intellectual property rights (IPRs) such as patent rights or design rights. At the same time, we pay scrupulous attention and respect to the IPRs of other companies.

To this end, we have developed a rule on handling of intellectual property, and provided the intellectual property department with functions to support business units or R&D units including those in our subsidiaries such as discovery of inventions, investigation of prior arts and IPRs of other companies, formulation of strategy and response from the perspective of intellectual property-related laws and regulations. In order to improve IPR consciousness throughout the Group, we hold a Group-wide Intellectual Property Right Convention every year to commend the strategic applications that are highly expected to contribute to our business performance as well as the cases that have effectively utilized IPRs to greatly improve business results. We also organize in-house training programs that match the experience and level of proficiency of each employee, and publish the company magazine "IP news" five times a year.

Moreover, we promote 1) analysis of the rights owned by Sumitomo Electric and other companies, 2) IPRs application based on the business plan or safeguarding know-how against disclosure and 3) countermeasure to IPRs of other companies, through concerted efforts among respective divisions, R&D units and the intellectual property department at "IP strategy meetings" or "IP committees" of each division. In recognition of these efforts to develop an intellectual property management system aimed at establishing and executing our intellectual property strategy, we received FY2013 Intellectual Property Achievement Award.

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

Sumitomo Electric believes that complying with laws and regulations and maintaining corporate ethics comprise the backbone of its management; these matters are its social duties as a corporation, and form the absolute basis for the Company's continued existence and development. In recognition of this understanding, Sumitomo Electric has developed the compliance system. Despite our efforts in this regard, in February 2003 Sumitomo Electric received notice from the Japan Fair Trade Commission (JFTC) advising us to end a practice that violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade. This has led us to redouble our ceaseless efforts to further strengthen our compliance.

Nevertheless, in May 2010, we received Cease and Desist Orders and other orders from JFTC in connection to the sale of optical fiber cables and related products. In addition, concerning the supply of automotive wiring harnesses and related products, we received a surcharge payment order from JFTC in January 2012. The European Commission also notified us of its decision finding infringements of EU competition law in July 2013. (The Commission granted immunity from fines to the Sumitomo Electric Group as a result of the Group's cooperation in the investigation. Sumitomo Electric has also been cooperating with authorities conducting investigations in the United States, Canada and Australia, and therefore, does not expect to be criminally or administratively fined or otherwise sanctioned by these authorities concerning the supply.) In August this year, the National Development and Reform Commission of China imposed a surcharge on the Company for its violation of the country's Anti-Monopoly Law.

Following its investigation launched in January 2009, the European Commission imposed a surcharge on us in April of this year based on its decision that we had violated EU competition laws concerning the supply of high voltage and special high voltage power cables.

In response to the on-site investigation by JFTC in June 2009 concerning optical fiber cables and related products, we have taken corrective action out of recognition of the seriousness of the matter, including thorough compliance with the Antimonopoly Act and prompt recruitment of outside experts to conduct studies into other infringement behavior, if any, in order to identify and eliminate conduct that violates the Act. Additionally, we have conducted intensive compliance training, enforced Competition Law Compliance Regulations, and established a system to ensure the administration and management of the Regulations by specialized organizations, etc., in order to reinforce competition law compliance by the entire Group. While the decisions by the Japanese and other competition authorities concerning automotive wiring harnesses and related products, as well as high voltage and special high voltage power cables, apply to violations that predate these preventative measures, we deeply recognize the gravity of the situation and are striving to implement fair business activities that merit the trust of society, identifying competition law compliance as a top priority issue in our business management.

## Compliance Committee

The Sumitomo Electric Group has established the Compliance Committee, chaired by the President, as an organization that promotes measures necessary to develop and further strengthen the compliance system. The Committee engages in various activities, including preparing and distributing the Sumitomo Electric Group Compliance Manual and organizing compliance training seminars. In addition, the Committee identifies and analyzes group-wide compliance risks, disseminates preventative measures and monitors the compliance activities implemented by each division and subsidiary. In fiscal 2013, the Committee held four meetings (May, August and November 2013, and March 2014).

## Compliance Manual

The Compliance Committee has prepared the Sumitomo Electric Group Compliance Manual, which explains specific instructions to be followed by employees in their daily work and other situations so that they can act in a socially acceptable way from legal and ethical perspectives. The Manual is also based on the Sumitomo Spirit, the Sumitomo

Electric Group Corporate Principles and the Sumitomo Electric Group Charter of Corporate Behavior. We distributed this manual to employees in Sumitomo Electric as well as those in its subsidiaries in Japan.

## 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 all officers and managers every year. New employees and newly promoted personnel are also provided with training seminars. In fiscal 2013, instead of regular training seminars held for managers every year, compliance special training seminars were organized for main career track and general track along with managers on the subjects of compliance with competition laws and prevention of bribery. These seminars were conducted in response to acknowledgement in December 2013 that an employee at Sumitomo Electric engaged in cartel activities concerning the order for construction of overhead transmission lines received from Tokyo Electric Power Company, Inc., which was operated in the form of an ordinary joint venture.

In fiscal 2013, compliance training seminars were held as shown in the table below.

Target	Period
Officers (including executive officers)	Dec. 2013
Managers, main career track, and general track of Sumitomo Electric and its subsidiaries in Japan	Feb. - May 2014
Newly promoted personnel	Feb. - Mar. 2014
New employees of Sumitomo Electric	Apr. & Oct. 2013

## Speak-Up System

We have established the Speak-Up System, which enables employees to directly report and consult on potential compliance-related issues, so as to identify and resolve such issues by ourselves at an early stage. In addition to the Company's compliance staff, a law firm has been appointed as an external contact in the Speak-Up System. To address issues reported through this system, the Compliance Committee swiftly conducts investigation and takes necessary action. Sumitomo Electric instructed Group companies in Japan to establish their own in-house consultation contacts. At the same time, Sumitomo Electric positions its external contact as the one for the entire Group. We are working to disseminate the Speak-Up System to employees through monthly in-house magazines.

### Strengthening of the Competition Law Compliance System

For competition law compliance, which is positioned as the most important assignment in our compliance activities, we determined and announced in June 2010 the strengthening of our competition law compliance system through the measures mentioned below. All employees and officers at the Sumitomo Electric Group are firmly engaged in eliminating cartel and collusion, including suspicious acts, and preventing recurrence.

#### 1. Developing competition law compliance rules

In June 2010, Sumitomo Electric formulated new Competition Law Compliance Regulations, which contain provisions restricting contact with competitors, and put them into effect. We then promoted the introduction of similar rules and regulations into our subsidiaries in Japan and overseas, and completed it by fiscal 2012.

## 2. Forming dedicated organizations and establishing an auditing system

In June 2010, Sumitomo Electric formed the Competition Law Compliance Office in its Corporate Staff Group and the Sales Compliance Office in its electric wire-related sales group as organizations dedicated to promoting compliance with competition laws. The Company also appointed a competition law compliance manager and a person in charge of promoting the compliance at each of other units. In addition, we established the Automotive Compliance Office in the Automotive Business Unit in March 2011.

Under the Compliance Committee, the Competition Law Compliance Office closely cooperates with the dedicated organization or person in charge of each of the units involved in actual business activities. By operating the rules to restrict contact with competitors based on the Competition Law Compliance Regulations and promoting related activities such as monitoring and auditing of compliance with competition laws and the Competition Law Compliance Regulations, we will develop an effective system involving the front-line players to prevent recurrence of violations.

Established in the respective business units subject to the scrutiny of competition authorities, the Sales Compliance Office and the Automotive Compliance Office promote thorough measures on the front line, such as conducting periodical hearings on compliance with competition laws and monitoring of orders.

## 3. Enhancing and continuing compliance law training

In spring 2010, instead of the regular compliance training programs for managers organized every year, special training programs on compliance with competition laws were conducted for all members of Sumitomo Electric and its subsidiaries in Japan (excluding employees engaging in manufacturing). In total, 81 sessions were held in 40 locations nationwide for 5,000 participants.

We also include competition law-related issues as an essential key subject in the periodical compliance training sessions to promote the thorough improvement of awareness among employees.

In fiscal 2013, we set up a global e-learning system and launched training programs for employees in overseas subsidiaries.

## 4. Establishing action guidelines for competition law compliance

Sumitomo Electric has been considering competition laws to be a priority matter to be observed in the Compliance Manual. New sales-related Competition Law Action Guidelines for employees that also take account of foreign competition laws and clearly specify prohibited conducts and matters to be observed were established in October 2010 as action guidelines specialized for compliance with competition laws. All employees involved in sales received training regarding these guidelines in the sessions organized in October to November 2010, as well as in the above-mentioned compliance special training seminars held in fiscal 2013. We will continue to make efforts to ensure compliance with the guidelines.

## Anti-bribery Measures

Sumitomo Electric introduced an anti-bribery program in April 2013 to enhance its anti-bribery compliance system on a global scale. This program has established rules on bribery-related issues, including ban of bribery, as well as ex ante approval and ex post report on gifts, donations and offering entertainment, in the Anti-bribery Compliance Regulations in response to the recent tightening of regulations

on bribery of domestic and foreign public officers in the US, Europe and emerging markets. One Bribery Prevention Officer and one Bribery Prevention Manager are also appointed in each unit to build a system to apply the rules.

The anti-bribery program, which has been conducted for more than one year, is operated smoothly under the initiative of the Bribery Prevention Manager at each division. Our main subsidiaries in Japan have also introduced the program, and we are now promoting the adoption in overseas subsidiaries. As the legal system, standards, customs, etc. are different between countries, we act in a careful manner in other countries even more than in Japan. The special training sessions (including lectures by local attorneys) are also scheduled for the Bribery Prevention Managers in the respective countries in 2014. We will continue to work to maintain and enhance the global bribery prevention and compliance system through continuous education, review of the operation manual and collection and dissemination of relevant information.

## Developing the Compliance System among Overseas Group Companies

To develop a Group-wide compliance system on a global scale based on a wide concept including compliance management, corporate ethics and the Sumitomo Spirit, Sumitomo Electric organizes visits to affiliates to provide compliance training seminars for top executives and local managers of overseas affiliates.

Our staff visited our main overseas offices and organized compliance seminars designed for local managers of overseas affiliates, which included Basic Course Seminars (from April 2008 to September 2009) and Advanced Course Seminars (from January 2010 to June 2011), with the aims of instilling the awareness of compliance and creating a sense of unity as a member of the Sumitomo Electric Group. We also send the training materials, attached with the CD recording of the lectures in the previous seminars, to overseas affiliates, which include the companies that we could not visit due to the schedule or for a geographical reason, so that such affiliates can arrange compliance training programs in a voluntary and continuous manner.

In addition, we organized Competition Law Basic Course Seminars from October 2011 to September 2012, which specifically focused on competition laws, and have also provided Anti-bribery Course Seminars as part of the anti-bribery measures mentioned above since April 2013.

We will continuously endeavor to further improve the compliance system of each overseas affiliate through cooperation with the relevant divisions and other organizations.



Training seminar at an overseas affiliate in Asia

## Results of Overseas Compliance Training Seminars

	Competition Law Basic Course From Oct. 2011 to Sep. 2012	Anti-bribery Course From Apr. 2013 to Mar. 2014 (Continuing)
Total number of seminars	98	17
No. of participating companies	137	91
No. of trainees	1,550	113*

\* Exclusively for the Bribery Prevention Managers

## Promoting research and development with due consideration for the future and creating innovative technologies and products

Technology is the engine of the future and the very source for growth. From our origins as a copper business, we have developed a wide variety of technological bases. We will continue striving to create new technologies and products with due consideration of future social needs, and further accelerate our commercialization of technology in response to this time of rapid change.

Core Category

## Products & Services

Priority Theme

## Innovation

### Main Targets for Fiscal 2013

Reduce complaints by 26% from the previous fiscal year

Continue to promote own process quality assurance activities (fourth year)

- Continue activities based on important themes at each division
- Develop the activities on a global scale
- Improve the improvement process
- Raise the assurance level: enhancement of checking stations (measuring techniques), foolproof mechanism

### Results in Fiscal 2013

Reduced complaints by 16% from the previous fiscal year

Performed theme-based activities (107 themes in the first half and 123 themes in the second half) at each division, expanded the activities into overseas facilities, mainly in China (3 sites), and enhanced the improvement process at 8 sites in Japan through examination of the approach to reduce in-process defects.

### Main Targets for Fiscal 2014

Reduce complaints by 18% from the previous fiscal year

Continue to promote own process quality assurance activities (fifth year)

- Continue activities based on important themes at each division
  - ① Determination of defect-free process conditions,
  - ② Maintenance of defect-free process conditions,
  - ③ Pursuit of defect-free process conditions
- Accelerate introduction of the activities into global facilities
- Develop the examination of the approach to reduce in-process defects

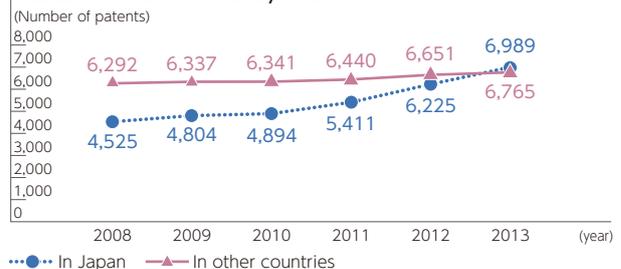
### Receiving Thomson Reuters Top 100 Global Innovators Award

Sumitomo Electric received Thomson Reuters Top 100 Global Innovators Award in 2013, which was the second time following 2011.

This award is given to 100 companies that are vigorously working on innovative developments, are committed to protection of intellectual property rights and have generated globally influential inventions. Using strict analytics and objective data, Thomson Reuters analyzed patent activities to select the world's most innovative companies. The four criteria for selection are: "Success rate" (the ratio of granted patents to patent applications), "Global reach" (patent portfolio in major world patent offices), "Influence" (the patent impact determined by the citation frequency during patent examination) and "Volume" (the number of innovative patents).

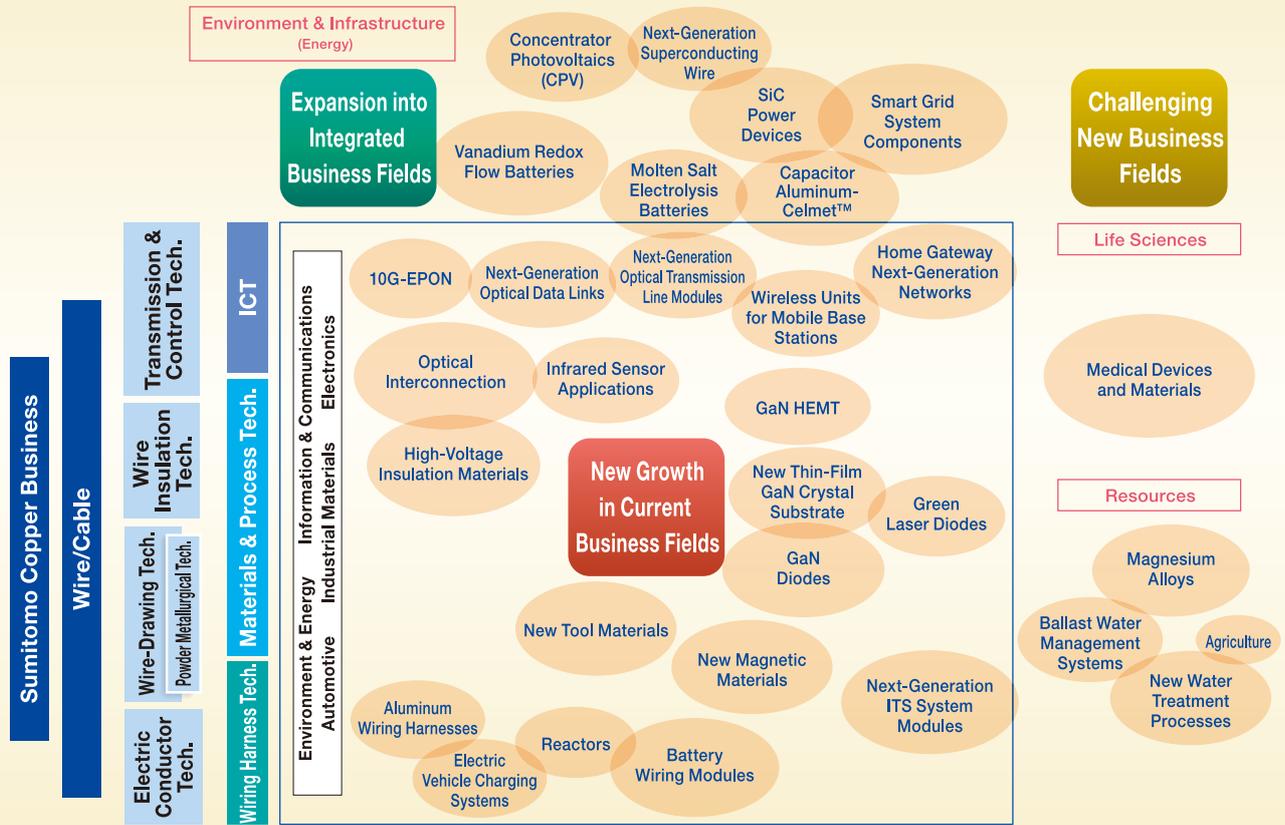
The Sumitomo Electric Group has been pushing ahead with development of new products and businesses that will contribute to the progress of society, in accordance with the following principles: "Attaching importance to technology," and "Building technical expertise, realize changes and strive for consistent growth." Our efforts have resulted in many ingenious products, such as superconducting cables and semiconductor materials for green lasers. We believe this recognition is due to the collective effort of the Sumitomo Electric Group. With our superb creativity, we at the Sumitomo Electric Group will continue to develop original, excellent technologies, anticipating social changes and technological trends.

Number of Patents Year by Year



- Figure as of December 31 of each year
- The figures in Japan are the total number of patents, utility models and designs.
- The figures in other countries are the sum of the total number of patents, utility models and designs in each country.
- A total of 24 companies including Sumitomo Electric and its Group companies are covered.

# Research and Development Themes for the Next Generation



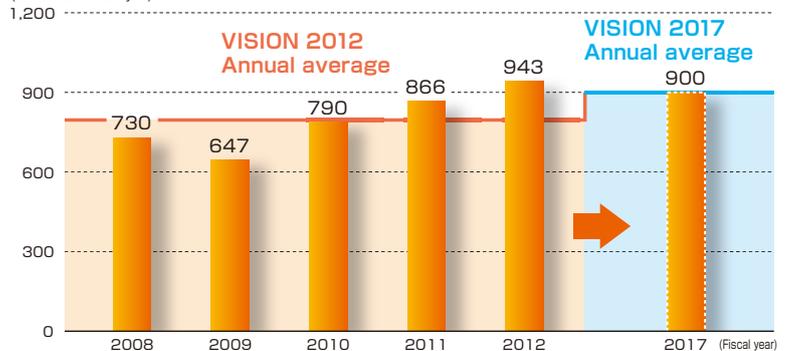
## Research and Development Expenditures

Continue investment in integrated and new business fields in addition to current business fields

**VISION 2012:**  
Approx. 400 billion yen in total  
(Approx. 80 billion yen/year)

**VISION 2017:**  
Approx. 450 billion yen in total  
(Approx. 90 billion yen/year)

(Unit: 100 million yen)



※VISION 2012 Mid-term management plan for FY2008-2012  
※VISION 2017 Mid-term management plan for FY2013-2017

# To Create Society with a New Style of Electric Power and Energy

## Create Concentrator Photovoltaic (CPV) System

A next-generation photovoltaic power generation system

### 1. Efficient system with high power output performance suitable for high temperature environments

The CPV system uses compound semiconductor power generation elements with very high power generation efficiency, and directly collects sunlight with the lens as it accurately tracks the sun. The system boasts power generation efficiency about twice as high as that of a typical crystalline silicon cell. As the power generation element has little temperature dependence, this system is highly effective in regions with high direct radiation and high air temperatures.

### 2. Efficient use of the installation area

As the CPV modules are mounted on the sun tracking frame, the space under the module can be used for parking, flowerbeds or farming.



## Create Power Line Communication (PLC)-Based Real-Time Mega-Solar Monitoring System

A low-cost system that accurately monitors solar panels for generated electricity in real time and can also be installed easily

### 1. Requiring no additional wiring for communication

In the power line communication (PLC) technology which is employed in the system, high-voltage DC power cables are used as a communication medium, and no additional wiring is required.

### 2. Usable with existing mega-solar systems as well as new ones

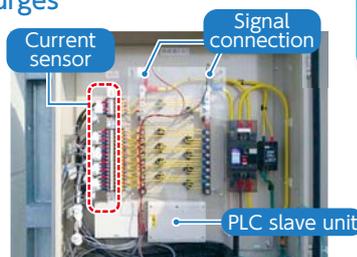
The sensors, slave units, etc. can be easily added to an existing system.

### 3. Resistant to noise and lightning surges

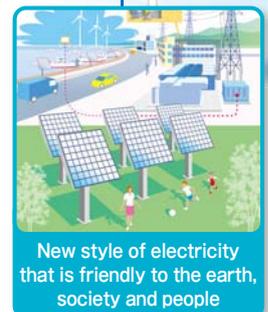
This system can transmit information accurately even in a heavy noise environment generated by high-capacity power conditioners, and is fully protected from lightning surges.

### 4. Outperforming other systems in cost

Using PLC, the system requires no additional wiring for communication purposes. No dedicated AC power lines need to be installed either since power required for operation is supplied from the solar power line.



PLC terminal installed in an existing connection box



## Social challenges

- Prevention of global warming
- Insufficient power supply capacity following the nuclear power phase-out
- Insufficient power supply capacity as a result of economic development in emerging countries
- Increased interconnection of electric power and energy systems in Japan  
(Strengthening of systems to deliver the increasing amount of power generated with solar energy, wind, etc. to urban areas)
- Maintenance of power and energy supply at the time of a disaster

## Social expectations ⇒ Realizing “3 values”

- 1. Reduction of environmental impact**  
Lower environmental impact by making maximum use of renewable energy and introducing technology that improves power usage efficiency
- 2. Improvement and maintenance of power quality**  
Supply electric power with stable quality suitable for the power use conditions and needs of customers
- 3. Maintenance of security**  
Establish a disaster- and crisis-resistant power supply system to support the safety of life



More prosperous life where more people save power and energy unconsciously



Supply of high-quality electrical power more efficiently



Ensuring safe, secure and stable power supply every day



## PPL™ MI DC Submarine Power Cable\*

High-capacity power cable that can transmit electrical power over a long distance to support offshore wind power plants as well as international transmission networks and other next-generation grids.

### 1. Optimal for long-distance power transmission

Using paper impregnated with high-viscosity insulating oil, longer distance power transmission is made available because oil feeding equipment that is mandatory for oil filled (OF) cable systems is not needed.

### 2. Available for high-capacity power transmission

The conventional insulating kraft paper was replaced with PPL™ developed by Sumitomo Electric as the insulating paper, which allows high-capacity power transmission.



## Redox Flow Battery

A storage battery that charges/discharges through oxidation-reduction of vanadium or other ions. This technology, which stabilizes the system, is essential for the expanded use of renewable energy such as solar energy and wind.

### 1. Easy maintenance and a high level of safety

Vanadium ion electrolyte is non-combustible and can be operated at ambient temperatures, and these features provide greatly increased safety and are suitable for a battery for the electric power system.

### 2. Long service life

This battery features long service life as the electrodes and electrolyte are not subject to deterioration even after repeated charge/discharge operations. It can be also reused or recycled.

### 3. Accuracy

The stored electric power can be monitored and controlled accurately.

### 4. Adaptability to various sizes

The battery is adaptable to different sizes, ranging from small and medium systems to high-capacity ones, by adjusting the amount of the electrolyte.



\*MI cable  
Mass Impregnated Paper Insulated Cable

## Basic Approach

In the Sumitomo Electric Group, each division/company has developed and evolved its original quality assurance system tailored to the features of its various products. While respecting such efforts, the Quality Management Division established the Sumitomo Electric Group Quality Management Global Standards, which summarize minimum requirements for the quality assurance system to maintain the quality level needed for the Sumitomo Electric brand, in February 2013. In a company-wide quality improvement activity called the QR-1 campaign, we promote and focus on three aspects: "own process quality assurance activities," "global quality management system audits" and "quality management education," while encouraging our divisions and Group companies to develop their own quality assurance systems in accordance with the standards mentioned above.

## Development of QR-1 Campaign

We have promoted this company-wide campaign for the improvement of quality and reliability since 1975

As the Sumitomo Electric Group's business activities consist mainly of business-to-business (B2B) transactions, we believe that above all further quality improvement for our products will lead to greater customer satisfaction. Thus, we launched the "reliability improvement campaign" throughout the Group in 1975 based on our customer-oriented and quality-oriented policies. Since then Sumitomo Electric has carried out the campaign with the priority subjects selected according to the needs of the times. We launched the QR-1 campaign in fiscal 2002, aiming to improve quality from the viewpoint of customers, prevent quality risk and establish its structure for quality and reliability to overtake the competition.

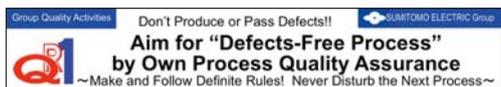


QR-1 campaign logo  
QR: Quality & Reliability

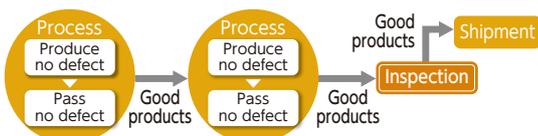
## "Own Process Quality Assurance Activities" Aiming for Zero Complaints

We are introducing the assurance level assessment and efforts for improvement into overseas sites as well

In Phase V of the QR-1 campaign, which was launched in fiscal 2013 to be carried out for two years, we also promote own process quality assurance activities to prevent defects from being produced or passed down to the following process in each process. These activities are maintained in our divisions and Group companies, which manufacture various types of products, including overseas facilities.



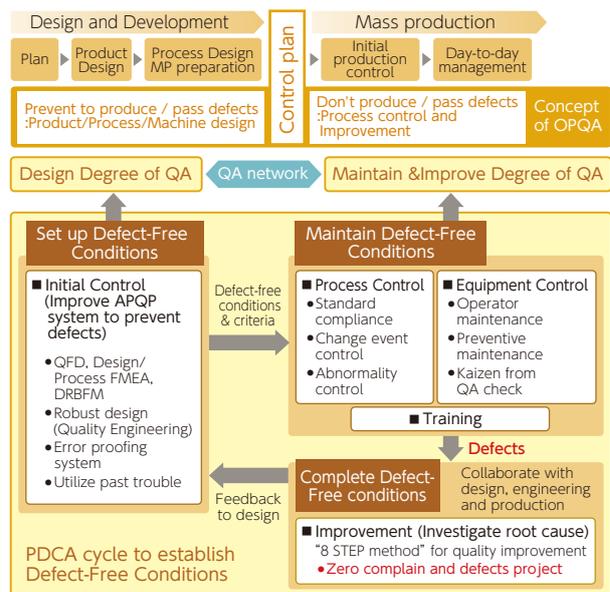
Banner for the QR-1 Campaign



Each division/Group company is committed to its important themes on own process quality assurance. The Quality Management Division also works for initiatives to promote such activities as support on the important themes, practitioner training education, organization of exchange meetings with leading units and publication of booklets introducing good practices.

As the concept of "quality assurance level," which was introduced as an indicator for the progress of improvement activities has also been disseminated, we can deploy and evaluate our activities in the more quantitative way now. We have addressed the quality defects that are currently generated with focus on "pursuit of defect-free conditions" to prevent defects from being produced or passed down to the following process. In addition to these conventional efforts, we will be committed to "maintenance of defect-free conditions," which underlies such efforts, as well as "determination of defect-free conditions" at the stage of developing the products and manufacturing methods, which are their sources, in order to further enhance the quality assurance activities.

## Three activity areas of Own Process QA



We will continue these own process quality assurance activities on a global scale in fiscal 2014.

## Activities to Enhance Quality Awareness

We seek to share and enhance awareness through inspection of manufacturing sites by the top management and commendation of excellent divisions and individuals

We are encouraging all employees to understand the top management's thoughts on quality and thereby raise their own quality awareness. To this end, Sumitomo Electric held group-wide Quality Management Conventions on May 31 and November 15, 2013. And we display banners for the QR-1 campaign with slogans on quality management. In the "Quality Month" (November) every year, each of our Works displays quality-related flags and posters. Messages from the President are disseminated through in-house magazines, in-plant broadcasting and other media every half year (April and October), and inspection of manufacturing sites by the top management is organized as part of our awareness raising efforts. Sumitomo Electric also established Quality Achievement Awards to commend divisions implementing activities that set a good practice for other divisions, and individual employees who have created excellent posters and slogans that encourage awareness of quality improvement at the Quality Management Conventions.



Quality Management Convention in November 2013

## Enhancement of “Quality Management Education”

**A total of 3,772 persons all over the world completed quality management education programs in fiscal 2013**

The Sumitomo Electric Group has provided employees with training programs at the “SEI University” based on the idea that development of the operational capabilities of individual employees is essential to improve and ensure the quality of products and services at higher levels. At the beginning of every fiscal year, we make annual education plans and provide position-based education for all employees, function-based and administrative-position-based education according to divisions or positions, and needs-based education to learn knowledge.

We have also introduced many quality management education courses into practical training programs for designated personnel, such as MKP\* and GKP\*, and enhanced all employee quality management education as well as education programs based on job experience and job function in order to cultivate the culture of “Quality First.” Furthermore, Sumitomo Electric has dispatched instructors to relevant departments upon request, to deliver “on-site seminars” to teach how to make use of quality control tools and improve the ability to identify problems and real causes. In the education of overseas personnel, we organize exchanges of information on model cases and provide training sessions on own process quality assurance activities in the course of the Key Person Development Program and at the meetings of Quality Management Work Group of the Human Resource Development Committee in China. In fiscal 2013, a total of 3,772 persons, including overseas employees, completed quality management education programs. The total number of the persons who completed the programs after fiscal 2010, in which we started restructuring quality management education, has reached 12,638.



Meeting of Quality Management Work Group of the Human Resource Development Committee in China in August 2013

## Global Quality Management System Audits

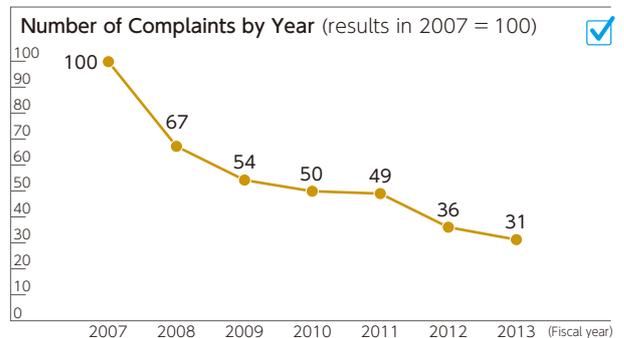
**We conducted audits of 57 Japanese bases and 10 overseas bases by fiscal 2013**

In order to evaluate the quality control activities of the units in light of the Sumitomo Electric Group Quality Management Global Standards from the perspective of customers, as well as to improve weaknesses of their quality management systems, we are systematically conducting “global quality management system audits” in the main bases of each business unit. In the global quality management system audits, we identify weaknesses of each unit in terms of management, design, manufacturing and “mother factory” function to provide an opportunity to improve its quality assurance system, and support to overcome the weaknesses. Since the start in fiscal 2010, the global quality management system audits have been conducted at 57 sites in total. Our main facilities in Japan are currently undergoing the second round of the audits. The audits are repeated with the aim of promoting continuous improvement of the quality assurance system. Overseas, after taking preliminary measures such as creation of an audit check sheet in Chinese and English and review of the auditing scheme including follow-up activities in partnership with the mother companies, we conducted the audits in a total of 10 sites in China and Southeast Asia. To promote the introduction of the Group Quality Management Global Standards, we will continue to check progress in compliance with the standards through global quality management system audits.

## Outcomes of the Quality Management Activities

**We will continue to make steady efforts to eliminate complaints**

Thanks to our ongoing quality management activities, the number of complaints has been decreasing every year. In fiscal 2007 we began to collect data on a global scale including data from overseas affiliates, and the number of complaints has declined by about 70% from the figure in fiscal 2007. However, there are still many issues to be improved to eliminate complaints.



(Note) The data cover Sumitomo Electric and its manufacturing affiliates in Japan and overseas (including the Sumitomo Wiring Systems Group)

With the current trend of increasingly stronger market demand for better quality, we will continue to make efforts to eliminate complaints with the three main pillars of “own process quality assurance activities,” “global quality management system audits” and “quality management education.”

### Glossary

**\* MKP**  
Abbreviation of “MONOZUKURI-KAKUSHIN professional training Program” that is the practical training program to develop key-personnel (engineers) who are to drive manufacturing innovation.

**\* GKP**  
Abbreviation of “GENBA-KAIZEN professional training Program” that is the practical training program to develop key-personnel who are to promote shop-floor improvement.

## Management of Chemical Substances in Products

We are managing chemical substances properly in accordance with our own guidelines based on Japanese Industrial Standards (JIS) guidelines

In pursuit of reducing environmental impact of the products of the Group and our customers, as well as improving compliance, the Sumitomo Electric Group is committed to proper management of chemical substances in products. To this end, we implement the "SEI Guidelines for the Management of Chemical Substances in Products" <sup>(note)</sup>, which was established to specify the items to be carried out at each phase of the manufacturing process such as procurement, design, production and quality assurance based on JIS Z7201 "Management of Chemical Substances in Products - Principles and Guidelines".

We have also established standards for chemical substances in products to be managed at each of the phases, and implement the "SEI Guidelines for Green Quality Purchases" <sup>(note)</sup> based on the standards, while conducting product assessment at the design and development stages. Through these initiatives, we strive to prevent hazardous chemical substances with large environmental impact such as mercury and cadmium from being contained in products. The Sumitomo Electric Group also has the Chemical Management Task Committee in place to enhance coordination within the Group.



(Note) As the types of products and requirements from customers differ greatly between divisions and affiliates, the guidelines and standards are applied flexibly according to their respective circumstances.

## Compliance with Regional Regulations on Chemical Substances across the Globe

We are promptly responding to progressive tightening of regional regulations on chemical substances across the globe

The Sumitomo Electric Group has taken measures to replace the substances listed in the EU RoHS\* and ELV Directives\*, and is meeting customer demand for products that contain no prohibited substances. While phthalates and some bromine-based flame retardants are considered to be potentially added to the list of substances banned by the RoHS Directive, we have launched efforts to discontinue their use in the products subject to the directive as part of an initiative in the Action ECO-21 (Phase V) Campaign. In fiscal 2013, we completed the survey to identify the amount of those substances used in each of the Group companies.

At the same time, to comply with the REACH\* regulation, we are preparing for final registration of the chemical substances subject to this obligation, and completed the registration of gallium arsenide (GaAs) in 2012. We are also making efforts to ensure appropriate response to the requirements of the REACH regulation including reporting of the SVHC\* contained in products. In the meantime, to quickly respond to progressive tightening of regional regulations on chemical substances across the globe, we are continuously working to collect information on regulations in Europe, China and other countries and share the information within the Group.

## Product Safety (Product Liability)

We are striving for the improvement of the safety level through practical training and voluntary inspection with focus on the pursuit of product safety at the product development and design stages

Under the corporate principles of "offering the very best goods and services to satisfy customer needs" and "contributing to creating a better society and environment, with a firm awareness of our social responsibility," the Sumitomo Electric Group is making efforts to enhance the safety of products.

In our product safety initiatives, we adopt the basic approach that the products to be introduced to the market should undergo thorough examination of safety, especially at the development and design stages.

### 《 Training on Product Safety 》

For product safety, we hold annual technical seminars on the Product Liability Act and the revised Consumer Product Safety Act through cooperation between the Quality Management Division and the Legal Department.

The seminars adopt the idea that the safety standards established by companies should also take into account the predictable misuses. The content is designed to deepen the trainees' understanding of the laws with reference to actual cases, as well as to provide practical lessons on the issues applicable to all divisions including the review of product safety at the development and design stages, proper display of warning labels, maintenance of product safety, collection of product safety information and response to accidents.

### 《 Voluntary Inspection on Product Safety 》

As part of the product safety initiatives, we conduct voluntary inspection of the check items applied to the whole Group once every two years in order to identify any product safety risks. Based on the inspection results, necessary measures are discussed and implemented autonomously to strengthen the system to promote product safety measures.

## CSR VOICE

### We control chemical substances in products on a global scale

Satoshi Shukushima

Environmental & Material Technology Section Manager, Advanced Electronic Wire & Cable Division, Sumitomo (SEI) Electronic Wire, Inc.

Sumitomo (SEI) Electronic Wire, Inc. manufactures electric wires for home appliances, electronics and automobiles, and I am in charge of the management of chemicals in the products. Such products are manufactured at not only Japanese sites but also overseas production facilities including those in China, Malaysia, Vietnam, the United States and Europe. Our section also provides these overseas manufacturing sites with guidance on the system to control chemical substances in products. While we did not fully understand how chemical substances in products were managed in overseas sites at first, we visited and audited each of the sites and appointed a person in charge of the management to exchange information with and give guidance to the person. As a result, a system to control chemical substances in products has been established on a global scale.

To respond to recent increases in the number of the chemical substances to be managed due to the REACH Regulations in Europe, we are examining the use of the chemical substances newly added to the list to take measures in order to avoid the risk of contamination with them. As chemical substances are hard to understand for those who have not specifically studied chemistry, we regularly provide relevant education and training to maintain and improve the system to control chemical substances in products.



### Glossary

#### \*RoHS Directive

RoHS stands for Restriction of the use of certain Hazardous Substances. This EU Directive restricts the use of certain hazardous substances in electrical and electronic equipment.

#### \*ELV Directive

ELV stands for End of Life Vehicles. This EU Directive restricts the use of lead and three other hazardous heavy metals in automobiles to reduce the impact of end-of-life vehicles on the environment.

## Improvement of Logistics Quality

We are working to improve logistics quality in cooperation with contracted transportation companies

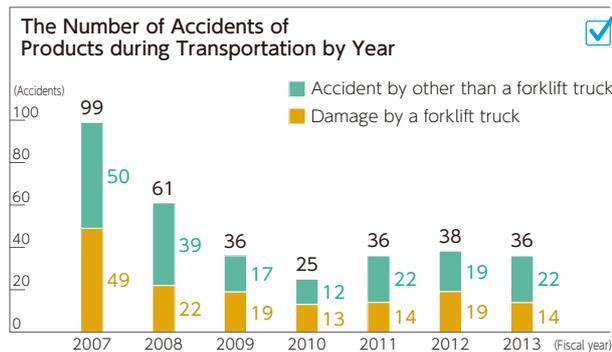
The Sumitomo Electric Group is committed to the elimination of transport accidents and the improvement of logistics quality in concert with transport companies.

In comparison with the figures in fiscal 2012, the number of accidents with damage to products caused by a forklift truck decreased by five, while that of accidents with damage to products due to insufficient fixation to the loading platform increased by six in fiscal 2013. Overall, the total number of transport accidents decreased by only two.

During fiscal 2013, we also introduced the forklift truck basic operation competition, which has been conventionally organized in Yokkaichi, in Osaka with cooperation of transportation companies.

In addition to performance tests for forklift truck operation and check-before-work, we also give lectures on measures to prevent oil leakage at the event.

We will make continuous efforts to reduce transport accidents and improve logistics quality.



(Note 1) Boundaries of data collection: Osaka Works, Itami Works and Yokohama Works + 10 affiliates and AS Brake Systems, Inc.

(Note 2) Other accidents than damage caused by forklift: mishandling, insufficient fixation to the loading platform, water wetting, misdelivery, etc.

### ■ Forklift truck basic operation competition in November 2013 in Osaka



Performance test for forklift truck operation



Performance test for check-before-work

## Activities for Improvement of Office Work Quality

We are pursuing the establishment of an information sharing framework to promote the activities

The Sumitomo Electric Group believes that product quality and office work quality are inseparable in business execution and equally focuses on office work quality improvement activities, aiming to eliminate critical office work mistakes and raise the office work efficiency. Specific activities are: (1) development and periodical review of relevant documents such as company regulations, business rules and office work instructions, (2) thorough implementation of measures to prevent recurrence of mistakes to eliminate office work mistakes, and the use of "Hiyari-Hatto" memos, or near-miss reports, to prevent mistakes and (3) improvement of office work efficiency by "Kaizen" at the office.

To promote these activities, we organize town meetings where the committee members of the Company visit each site and exchange opinions with the persons in charge of the office work quality improvement activities in each division. The internal website that introduces information on example activities has been also enhanced for this purpose. We are thus making efforts to establish a framework to share information on the activities for improvement of office work quality.



Internal website that introduces information on example activities for office work quality improvement

## Customer Satisfaction Improvement Activities by the Sales Group

We also cover overseas affiliates in the 360-degree survey for sales staff

Our Group's business activities consist mainly of business-to-business transactions, and we therefore believe that the proper identification of the opinions and demands from customers (companies) through daily sales activities and further quality improvement of products and services will lead to greater customer satisfaction.

Based on this recognition, a 360-degree survey has been conducted since fiscal 2002 for persons in charge of sales. Specifically, the sales capabilities of the sales persons are determined and assessed with a questionnaire administered to themselves, their superiors and clients (several companies). The assessment results are fed back to the sales staff and their superiors to encourage the staff to enhance their sales capabilities. In addition, the overall results are used to review the education and instruction methods.

While we have conducted a 360-degree survey in Sumitomo Electric and its affiliates in Japan, the survey was launched in overseas affiliates as well on a full-scale basis in fiscal 2013. The survey results will be used to strengthen the whole Sales Group in a way to respond to ongoing globalization and to take measures aimed at improving customer satisfaction.

**Glossary** \*REACH regulations  
REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals. Regulations of the European Parliament and of the Council for protection of human health and the environment in the European Union.

\*SVHC (Substances of Very High Concern)  
SVHC stands for Substances of Very High Concern. Chemical substances designated by the EU as substances which may cause serious effects to human health or the environment.

Core Category

## Supply Chain

Priority Theme

### Promotion of CSR procurement

#### Main Targets for Fiscal 2013

Continue to make requests based on the CSR Procurement Guidelines to individual suppliers and expand the initiative. Consider the implementation of monitoring of suppliers.

Continue to implement the education program that supports compliance, and translate, develop and apply common basic rules on procurement.

#### Results in Fiscal 2013

In Japan, made requests at the Sumitomo Electric Group Partners' Meeting. Overseas, Shanghai IPO organized a briefing session at the North China reverse trade fair. Conducted monitoring of 122 main suppliers concerning CSR procurement.

Provided 7 courses including "procurement-related laws and regulations" and "CSR, environment and ethics," and launched a training program to develop key personnel on the Subcontract Act. Overseas, provided training sessions for affiliates at liaison committees of the staff in charge of procurement and outsourcing. Translating, developing and applying of common basic rules on procurement are in review.

#### Main Targets for Fiscal 2014

Continue to make requests based on the CSR Procurement Guidelines to individual suppliers and expand the initiative. Promote the establishment of supplier monitoring.

Continue to implement the education program that supports compliance, and translate, develop and apply common basic rules on procurement.

### Basic Procurement Policies

**We share our Basic Procurement Policies with main suppliers and seek their understanding and cooperation**

The Sumitomo Electric Group considers procurement to be a "service that supports the foundation of its business activities," and in May 2006, established Basic Procurement Policies in line with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. We have distributed the Basic Procurement Policies to our main suppliers, along with our Group companies, and have sought their understanding and cooperation.

#### Basic Procurement Policies

##### 1. Promoting procurement activities that contribute to creative and global corporate activities

The starting point of our social contribution is to conduct corporate activities that provide excellent products and services that meet customer demands. In this recognition, we will promote procurement activities that continuously sustain "creative and global corporate activities" that enable us to offer such products and services.

##### 2. Promoting fair and impartial procurement activities

Through fair, impartial and open transactions on the basis of rational processes and judgments, we will promote procurement activities that support proper corporate activities.

##### 3. Promoting compliance-based procurement activities

With cooperation from suppliers, we will promote procurement activities on the basis of compliance with relevant laws and regulations, as well as social norms.

##### 4. Promoting procurement activities based on mutual trust and cooperation with suppliers

To realize our management philosophy, it is essential to establish strong relationships of trust with suppliers. In promoting procurement activities, we will therefore prioritize suppliers who agree with our management philosophy.

##### 5. Promoting procurement activities friendly to the global environment

Environmental protection is a global challenge to be addressed. We will promote procurement activities to support the provision of products that can help customers in their efforts toward environmental protection, while helping us realize corporate activities of low environmental impact.

### Group Procurement System

**We are working to ensure thorough compliance with our procurement policies and enhance awareness among procurement staff on a global scale**

Based on the Basic Procurement Policies, the procurement measures and activities of the Sumitomo Electric Group are developed under the initiative of the Group Procurement Collaboration Office, which is an organization established in the Procurement Division and composed of the staff in charge of procurement in 23 divisions and group companies. Specifically, the office members work together to promote VA (value analysis) activities and provide education to enhance compliance related to procurement and improve procurement skills. An e-mail magazine is also distributed to more than 400 procurement staff to share information on procurement throughout the Group.

Overseas, we organize meetings of liaison committees of procurement staff on a regional basis under the initiative of the international procurement offices (IPOs) of the Procurement Division. The liaison committees of procurement staff work to ensure thorough implementation of the Basic Procurement Policies through development of measures on procurement across the Group and training of the staff in charge.

## Commitment to CSR Procurement

We also ask our suppliers to comply with the CSR Procurement Guidelines by specifying compliance with them in the basic transaction agreement

While there is growing demand for CSR these days, cooperation of suppliers is essential for us to further promote our commitment to CSR in the procurement activities. We identified the issues for which our suppliers are asked to take active measures based on the Sumitomo Electric Group Corporate Principles and Charter of Corporate Behavior, and established the Sumitomo Electric Group CSR Procurement Guidelines in August 2010.

### Sumitomo Electric Group CSR Procurement Guidelines (extracted)\*

The Sumitomo Electric Group aims to contribute to creating a better society and environment, with a firm awareness of our social responsibility. To this end, the suppliers that directly or indirectly provide their products and services for us are also required to work on the activities together with us. Therefore, we have summarized our requests to the suppliers of the Sumitomo Electric Group in these guidelines, and the suppliers are requested to promote compliance with them. Our suppliers are also asked to request their suppliers to comply with the guidelines.

1. Provision of Useful and Safe Products and Services
2. Improvement of Technological Capabilities
3. Promotion of Sound Business Management
4. Contribution to Preservation of the Global Environment
5. Compliance with Laws and Social Norms and Fair and Proper Business Activities
6. Social Contribution and Elimination of Antisocial Forces
7. Respect to Human Rights and Considerations of Occupational Health and Safety
8. Disclosure of Information and Promotion of Communication with Society
9. Maintenance of Confidentiality and Information Security

## Monitoring of Compliance with the Guidelines

We check the progress of suppliers in their activities for the CSR Procurement Guidelines, and work for further dissemination and establishment among them

We conducted a questionnaire survey of our suppliers in order to check their awareness of the CSR Procurement Guidelines, as well as progress in their activities to comply with them, in February 2014.

For this first questionnaire survey, we asked for cooperation from 122 suppliers dealing directly with our Procurement Division. We would like to take this opportunity to express our gratitude to the companies that answered the questionnaire.

After collecting the answers, we gave feedback to each of the suppliers, and asked some of them to enhance their activities for the guidelines. We plan to conduct this initiative in a continuous manner in order to establish the cycle of monitoring the progress, giving feedback and asking suppliers to improve their activities. We will also cover more suppliers in the monitoring for further development of our CSR activities.

## Contribution to Preservation of the Global Environment

We are committed to green procurement as an essential quality factor

To promote environment-friendly procurement activities, the Sumitomo Electric Group has made efforts to eliminate the use of banned substances in its products and enhance control of other harmful substances contained in products, based on the "Sumitomo Electric Group Green Procurement Guidelines" since fiscal 2003. The guidelines were revised in fiscal 2012 to issue the new version "SEI Guidelines for Green Quality Purchases." We are using them as part of the quality standard to promote green procurement activities.

### CSR VOICE

## We will make a social contribution through business with the Sumitomo Electric Group

Mr. Masahiro Saito Assistant Manager, Sales Division, Kanagawa Electric Industry Co., Ltd.

Since its founding in 1955, Kanagawa Electric Industry has steadily grown as a specialized trading company offering various industrial electrical goods. In our recent sales records, demand has increased for mechatronics products, which are our main products, as well as for their periphery systems and robots. We realize that customer needs are becoming more diverse and complicated over time.

To remain sensitive to such changes of the times, identify customer needs as quickly as possible and respond to them properly, we are actively developing human resources based on our rich experience, strengthening technical response capabilities and making VA proposals.

We also organize regular meetings with our partner companies to exchange information on new products and identify the ways to reduce cost without deteriorating the performance in the production of control panels and other products.

In the previous fiscal year, we installed solar panels on our company building in an effort to protect the global environment. The monitor of the solar power generation system shows the output and other data on a real-time basis, which has raised our employees' awareness of energy saving. For example, they make sure to switch off unused lights.

We will continue our commitment to compliance with the Sumitomo Electric Group CSR Procurement Guidelines based on the belief that support of the Group through supply of products is one of our social contribution activities.

We would like to express our gratitude for the continued patronage of Sumitomo Electric.



## Response to the Issue of Conflict Minerals

We recognize this issue as a major social challenge and aim to eliminate conflict minerals from our business

The Sumitomo Electric Group, which is "Promoting compliance-based procurement activities" as stated in the Basic Procurement Policies, recognizes that the matter of conflict minerals\* from Congo and its neighboring countries is a serious social issue in the supply chain. To fulfil our social responsibility in procurement activities, we aim to procure or use no conflict minerals involving any illegal or dishonest acts as raw materials. To this end, we investigate the supply chain on the use of conflict minerals when necessary. In the event that the use of minerals that may cause a social problem or serve as fund for armed groups is found, we will take measures to avoid their use.

In accordance with the principle of "Promoting procurement activities based on mutual trust and cooperation with suppliers" in the Basic Procurement Policies, we will ask suppliers to understand the approach of the Sumitomo Electric Group and cooperate with our investigation mentioned above. In case that the use of minerals of concern is found, the relevant suppliers will be requested to take measures to avoid their use as we do in the Group.

\*Armed groups that are involved in serious violations of human rights obtain funding from trading of tantalum, tungsten, tin, gold and their derivatives produced in the Democratic Republic of the Congo and its neighboring countries.

## Response with Business Continuity Plan (BCP)

Our efforts to strengthen the system for stable procurement are producing steady results

As part of our initiatives to ensure stable supply of products and services, we are committed to the development and implementation of a business continuity plan (BCP) for procurement divisions, which prepares for large-scale earthquakes and other emergency situations.

The BCP assumes a situation that the suppliers of our parts and materials have suffered damage from an earthquake and suspension of their supply has caused direct impact on our production. To minimize such impact and secure stable supply, we have examined alternative suppliers and products, in addition to replacement with commodity items, for the BCP. We are also developing a communication network with suppliers to ensure that we can know the impact of disaster in a short time, and collecting information on production and logistics bases so that we can find any sites where we can manufacture or store the products in the affected area at the time of disaster.

In fiscal 2013, we had fears of a supply shortfall when some suppliers suspended their operations due to fire accidents and heavy snowfall. Nevertheless, we were able to procure materials without large impact on our production due to the prior examination of alternative products in the above-mentioned activities, along with the cooperation of our suppliers. These incidents reminded us of the significance of such activities.

We will maintain these activities to strengthen our procurement system that can supply products and services in a stable manner.

## Organization of Partners' Meetings

Approx. 220 suppliers participated in Partners' Meetings

The Sumitomo Electric Group organizes Partners' Meetings to enhance its relationships with suppliers. The meetings, in which we explain the outline of our business activities and procurement policies and commend the suppliers that have proposed and practiced good value analysis (VA)\* activities, play a major role in the establishment of amicable and cooperative relationships with suppliers.

In addition, we have presented the CSR Procurement Guidelines at Partners' Meetings to ask for their cooperation and promote the guidelines actively.

To help overseas suppliers establish CSR procurement as well, we present the guidelines at Partners' Meetings and reverse trade fairs\*.

In addition to the group-wide Partners' Meetings, our Works and divisions also hold such meetings individually.



Partners' Meetings



Reverse trade fair in Shanghai

## Initiatives to Ensure Compliance with Laws Related to Procurement

We will promote compliance in procurement through thorough inspection and training

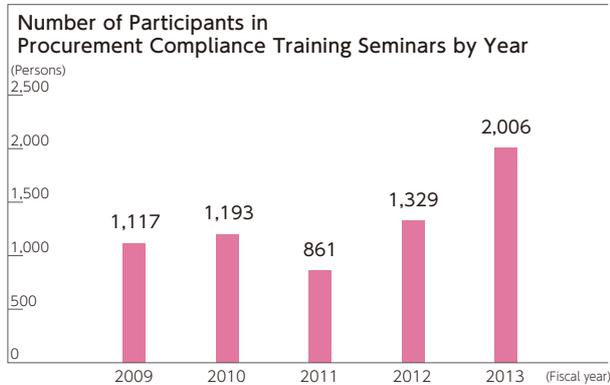
In our efforts toward compliance, procurement divisions must pay special attention to observing the Act against Delay in Payment of Subcontract Proceeds etc. to Subcontractors (Subcontract Act) and to making appropriate payment of customs duties on items we import directly from overseas. In fiscal 2013, Sumitomo Electric also organized group-wide training seminars to ensure full compliance with the laws.

### Results of training and inspection



		Subcontract Act	Customs Law
Training seminars	Locations	18 sites in Japan	
	Details	3 courses: a basic/beginner course, a course designed for sections in charge of making contracts and a course designed for sections in charge of purchase requests and acceptance inspections	
	Participants	2,006 in total	
Self-examination	19 divisions + 45 affiliates	23 divisions	
Inspection tour	5 divisions + 5 affiliates	23 divisions	

We have increased the number of the training sessions to ensure legal compliance. In addition, inspection tours have been organized to further ensure compliance with the Subcontract Act and the Customs Act based on self-examinations and other initiatives. We will continue to organize periodical training seminars and inspection tours to promote compliance.



Procurement compliance training session

## Education System

We organize training seminars to improve procurement skills in overseas offices as well

For the purposes of "development of reliable procurement staff" and "handing down of procurement ethics, knowledge and expertise," the Procurement Division has developed and provided an OFF-JT\* program for working staff, which is combined with existing OJT\* to create a synergistic effect that will improve procurement skills.

The OFF-JT program in fiscal 2013 was composed of 7 courses including "procurement-related laws and regulations" and "CSR, environment and ethics," each of which was provided by an expert in the Procurement Division. The experts used textbooks they prepared, and gave lectures through the teleconference system connected to sites in Japan and overseas. In total, 378 persons from 33 companies attended the lectures.

Aside from these initiatives, we organized a training program to develop key personnel on the Subcontract Act, and provided a certificate for 16 persons who completed the program. This program develops core personnel for the establishment of an autonomous system to comply with the act in each division and company because the Subcontract Act has to be made known widely not only to procurement staff but also to manufacturing and development staff.

Overseas, we hold liaison committee meetings in the regions where our group companies and affiliates are concentrated. The meetings are attended by staff in charge of procurement of our affiliates in the respective regions, who are provided with training seminars concerning procurement.

In the future, we will organize training seminars regularly to further disseminate the Basic Procurement Policies and consider providing such seminars at more sites.

### Results of Education



	Date	No. of courses	No. of lectures	Total participants	No. of participating companies
Education program	1st half of FY2013	7	28	208	31
	2nd half of FY2013	7	26	170	26
Key personnel development program	2nd half of FY2013	1	5	16	13
Training seminars at overseas liaison committee meetings of procurement staff	1st half of FY2013	2	2	36	21
	2nd half of FY2013	1	1	19	9



Key personnel education program

### Glossary

\*OJT and OFF-JT

OJT (On-the-Job Training) is education and training received while the trainees perform daily work. On the other hand, trainees receive OFF-JT (OFF the Job Training), such as group training sessions, when they are temporarily away from daily work.

Core Category

## Human Resources

Priority Theme

### Promotion of diversity

#### Main Targets for Fiscal 2013

Promote initiatives to implement the Global HRM Policy

- Common personnel system for executives
- Guidelines on international transfer, and one other item.

Continue to develop the SWITCH Plus Campaign (third and final year)

- Improve work efficiency and productivity
- Promote communication, and two other items.

Eliminate accidents resulting in lost work time, reduce the number of no lost work time accidents to 10 or less and reduce that of accidents causing minor injury to 10 or less

Implement priority items for fiscal 2013 related to health and safety

- Establish activities involving all employees
- Implement global safety evaluation, and six other items.

#### Results in Fiscal 2013

Introduced the Global Grade System and the Group Global Executive Personnel System in April 2014, and one other item.

Extended the paid period during childcare leave from the first 3 days to 5 days

Held a town meeting 19 times, and two other items

Accidents resulting in lost work time: 3, no lost work time accidents: 24, and accidents causing minor injury: 18

Implemented priority items for fiscal 2013 related to health and safety

- Strengthened and implemented the 1-2-3 campaign
- Started the second series of global safety evaluation, and six other items

#### Main Targets for Fiscal 2014

Promote initiatives to implement the Global HRM Policy

- Promote the establishment and improvement of the Global Grade System and the Global Executive Personnel System, which were introduced in April 2014
- Guidelines on international transfer, and two other items.

Develop the SWITCH 17 Campaign (first year)

- Work style (review of the way of working, adjustment of working hours, improvement of work efficiency)
- Communication (cultivation of a corporate culture to praise, thank and appreciate), and two other items.

Eliminate serious accidents and accidents resulting in lost time work, and reduce the total number of no lost work time accidents and accidents causing minor injury to 20 or less

Implement priority items for fiscal 2014 related to health and safety

- Enhance site inspection by managers and supervisors (1-2-3 campaign) and identification of problems through dialogues
- Strengthen the horizontal diffusion of accident prevention measures to eliminate similar disasters, and five other items.

#### Global HRM Policy

We are actively promoting the establishment of HR systems and guidelines to be commonly applied on a global scale within the Group

In the Sumitomo Electric Group, over 200,000 employees are working actively in about 40 countries around the world. We believe that for Sumitomo Electric to win the global competition and grow further, it is essential that we fully mobilize the Group's technologies, products, business models and all other resources, and we acknowledge that it is most important to secure and utilize highly capable employees who support the efforts.

The Group has traditionally attached a high value to human resources based on the Sumitomo Spirit. To clarify the basic policies on human resources, we instituted the Sumitomo Electric Group Global Human Resource Management Policy (Global HRM Policy) in September 2011.

This policy specifies the Group's commitment to creation of an environment that helps employees realize growth and self-actualization through work, provision of various career opportunities regardless of nationality, race, ethnicity, religion or gender, promotion of diversity and development of global leaders, in order to accelerate our global human resource recruitment and promotion. We have declared the policy to inform people in and outside of the Group about it.

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

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

To materialize the policy and narrow the gap between the ideal and reality, we will continue to promote concrete measures such as the establishment of HR systems to be commonly applied on a global scale, as well as preparation of guidelines.

## Dissemination of the Global HRM Policy

We are using various media to disseminate the policy and promote communication

### 《 Website to Disseminate the Policy 》

In April 2012, Sumitomo Electric launched a website to inform readers in and outside of the Group about the specific components of the Global HRM Policy, as well as the activities of our Group employees who are playing an active role in the world.

The content of this website ranges from human resource development programs in the Sumitomo Electric Group and comments from the participants in the programs, to various careers realized by our employees, communication activities promoted around the world and our efforts to contribute to local communities.

 (In Japanese) <http://www.sei.co.jp/ghrm/>  
 (In English) <http://global-sei.com/ghrm/>  
 (In Chinese) <http://global-sei.cn/ghrm/>

### 《 Group Global Magazine "ALL SEI" 》

In February 2014, the Sumitomo Electric Group's bulletins, which used to be published separately in Japan and overseas, were integrated into "ALL SEI." This new periodical is commonly published across the Group as a communication tool for Group employees both in Japan and overseas.

ALL SEI conveys the Sumitomo Spirit, the Sumitomo Electric Group Corporate Principles, messages from executives and information on our business performance, as well as information on our business and social contribution activities in various regions, in order to share information and cultivate a sense of unity among Group employees.

Interviews with our "global executives," who work actively in various parts of the world, have been published since the Autumn 2011 issue. The articles introduce specific examples of self-realization and career opportunities in the Sumitomo Electric Group in order to further enhance a sense of unity among Group employees as well as their motivation.



ALL SEI

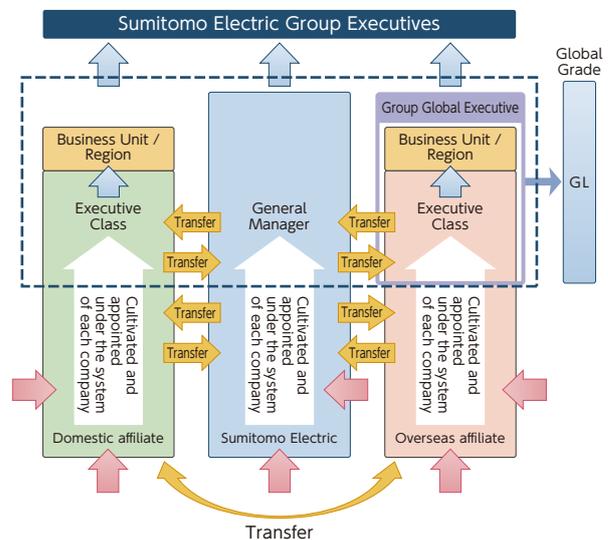
## Global Grade System and Group Global Executive Personnel System

We introduced the Global Grade System and the Group Global Executive Personnel System on April 1, 2014 to further promote the realization of the Global HRM Policy

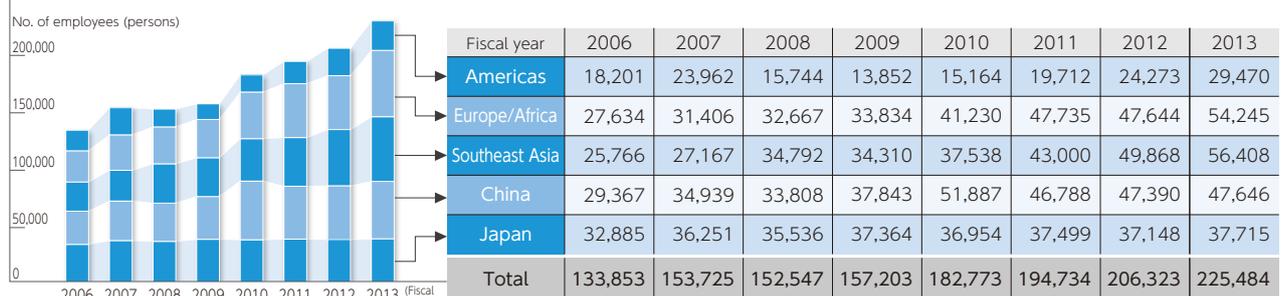
### Purposes of the Systems

(extracted from a notice distributed at the time of introduction)

- Sumitomo Electric adopts a personnel system that allows talented and qualified persons to seek career development in a business unit or on a regional basis beyond the borders of individual companies to engage in management of group companies in Japan and overseas or perform even higher duties.
- This Global Grade System will be applied commonly across the Group. As the first step, we introduce a grade called GL (Global Leader) on April 1, 2014, and appoint 24 board members and equivalents from overseas subsidiaries other than those of listed companies as the GL grade.
- These executive personnel at the GL grade will be then recognized as Group Global Executive Personnel. Sumitomo Electric's Head Office will be in charge of management and decision-making regarding their treatment. The personnel will be provided with a wide range of career opportunities to help them play more active roles as global leaders.
- We plan to create more grades in the Global Grade System to identify more excellent human resources in the Group. While promoting training and development programs as well as placement and appointment beyond the boundaries of individual companies, we will seek to offer various career opportunities.



Number of Group Employees in the World by Year Numbers as of March 31 of each fiscal year

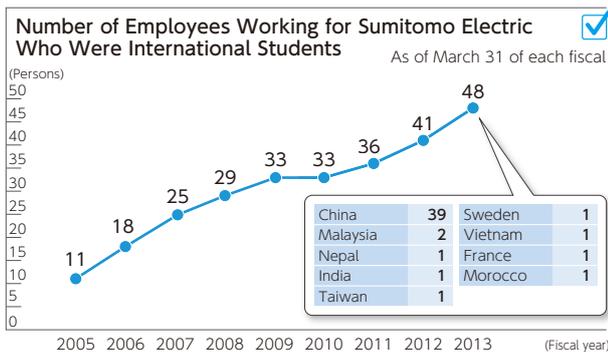
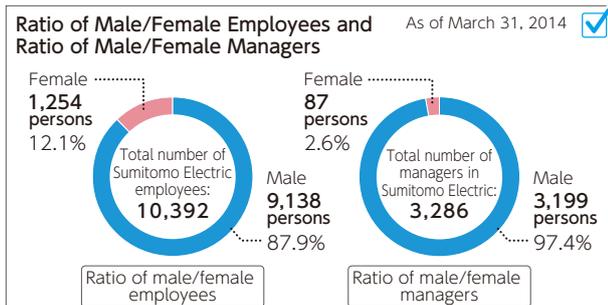
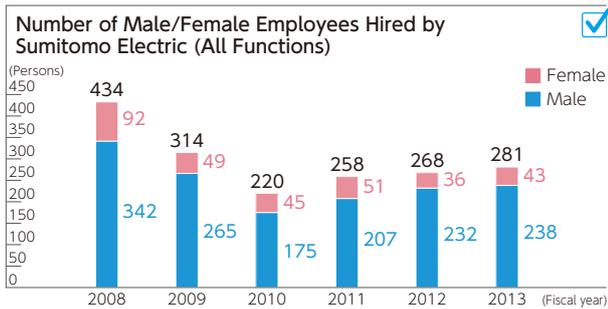


※ Sumitomo Electric and its consolidated subsidiaries

## Diversity in Recruitment

We recruited 11 international students as new graduate employees for main career track in fiscal 2013

In fiscal 2013, Sumitomo Electric employed 152 new graduates for main career track in Japan, 20 of whom were female and 11 were overseas students, etc. We also hired 33 mid-career employees. To support the development of our various business activities including those in new fields and global markets, we continue to actively recruit women, foreign students, mid-career employees and other diverse personnel.



## Organization of Town Meetings

Employees are provided with opportunities to have direct dialogue with executives

To facilitate communication inside the company, we organize various town meetings. Groups of employees are formed according to job type, and provided with precious opportunities to directly talk with executives (officers and general managers) in the meetings. The participants can inform the executives of their problems and requests specific to their respective jobs. The meetings also help them create networks to have interactions with employees in other divisions. We organized the town meetings as listed below during 2013.

Foreman Town Meeting	
Applicable employees	Section chiefs and deputy section chiefs
No. of meetings	Once in Osaka, Itami, Yokohama and Kanto each (4 times in total)
No. of participants	Approx. 11 to 13 persons each time (49 persons in total)
Main Career Track Town Meeting	
Applicable employees	Employees from main career track to assistant managers
No. of meetings	Once in Tokyo, Osaka, Yokohama and Chubu District Office each (4 times in total)
No. of participants	Approx. 9 to 11 persons each time (40 persons in total)
Female Main Career Track Town Meeting	
Applicable employees	Female employees from main career track to assistant managers
No. of meetings	Once in Head Office, Tokyo and Osaka each (3 times in total)
No. of participants	Approx. 7 to 21 persons each time (41 persons in total)
Female General Track Town Meeting	
Applicable employees	Female employees from general staff to assistant managers promoted from general track
No. of meetings	Once in Tokyo and Osaka each (2 times in total)
No. of participants	9 persons each time (18 persons in total)
Manager Town Meeting	
Applicable employees	Administrative members
No. of meetings	Once in Osaka, Yokohama, Osaka Head Office and Kanto each and twice in Itami (6 times in total)
No. of participants	Approx. 10 to 16 persons each time (70 persons in total)

The opinions presented in the town meetings are communicated to the relevant divisions on a timely basis and used for organizational operation and planning of personnel systems.



Female Main Career Track Staff Town Meeting

## CSR VOICE

### I participated in the town meeting for female main career track

Ai Suzuki 2nd Group, 2nd Sales Department, Sales Division (Central Japan)

After participating in the town meeting, I felt that job-related problems are wide-ranging depending on job category, seniority and work location and the problems faced by women are also different from person to person. During the meeting, comments of senior colleagues indicating that we are required to achieve good job performance irrespective of gender encouraged me. At the same time, I felt that female workers tend to bear the burden for making achievements, because the balance between childcare and work is often considered as an issue for only women in the Japanese work environment. This situation has to be improved.

For diversification of human resources, more support will need to be offered to female workers and other employees facing various challenges. I look forward to the approaches to be adopted by our company to make effective use of more diverse human resources in the future.



## Utilization of Diverse Talents

We aim to be a company where diverse talents can demonstrate their capabilities regardless of nationality, race, gender or age

In the globalized modern society, many women hold important posts including top management, especially in the United States and European countries. The momentum to assist women in playing more active roles is also increasing in the Japanese society, as exemplified by the specific targets for promotion of women's advancement set by the Japanese Government. Sumitomo Electric is also committed to enhanced recruitment of women, active promotion of female employees and encouragement of them to keep working for the company. These efforts are aimed not only at fulfilling social responsibility but also at recruiting excellent human resources regardless of gender and promoting marketing and new businesses from a multilateral perspective.

To ensure that diverse talents can demonstrate their capabilities regardless of nationality, race, gender, age or other background in the Group, we will continuously work to promote training and development programs, deployment and promotion beyond the borders of individual companies and offer various career opportunities.

## Promotion of Employment of the Persons with Physical or Mental Disabilities

We are making steady efforts to help create a society where anyone can work vividly whether they have disabilities or not

Sumitomo Electric has been traditionally working to promote employment of persons with physical disabilities. To further promote employment of persons with physical or mental disabilities and increase their employment rate, we established a special subsidiary, Sumiden Friend, Ltd., specifically for employment of persons with disabilities in July 2008 (certified in February 2009). Beginning with loan and maintenance of the ornamental plants and production of buffer materials for packaging, Sumiden Friend has expanded its operations gradually to also engage in conversion of

drawings and other paper documents into electronic files and shredding and recycling of waste paper. Its new office building and second greenhouse were completed in 2011. In addition to the branch established in Yokohama in 2013, another branch was founded in Tokyo in May 2014. Currently, 47 employees are working at the company, including 28 persons with disabilities.



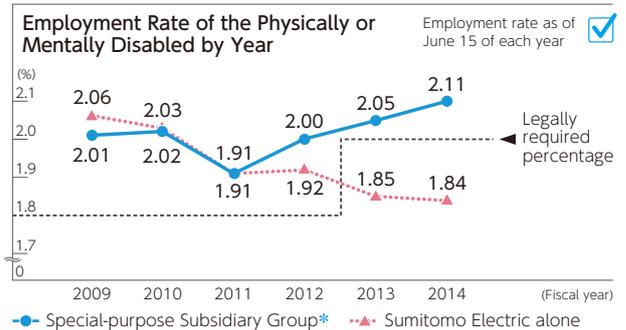
Sumiden Friend (Itami)

### Number of Employees with Disabilities at Sumiden Friend by Year

	2010	2011	2012	2013	2014
The disabled	5	12	12	20	28

Employment rate as of June 15 of each year

(Persons)



(Note) Above graphs cover personnel data for Sumitomo Electric employees, and Special-purpose Subsidiary Group (7 companies)

### CSR VOICE

We are experiencing the joy of working as well as the challenges and strictness

Koji Takeda, Tomoya Ishiguro, Kimiko Umemoto Sumiden Friend, Ltd.

We work at Sumiden Friend, Ltd., which is located on the premises of Sumitomo Electric's Itami Works. Our jobs include maintenance of plants and filling bags with buffer materials to be used for packaging of products. Some members also work for conversion of documents into electronic data using PCs. While the jobs were tough at first, we learned the skills gradually from superiors and senior members.

We sometimes face a difficult situation, but it gives us motivation at the same time. As all members are friendly with each other, we enjoy communication during breaks. We will continue to take on new challenges.



# Human Resource Development

## Personnel to be Developed

Sumitomo Electric defines personnel to be developed as “personnel who honor the Sumitomo Spirit, understand management policies, possess high levels of skill and knowledge rooted firmly in the basics, and can play active roles in the global community.”

### Basic Concept of Human Resource Development

- Human resource development according to the corporate philosophy and management strategy
- Human resource development based on “employee motivation” and “instruction by and dialogues with superiors in the workplace” supported by “training in each division” and “Group-wide training”



## SEI University

We have established a system to provide various training programs to raise the human resource value of employees

SEI University represents the Sumitomo Electric Group's comprehensive training and education system. With the aim of becoming a Glorious Excellent Company, the entire Group is developing various training programs at SEI University to familiarize the entire Group with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, develop a corporate culture to “cultivate persons” and nurture human resources who aggressively venture into the international arena and can demonstrate their capabilities there.

### 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.

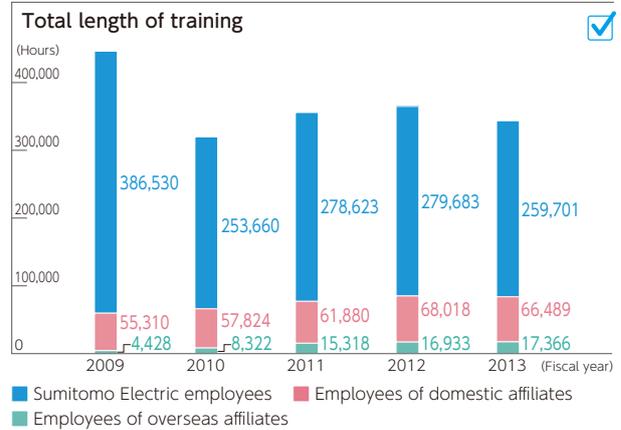
## Training Programs at SEI University

Roughly 360 programs were conducted in fiscal 2013

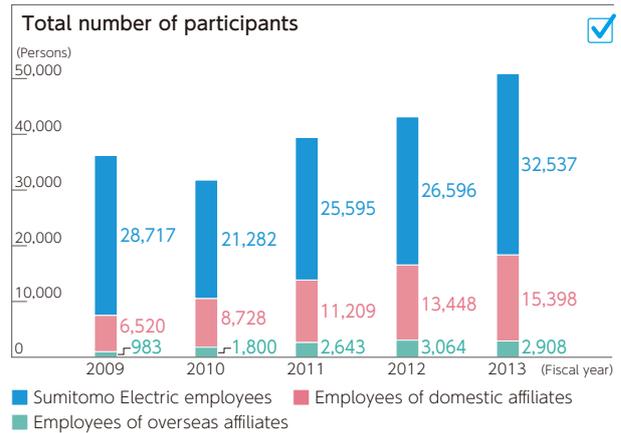
Sumitomo Electric provides various training programs for a wide range of positions from executives to newly hired employees. Including position-based (compulsory) training for the employees in specific positions or involved in specific operations as well as optional training available for applicants depending on their operational needs, approximately 360 training programs were offered in fiscal 2013. Training is also provided to teach necessary skills and knowledge in each division, including daily on-the-job training (OJT) centering on management by objectives.

The five basic subjects of (1) Sumitomo Spirit, Corporate Principles and CSR, (2) Management policies and visions, (3) Compliance, (4) Safety, environment and quality and (5)

Diversity constitute the compulsory training for all employees. This training is incorporated into various training programs and provided through e-learning, video lectures and other tools. The number of participants in the training programs (sum of participants in each program) in fiscal 2013 was 50,843, and the total length of training was about 340,000 hours.



(Note 1) Only the training seminars provided by Sumitomo Electric are counted in the figures for domestic and overseas affiliates.  
(Note 2) Values for the past years have been adjusted retroactively to improve the accuracy.



(Note 1) Only the training seminars provided by Sumitomo Electric are counted in the figures for domestic and overseas affiliates.  
(Note 2) The total numbers of participants in the previous fiscal years have been corrected retroactively because some of the participants from domestic affiliates had been counted as Sumitomo Electric employees.  
(Note 3) Figures for the previous fiscal years have been adjusted retroactively as a result of improvement in accuracy.

## 《 Cultivation of Manufacturing Personnel 》

The Sumitomo Electric Group provides training programs to cultivate manufacturing personnel mainly at the Technical Training Center (TTC), which was established on the premises of Itami Works in October 2008. The basic concept of the Center is that participants learn different subjects ranging from basic manufacturing to up-to-date technologies and skills, working with actual machines and products, based on principles through their five senses. The curriculums contain training on subjects essential for manufacturing, such as safety, environment, quality, improvement and shop-floor management, as well as professional courses on proprietary technologies and techniques and equipment control and maintenance technologies that are commonly used across the Group. The number of the participants is growing every

year, and has exceeded 10,000 person-days each year since fiscal 2011. The target of 11,000 person-days during fiscal 2013 was achieved by accommodating 11,499 person-days. In overseas, we also started training for facility maintenance, with focus on safety of construction work and safety of equipment, in September 2010, which is now organized in China and Southeast Asia on a regular basis. The training has been organized in seven overseas sites by March 2014, receiving a total of 187 persons from 30 companies.

## Addressing Globalization

**We have set up the Human Resources Development Committee in China and three other countries in Asia, as well as in the United States, to promote the development of personnel who can meet local needs**

To address the globalization of its business activities, the Sumitomo Electric Group is committed to development of personnel who aggressively venture into the international arena and can play major roles there.

In Japan, a telephone English training program was opened for beginners to learn skills to deal with English phone calls to the workplace in fiscal 2013, and 78 employees at seven sites took the lessons. The participants say that they can now pick up the phone without hesitation although they used to worry about answering a call in English.

We are also encouraging employees who may be assigned overseas in the future to actively participate in our cross-border trainee program. Many young workers have been provided with opportunities to learn and grow in different cultures across national borders. In the business English training course launched in fiscal 2012, 274 persons appointed by general managers at 10 sites received lessons to improve their English conversation skills during fiscal 2013. Overseas, to promote training programs at SEI University on a global scale, we have established the Human Resources Development Committee on a country basis, which aims to develop personnel, mainly national staff, who can meet local needs. In addition to China, Indonesia, Malaysia and Thailand, where the committee has already been active, we launched the committee in the United States in fiscal 2013. The committee members include local HR managers of the companies and persons in charge of human resource development in the regional administration divisions, as well as human resource development staff of Sumitomo Electric.

### CSR VOICE

#### I participated in the cross-border trainee program

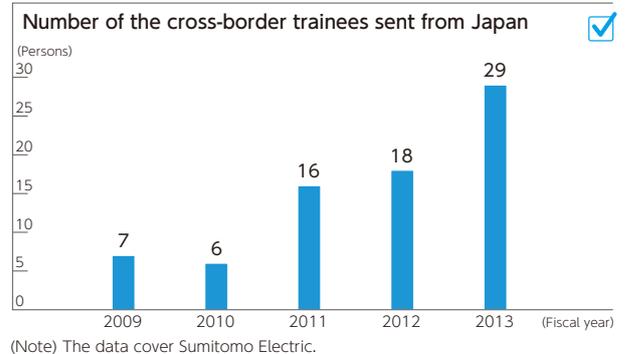
**Yasuhiko Tsunoyama** IR Office, Accounting Department

I received training at the accounting section of Sumitomo Electric Wiring Systems (Europe) Ltd. in the UK for about one year from February 2013. As the company has many facilities in Central and Eastern Europe, North Africa and other regions in addition to the UK sites, I worked with employees of diverse nationalities from various parts of the world. The number of Japanese expatriates was relatively small in the entire company, and the president, my superiors and colleagues in the workplace were all British. Although I was confused with the different work approach, diverse ways of thinking and difficulty in communication, I learned a lot by overcoming my problems. I was also active on holidays to experience the rich local history and culture, which broadened my point of view.

The Sumitomo Electric Group, which is increasing the proportion of overseas sales year by year, is offering more and more opportunities to play an active role in the international arena. When I am assigned overseas again in the future, I will actively utilize the experience gained from my one-year stay in the UK and would like to be a person who can demonstrate the capabilities in cooperation with local staff based on understanding of diversity.



The committees design an education system in each company, and prepare and organize training sessions for the staff and workers while also engaging in information exchange activities, including collection of information on training needs from local companies and explanation of Sumitomo Electric's training programs to them.



## Development of Future Global Leaders

**Management personnel from our overseas affiliates participated in MPSS**

At present, the number of the overseas sites of the Sumitomo Electric Group far exceeds that of the Japanese sites, which symbolizes ongoing globalization of our business. In such a context, for the growth of the Group as a whole, it is crucial that all employees including those who work at our overseas affiliates share the Sumitomo Spirit, the basic philosophy of the Company, as the foundation for their operations. To this end, we have launched the Sumitomo Electric Group Management Program based on the Sumitomo Spirit (MPSS) to disseminate the Sumitomo Spirit among management personnel who play pivotal roles in the respective companies and improve their skills to manage their subordinates. In fiscal 2013, this training program was provided for the first time in the United States to give lessons for 23 management personnel, in addition to the sessions in Europe (organized in Germany with a total of 14 participants from Germany, the UK, Italy, Czech and Hungary) and Southeast Asia (organized in Singapore with a total of 20 participants from Singapore, Indonesia, Malaysia and Thailand). We will continue to provide this training to ensure that the basic philosophy is shared throughout the Group even amid rapid globalization.

## Respect for Human Rights in the Workplace

We respect human rights and strive to establish sound and lively workplaces

The Sumitomo Electric respects human rights in its business operations, in line with the global principle in the 1948 Universal Declaration of Human Rights that "All human beings are born free and equal in dignity and rights."

More specifically, the Sumitomo Electric Group Charter of Corporate Behavior, which was instituted in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles in September 2005, specifies respect for human rights, professional development and establishment of safe and sound workplaces.

Our Global HRM Policy, which was instituted in September 2011, also declares that we will offer various career opportunities and pursue globally "the right person in the right position" regardless of nationality, race, ethnicity, religion, age or gender, as an essential approach for globally operating companies. In conformity with the Policy, we strive to diversify human resources, uphold human rights and create lively workplaces where each employee can work with enthusiasm.

### 《 Compliance Manual 》

Respect for human rights and prohibition of discrimination are clearly stated in the Sumitomo Electric Group Compliance Manual, along with specific examples.

### 《 Human Rights Training and Enlightenment 》

We are also making continuous efforts for human rights training and enlightenment to solve a wide range of human rights issues including discrimination and sexual harassment. In the internal training, "human rights" have been added as a subject of the SEI University training programs that are compulsory for all employees. Human rights training is also included in mandatory training programs respectively for executives, newly promoted personnel and new employees. In 2013, the total number of participants in the human rights-related seminars, including the education at the worksites provided mainly by Human Rights Task Committee members, was 8,924.

As part of the enlightenment activities, we organize an in-house contest for human rights slogans every year. The contest in 2013 received 3,877 slogans.



Training session

### 《 Establishment of Consultation Services 》

We have set up a service to provide consultation and receive reports, which is supervised by the Compliance Committee, as well as consultation services in regards of sexual harassment and the work environment. With these services, Sumitomo Electric has in place a system to quickly gather information on any violation of human rights and take appropriate measures against them.

### 《 Cooperation with Human Rights Organizations and Governments 》

Sumitomo Electric participates in human rights organizations including the Corporate Federation for Dowa and Human Rights Issue, Osaka. In cooperation with relevant governmental agencies and other organizations, we work

toward the realization of a society in which human rights are guaranteed for all.

## Labor-Management Relationship

The union and management are committed to solving various problems through in-depth discussions

Sumitomo Electric believes that the development of a company goes hand-in-hand with the well-being of its workers' union members. On the basis of this belief, Sumitomo Electric strives to address various relevant issues by thorough discussion between the union and management, each party respecting the other's standpoint. In particular, the Central Management Council Meeting, which is held four times a year, has a history of more than 60 years, and has served as a forum for exchange of opinions between representatives of the union and management concerning business environments and managing conditions. We have also set up expert committees of various kinds to create an environment where all employees can work lively with smiles by improving various working systems and reinforcing monitoring functions.

## SWITCH 17 Campaign

We are promoting creation of workplaces where employees can work lively to achieve VISION 2017

Sumitomo Electric has promoted the following company-wide campaigns with the aim of ensuring that employees can achieve the proper balance between work and life.

- SWITCH Campaign (3 years from fiscal 2008 to 2010)  
Adjustment of working hours and improvement of work efficiency and productivity
- SWITCH Plus Campaign (3 years from fiscal 2011 to 2013)  
Measures closely related to improvement of the quality of both working and private lives, such as support for the development of the coming generations, support for nursing care and mental health measures and other health improvement measures

We have achieved significant results through past measures, especially those concerning work hour management and support for the development of the coming generations. In fiscal 2014, SWITCH 17 campaign was launched. In this new campaign, which also inherits the previous initiatives, individuals and workplaces set targets on the four categories of work style (review of the way of working), healthcare (physical and mental health management), communication (improvement of communication at the workplace) and self-development, and work to meet the targets.

The campaign is specifically promoted by distributing its posters throughout the Company and publicizing it on in-house magazines. We have appointed a person in charge of the promotion of SWITCH 17 Campaign and a workplace leader at each division to share information and ensure smooth operation.

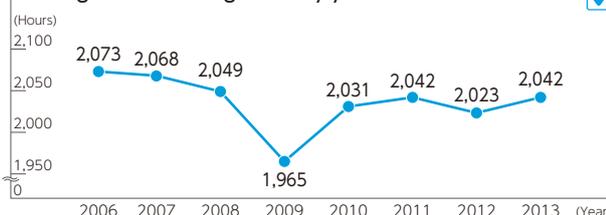
The title of the campaign expresses our commitment to achievement of VISION 2017 as well as creation of workplaces where everyone (the lower case "i" means "I", namely each of the employees) can play a main role and demonstrate their capabilities. Through promotion of this campaign, we aim to develop lively workplaces in order to win the global competition and achieve VISION 2017.

### Average Overtime Hours and Average Number of Paid Holidays Taken by Employees by Year

Year	2006	2007	2008	2009	2010	2011	2012	2013
Average overtime hours per month	22.6 hours	22.1 hours	21.0 hours	14.2 hours	19.1 hours	20.5 hours	18.6 hours	19.3 hours
Average number of paid holidays taken by employees per year	11.5 days	11.4 days	12.1 days	12.4 days	11.5 days	12.3 days	11.7 days	10.4 days

(Note) Average among SEI's labor union members

### Average total working hours by year



(Note) The personnel data presented above cover Sumitomo Electric employees. (The data include those who are dispatched to group companies.)

## Implementation of the Survey to Create a Lively Working Environment

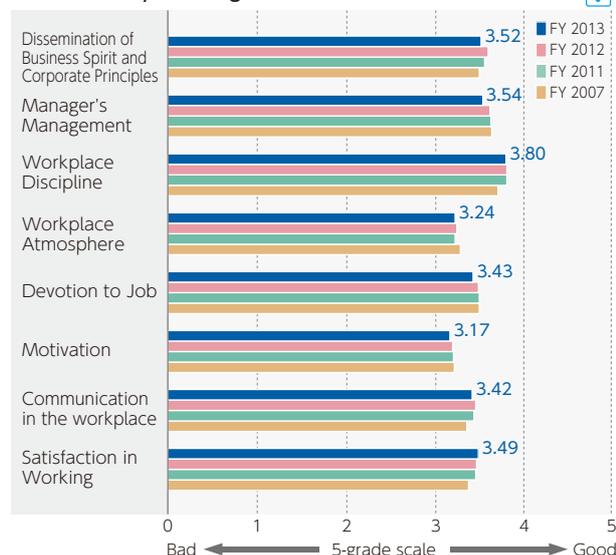
We have added questions about dissemination and sharing of VISION 2017 for better understanding of the current situation of each workplace

Sumitomo Electric has been conducting "Survey to Create a Lively Working Environment," a questionnaire survey to investigate the awareness of employees, since fiscal 2006. In fiscal 2013 as well, about 20,000 employees were surveyed in November, including those of group companies.

The scores are presented in the figure below. In the survey in fiscal 2013, we added questions about "dissemination and sharing of VISION 2017" and other items.

There have been no major changes in the overall trend. The survey results are communicated through in-house magazines, and also fed back to the person responsible for each organization, as well as the person and staff in charge of the SWITCH Plus Campaign on a workplace basis. Each workplace specifically identifies possible problems and promotes measures to solve them.

### Results of the Survey to Create a Lively Working Environment



## Mental Health

We are committed to management of mental health care for employees across the Company

Sumitomo Electric is committed to dissemination of basic knowledge regarding mental health care through distribution of a related handbook and supply of relevant information on the corporate website and in-house magazines. We also work to manage mental health care for employees on a company-wide scale by providing "self-care" training to encourage employees to pay attention to any signs of their own mental health problems, as well as "care by supervisor" training for management level employees.

We also station counselors at major operating sites, allowing employees and their family members to consult external counselors from May 2008. Thus, we have set up a system that helps us through daily communication to remain aware of employees and their family members with mental health issues, and enables us to take early measures to address these issues.

To enhance the prevention of mental health problems, we are also striving to improve our support for self-care of employees by, for example, allowing all employees to have their stress levels tested. For employees who are absent or on leave due to mental health issues, we have a program to provide step-by-step support to help them return to work, and take measures carefully in cooperation between workplaces, HR staff members and company doctor and other specialists.



Mental Health Handbook

### Number of Employees Who Took Mental Health Training Course

Year	2008	2009	2010	2011	2012	2013
(persons)	605	285	215	767	521	557

## Support for Balancing Work and Life

We actively promote the development of child and family-care related systems

To support its employees in balancing work and life, Sumitomo Electric is committed to promoting the work style that achieves the proper balance between work and life and has also developed child and family-care related systems actively. For example, the Company attained the goals set under its four Action Plans, which were formulated on the basis of the Act on Advancement of Measures to Support Raising Next-Generation Children. Consequently, Sumitomo Electric has been certified by the Ministry of Health, Labor and Welfare as a business that helps its employees balance work and childcare. We distribute handbooks to all employees, develop a website and provide training under various programs in order to help all employees and their superiors enhance their understanding and establish a work environment for balancing work and life.



Mark Certifying Corporate Support for Parenting, Kurumin\*

**Glossary** \*Mark certifying corporate support for parenting, Kurumin  
The Ministry of Health, Labor and Welfare granted this mark to Sumitomo Electric for achieving the goals set under its First Action Plan (April 2005 - March 2007), Second Action Plan (April 2007 - March 2009), Third Action Plan (April 2009 - March 2011), and Fourth Action Plan (April 2011 - March 2013) based on the Law for Measures to Support the Development of the Next Generation.

## Various Support Programs

We provide each of the employees with various types of support

### 《 Reemployment System 》

In April 2008, Sumitomo Electric introduced a scheme to reemploy employees resigning due to circumstances beyond their control such as childbirth, childcare and nursing care. In the scheme, we organize interviews and reemploy eligible persons when they are able to return to work (within three years from their resignation) and, as a general rule, assign them to their former workplaces.

### 《 Childcare Centers 》

As a measure to foster a supportive environment for employees working full-time while raising children, Sumitomo Electric opened childcare centers at its Yokohama and Osaka Works in March and April 2008 respectively, and added a third center in Itami Works in March 2009. As of March 31, 2014, these three centers take care of 62 children in total. For employees who cannot use our childcare centers, we are taking other supportive measures such as subsidizing their use of other childcare centers.

## CSR VOICE

### I used the reemployment system

Yuko Oki Business Legal Group, Legal Department

I registered myself in the reemployment system before leaving my job to move to the US with my husband, who was assigned to the country. One year later, I returned to the Overseas Contracts & Legal Affairs Department, to which I used to belong. It was hard to decide to leave the company. However, staying in the US was a precious experience for my husband and me as we were able to share many things and strengthen our partnership by supporting each other in an unfamiliar environment. My co-workers of the department always gave me kind supports when I decided to withdraw from employment and while I stayed in the US, which made me to work with them again. This led to the decision to return to work. I thank for giving me a chance to work here again.



## Sumitomo Electric Group Global Awards Conference

On August 1, 2013, the second Sumitomo Electric Group Global Awards Conference was held at Nakanoshima, Osaka. The event was attended by a total of approximately 360 people including representatives of 53 group companies from Japan and 85 from foreign countries. Awards were presented to the teams that made significant contributions toward achieving the target of becoming a Glorious Excellent Company in the past five years, and representatives of the teams made presentations on their achievements. The event also allowed us to share our vision, business policies, etc. across the Group to realize the mid-term business plan VISION 2017. On the day following the conference, we organized a training seminar and a tour to locations closely connected with Sumitomo's history, which helped participants from other countries improve their understanding of Sumitomo Electric. This served as a good opportunity to build networks between staff members from different countries and divisions.

While this event is held once every five years, the Group Global Awards will be continued to commend business units showing excellent performance.



## Correlation of Employee Support Programs with Relevant Laws

Item		Legal requirements	Activities of Sumitomo Electric	
Action plan		To be formulated for a period of 1 to 4 years	Formulated every 2 years since 2005, and the current plan is the 5th one	
Childcare	Period of childcare leave	Child-care leave until the child reaches 1 year (1 year and 2 months if both parents take child-care leave (Mom&Dad Child Care Leave Plus), up to 1 year and 6 months if day care is not available, etc.)	Before the 3rd birthday of the child	
	Number of times an employee can take childcare leave	The leave can be taken again by the father who took it within 8 weeks from childbirth	The leave can be taken in up to 3 separate periods irrespective of the reason	
	Pay during childcare leave	No pay	Paid for the first 5 days of the leave	
	Shortening of work time	Before the 3rd birthday of the child	Before the end of March when the child is a 6th grade elementary school student	
	Exemption from overtime	Same as above	Same as above	
	Limitation on overtime	Before the time of commencement of elementary school	Same as above	
	Limitation on night work	Same as above Not applicable if a person at the age of 16 or older lives together	Same as above Not applicable if a person at the age of 20 or older lives together	
	Sick/injured child care leave	5 days for a child before the time of commencement of elementary school, and 10 days for 2 or more such children	5 days per child before March 31 of the year when the child is a 6th grade elementary school student (e.g. 10 days for 2 such children, 15 days for 3 such children) Available on a half-day basis Accumulated paid holidays* can be used	
	Encouragement of male workers to take childcare leave	Not specified by law	Male employees can take leave when their spouses give birth (five paid holidays)	
	Financial support	Not specified by law	Preferential treatment in the use of the childcare menu in the cafeteria plan (selective welfare system) Partial payment of bonus	
	Support of pregnant women	Maternity leave	6 weeks before childbirth and 8 weeks after childbirth	8 weeks (including 2 weeks with no pay) before childbirth and 8 weeks after childbirth For the second or subsequent child, 10 weeks after childbirth
		Other	—	Accumulated paid holidays* can be used for fertility treatment, hospital visits, etc.
	Establishment of internal child care centers for children	Not specified by law	Establishment of internal childcare centers for children	
Introduction of a reemployment system	Not specified by law	Introduction of the reemployment system (available within 3 years or, for those who moved overseas, 5 years from the resignation)		
Nursing care	Period of family care leave and number of times an employee can take it	Up to 93 days per person	2 year per person; the leave can be taken on a daily basis	
	Shortening of work time	Up to 93 days	During the period when a family member is in a condition of need for long-term care	
	Exemption from overtime	Not specified by law	During the period when a family member is in a condition of need for long-term care	
	Limitation on overtime	Not less than 1 month but not more than 12 months per application No limit to the number of times an employee can apply for the leave	Same as on the left	
	Limitation on night work	Not less than 1 month but not more than 6 months per application No limit to the number of times an employee can apply for the leave Not applicable if a person at the age of 16 or older lives together	During the period when a family member is in a condition of need for long-term care. Application can be made on a daily basis	
	Nursing care leave	5 days for a family member who is in a condition of need for long-term care, and 10 days for 2 or more such persons	5 days per family member who is in a condition of need for long-term care (e.g. 10 days for 2 such persons, 15 days for 3 such persons) Available on a half-day basis Accumulated paid holidays* can be used for nursing care of a family member who is in need of specific nursing care or assistance (on a daily basis)	
	Financial support	Not specified by law	Introduction of nursing care support service Preferential treatment in the use of the family-care menu in the cafeteria plan (selective welfare system) Partial payment of bonus	
Review of work styles	Encouragement of employees to take paid holidays	Guidelines to encourage employees to take paid holidays	Introduction of the Anniversary Holiday Program Introduction of the Positive-off Holiday Program Introduction of the Life Support Holiday Program	
	Increase in the number of half-day paid holidays	Not specified by law	Increased to 30 times	
	Reduction of total actual working hours	Specification on maximum working hours, working hours management standards, etc.	Implementation of the SWITCH 17 Campaign	
	Volunteer holiday system	Not specified by law	Accumulated paid holidays* can be used	
Enlightenment and dissemination	Dissemination of work conditions during and after childcare leave	Not specified by law	Introduction of the Work & Life Program system Distribution of Work & Life Handbook Disclosure on the corporate intranet (which can be browsed by employees at home)	
	Dissemination of systems, legal benefits, etc. and training	Not specified by law	In-house notification (posted on the corporate intranet) Published on the website of the Japanese Ministry of Health, Labour and Welfare to support work life balance Distribution of Work & Life Handbook Organization of Work-Life Forum, etc.	

## Number of Users of the Employee Support Programs

	Employees who took childcare leave			Employees who took leave when their spouses gave birth	Employees who used the short-time work system			Enrollment in the reemployment system	Users of internal child care centers for children	Users of the volunteer holiday system
	Male	Female	Total		Male	Female	Total			
2008	3 (3)	119 (50)	122 (53)	44	7	183	190	16	37	4
2009	4 (3)	106 (56)	110 (59)	68	7	172	179	23	40	5
2010	3 (3)	100 (51)	103 (54)	61	14	205	219	20	61	7
2011	2 (1)	114 (50)	116 (51)	61	17	228	245	32	61	16
2012	12 (10)	115 (60)	127 (70)	65	18	254	272	22	64	6
2013	15 (2)	106 (50)	121 (52)	55	21	245	266	26	62	7

(Note) The data cover Sumitomo Electric.

The number in brackets indicates the number of the employees who took the leave for the first time in the fiscal year

### Glossary

#### \* Accumulated paid holidays

This system allows employees to accumulate paid holidays that will expire if not used, up to 10 days per year (maximum accumulation 50 days in total). Employees may use these paid holidays for the reasons specified by the company rules including sick leave, childcare and nursing of sick family members.

# To Eliminate Occupational Accidents

## Basic Approaches

Considering that securing of health and safety of employees is the basis of the business, the Sumitomo Electric Group promotes the establishment of culture to “prioritize safety above all else” and continuously performs safety and health activities involving all employees to eliminate risk factors from its workplaces and to reduce occupational accidents to zero. Specifically, we have set medium to long-term Sumitomo Electric Group Safety and Health Targets. To meet the targets, we specify priority activities and priority subjects for each fiscal year at the Health and Safety Committee, which is composed of members from management and the union.

### Sumitomo Electric Group Safety and Health Targets

1. Realizing accident-free worksites and creating comfortable working environments
2. Maintaining and improving compliance
3. Promoting employees' physical and mental health care

#### Activity targets for fiscal 2013

- No. of accidents resulting in lost work time: zero
- No. of no lost work time accidents: 10 or less
- No. of accidents causing minor injury: 10 or less

#### Priority subjects for fiscal 2013

“Exertion of management leadership in each division to ensure participation of all employees”

#### 《Reinforcement of fundamentals in each division》

- **Strong leadership by top management**  
Thorough adherence to “prioritizing safety above all else”
- **Establishment of activities involving all employees**
  - ① **Strengthening of the 1-2-3 activities**  
Site inspection by managers and supervisors and identification of problems through dialogues (changes, difficult operations, status of equipment management, etc.)
  - ② **Thorough implementation of equipment safety measures and maintenance** (measures against failure, aging, fire and explosion)
  - ③ **Activities to put into practice the lessons learned in Kiban Kyoka training Program (KKP)\***
    - Establishment of work standards (including those for incidental and setup works)
    - RA on the spot (observation of actual operations)
  - ④ **Elimination of accidents due to negligence such as trips and falls**
    - Warn each other of unsafe actions

#### 《Strengthening of Weak Points on a Company-wide Scale》

- **Global safety evaluation**
  - Identification of weak points in safety management and safety activities and support of their improvement
- **Cross-departmental activities**
  - Introduction of individual accident prevention measures into all other group companies
- **Plant disaster prevention activities**
  - ① **Inspection of special material gas and combustible gas facilities, electrical devices and outdoor utilities to identify any problems and assess the degree of obsolescence**
    - Inspection of the management status of poisonous and deleterious substances and dangerous materials
  - ② **Transmission of information on accidents**  
Prevention of similar disasters by conveying the information to the entire Group

- **Safety measures for construction work and operation at height**  
Assistance and provision of guidance to enhance measures to ensure safety

#### 《Promotion of Structural Reinforcement on a Company-wide Scale》

- **Development of safety global standard**
  - Development of Sumitomo Electric's safety standard to make it a global standard
- **Development and training of human resources in Japan and overseas**
  - Strengthening of KKP outside the Works and outside Japan (Cultivation of lecturers in sites and follow-up of the practice)
  - Continuous cultivation of personnel in charge of safety promotion by the Safety Work Group in other countries
  - Position-based training, use of risk simulation machines
- **Activities at the operation sites designated for safety management and activities subject to priority management**
  - Support of sites until they achieve abilities to take voluntary measures
  - Continuous follow-up of the activities even after cancellation of the designation

## Strengthening of Global Safety Activities

We are promoting basic safety education, as well as inspection and assessment activities, on group-wide and global scales

### 《Development and Training of Human Resources in Japan and Overseas》

We have operated Kiban Kyoka training Program (KKP), a program for reinforcement of manufacturing fundamentals, for mid-level employees at production sites since January 2009. The trainees attend seminars, including exercises, on the basics of safety and health. They then perform activities to put the themes into practice for approximately one month. Training using the KKP textbooks was launched in China, Malaysia, Thailand, Indonesia, Vietnam and the Philippines in 2011 after the translation of the textbooks into the respective local languages. We conduct the training in those countries in line with the local conditions.

The number of the trainees was about 5,100 in Japan (95% of the target number) during five years, and reached around 1,100 in other countries (94% of the target number) during three years. While disseminating basic safety education, we will work to enhance training programs including education for improvement, as well as risk simulation education, which enhances trainees' awareness of safety and sensitivity to risks.



Risk simulation training

### 《Group Global Safety & Maintenance Assessment Activities》

We have conducted Group Global Safety & Maintenance Assessment Activities since fiscal 2009. The purposes are:

- ① Evaluation in terms of both soft and hard aspects in order to eliminate unsafe conditions and unsafe actions.
- ② Evaluation and assessment of manufacturing sites in Japan and overseas by common standards in order to identify weak points and improve them.

We have completed the first series of inspection at our production facilities in and outside Japan, and started the second series since fiscal 2013.

## Safety Performance and Future Actions

### In fiscal 2013, we reduced the number of the accidents involving injury by 7 from fiscal 2012

During fiscal 2013, we had 45 accidents involving injury in total, which were broken down into 3 accidents resulting in lost work time, 24 no lost work time accidents and 18 accidents involving minor injury (excluding employees of the affiliates of the Sumitomo Wiring Systems Group). The total number decreased by 7 from 52, that in fiscal 2012 with 10 accidents resulting in lost work time, 23 no lost work time accidents and 19 accidents involving minor injury. Still, we failed to meet the targets of zero accidents resulting in lost work time, 10 or less no lost work time accidents and 10 or less accidents involving minor injury.

Looking at the injuries by situation, the majority of the injuries were due to recurrence of past accidents, such as "injury by inserting a hand into rotating/moving parts," "injury during use of jigs, tools and dies" and "injury due to an obstacle in the building or on the floor." These accidents were attributed to unsafe actions caused by "underestimate of risks," "difficult operations" and "violation of rules," as well as equipment issues such as "insufficient safety devices." Potential factors behind these causes include "wrong assumption that it is safe because no accident has occurred," "insufficient daily guidance by managers and supervisors" and "equipment design that fails to meet the global standard."

Based on these results, we will be committed to 1) workplace inspection tours by managers and supervisors (1-2-3 activities) to identify difficult operations and defects in safety devices and enhance activities for improvement and 2) strengthening of efforts to introduce measures for prevention of accidents and injury across the Group to eliminate similar disasters, in fiscal 2014. We will also put into practice the lessons learned in KKP to promote 3) further improvement of risk assessment (a measure to avoid underestimate of risks), 4) strengthening of the system to provide guidance on safety through managers and 5) prevention of unsafe actions by expanding the risk simulation education.

Meanwhile, the number of events involving injury is increasing in overseas facilities. We are working to enhance the leadership of the parent divisions (Business Units) and further promote development of staff in charge of safety education, safety inspection and safety management, as well as introduction of equipment safety measures.

### Accidents involving injury

		Sumitomo Electric Group employees		Temporary worker, subcontractor	Sub total	Employees of the affiliates of the SWS Group		Total
		Japan	Overseas			Japan	Overseas	
Fiscal 2013	Accidents resulting in lost work time	1	1	1	3	0	5	8
	No lost work time accidents	10	10	4	24	1	12	55
	Accidents involving minor injury	7	10	1	18			
	Total	18	21	6	45	1	17	63
Fiscal 2012	Accidents resulting in lost work time	7	1	2	10	1	0	11
	No lost work time accidents	13	7	3	23	1	7	50
	Accidents involving minor injury	8	6	5	19			
	Total	28	14	10	52	2	7	61

(Note 1) The number of accidents involving injury in the Sumitomo Electric Group includes those in Sumitomo Wiring Systems, Ltd. (SWS) but excludes those in affiliates of the SWS Group.

(Note 2) The data on employees of the Sumitomo Electric Group cover Sumitomo Electric and its 46 domestic affiliates and 43 overseas ones. Employees of the affiliates of the SWS Group refer to those in 11 domestic affiliates and 101 overseas ones.

### Frequency Rate\* of Injuries with Lost Days for Employees in Japan by Year



(Note) The data cover Sumitomo Electric and its 46 affiliates in Japan, excluding the affiliates of the Sumitomo Wiring Systems Group.

### CSR VOICE

## We are working to eliminate accidents from the workplace

Hikaru Chikasawa Manager, Safety & Environment Group, Itami Works

Itami Works is a core center for Sumitomo Electric's non-electric wire business, and consists of seven Product Groups and the related R&D Group, as well as Corporate Staff Group, with a total of about 2,600 employees. With one accident involving injury, the safety record of Itami Works in fiscal 2013 showed significant improvement from that in fiscal 2012 (four). Still, it was a regrettable result because we worked to reduce accidents to zero throughout the term. While we have encouraged the divisions to promote thorough risk assessment to prevent accidents involving injury for many years, it is also necessary to periodically review the risk assessment because the working environment (equipment, arrangement, operation method, etc.) changes over time. The accident involving injury in the previous fiscal year could have been avoided if the risk assessment of the operation in question, which had been completed 10 years ago, was reviewed again. Accordingly, we regard the review of risk assessments conducted in the past as a top priority initiative for fiscal 2014. We will endeavor to eliminate accidents and disasters by identifying the unidentified potential risks that can cause disasters and taking various measures to address them.



Poster

In the meantime, when a risk simulation room was created at Technical Training Center in Itami Works in 2012, we trained 38 people to be trainers and made it mandatory for all employees in the Works, ranging from factory workers to office staff, to take risk simulation trainings (photo in P53). We believe that thorough implementation of this training will enhance employees' sensitivity to risks and awareness of safety at the respective levels.

An important means to prevent unsafe actions is use of the five senses, and one of the tools using them is checking by finger pointing and calling. Making this a habit can help eliminate work-related human errors and prevent traffic accidents. We are developing enlightenment activities, such as installation of "checking by pointing and calling" signs around the crossings in the premises and display of the posters to promote it in each building and each division, so that all staff in the Works make it a habit to check by pointing and calling.

Through the above-mentioned activities, the Safety & Environment Group will keep doing its best to achieve the target of reducing accidents to zero under the Itami Works' slogan newly adopted in fiscal 2014, "Work together to create a workplace with zero accident by being alert to all potential risks including even small ones in the workplace."



### Glossary

#### \*Frequency rate

Number of deaths and injuries caused by industrial accidents per million working hours. Used to express accident frequency. The formula is: Number of deaths and injuries caused by industrial accidents / Total working hours x 1,000,000.

Core Category

## Environmental Preservation

Priority Theme

### Prevention of Global Warming

#### Main Targets for Fiscal 2013

Achieve the targets in all items in the Action ECO-21 (Phase V) campaign

Conduct environmental audits

In Japan: Promote the second series of audits with focus on prevention of environmental accidents  
Overseas: Conduct audits at 8 Group companies

Improve environmental education

In addition to the existing systematic education, introduce case studies using the past incidents of "hiyari", or near-miss

#### Results in Fiscal 2013

Out of the 14 items, Target achieved (◎, ○, △): 12 items, Performance unchanged (▽): 1 item, Performance deteriorated (▼): 1 item

In Japan: Assessed facilities' water quality at 11 sites  
Overseas: Conducted legal compliance audits at 9 sites, assessed facilities' water quality at 7 sites

Provided position-based training on the subjects of environment in general, environmental laws, chemical control and global warming with content including inspection of environmental facilities and the issues indicated in past inspections

#### Main Targets for Fiscal 2014

Achieve the targets in all items in the Action ECO-21 (Phase V) campaign

Conduct environmental audits

In Japan: Promote the second series of legal compliance audits, and continue the examination of facilities in terms of water quality  
Overseas: Conduct audits at 9 Group companies in the Americas. Start the examination of facilities in terms of water quality with sites in China including those that have undergone legal compliance audits

Improve environmental education

In addition to the existing education programs, introduce practical training using the past incidents of "hiyari" or near-miss and issues indicated in past audits into all courses in the position-based training and into construction work training

### Environmental Policy

The Sumitomo Electric Group has developed its environmental policy based on its business philosophy, which forms the basis for its business management. The environmental policy, detailed below, places the highest managerial priority on activities related to preservation of the global environment.

#### Environmental Policy (extract)\*

##### Basic Philosophy

The Sumitomo Electric Group thinks it is primarily important to establish a society that is sustainable and has less environmental impact, and contributes to society by providing products and services.

##### Action Guidelines

1. Considering environmental preservation activity is one of the most important issues for corporate management, the Sumitomo Electric Group promotes the activity based on its action plan.
  - Reduce environmental impacts in manufacturing activities  
Prevention of global warming, saving and recycling of resources and prevention of environmental pollution
  - Increase environmentally-conscious products and services  
Phase out of harmful substances, and implementation of product assessment and product LCA
2. The Group will fulfill and enforce environmental management system. Provision of educational programs on environmental preservation and implementation of environmental audits
3. The Sumitomo Electric Group will maintain and improve compliance action.
4. The Sumitomo Electric Group's Environmental Policy will be opened to the public upon request.

### Response to Environmental Risks and Opportunities through Environmental Management

**Environmental activities include pursuit of efficient production and reduction of unnecessary use of resources and energy, which also lead to a more robust cost structure.**

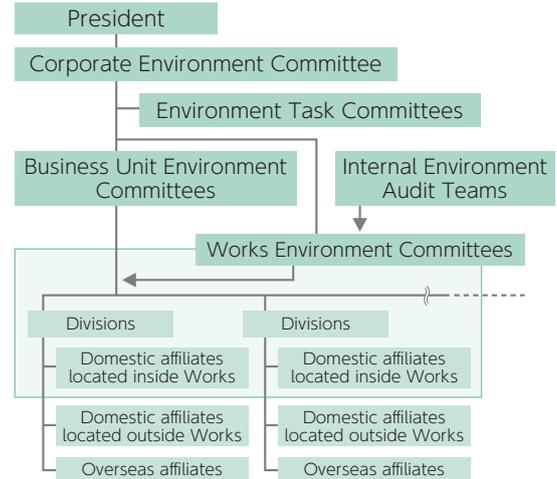
The Sumitomo Electric Group actively develops activities to identify environmental risks and respond to them based on the recognition that such activities not only reduce the risks and avoid damage to our reputation, but they also provide opportunities to increase the corporate value as well as business opportunities.

Main environmental risks	Opportunities and specific activities
Compliance violation	Detailed environmental audits are conducted in all sites and affiliates in Japan and overseas to identify any events that can result in violation of environmental laws and to take measures to address them.
Emission of pollutants	We assess environmental facilities in all sites in Japan and overseas and take measures that prevent environmental problems.
Chemical contamination	We prepare guidelines on chemical control in the factories handling poisonous and deleterious substances, etc., and develop activities to inspect and improve the control of chemical substances in all sites and affiliates in Japan and overseas.
Global warming	Various energy saving initiatives are actively promoted, including the energy saving diagnosis program to identify the items to be improved, because such activities serve as measures to prevent global warming and also reduce energy cost.
Waste reduction / resource saving	We actively engage in efforts to reduce waste generation through recycling, conversion of waste into valuable materials and reduction of waste volume, and also promote such activities from the perspective of material flow.
Chemical substances in products	We ensure commitment to this issue to maintain our reputation and prevent occurrence of recovery cost and compensation for damage.
Environmentally conscious products	By producing many lines of environmentally conscious products, we seek to enhance the value of our products and increase our market share.

## Organizations for Promoting Environmental Management

We oversee the Group's environmental preservation activities on a global basis

The Corporate Environment Committee is the supreme Group organization for making decisions related to environmental management. It oversees the entire Group's environmental preservation activities on a global basis.



## Compliance with Relevant Laws

No significant environmental violation was identified in the Group including overseas sites in fiscal 2013

The business units investigated their sites in Japan and overseas concerning compliance with laws, and reported no significant environmental violation in fiscal 2013.

On the other hand, an affiliate in Taiwan received an order from the authority to pay a fine for emission of white smoke and insufficient facility performance management in May 2014.

## Targets and Results of the Action ECO-21 (Phase V) Campaign (Period: Fiscal 2013 - 2014)

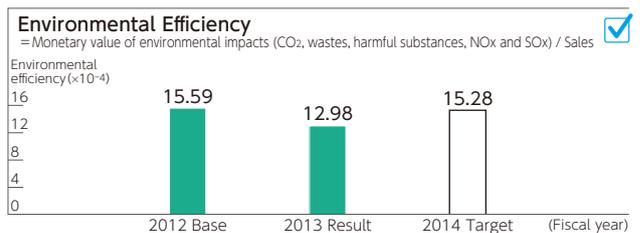
Item	Descriptions	Targets for fiscal 2014	Targets for fiscal 2013	Fiscal 2013 results	Evaluation	
Environmental efficiency	Monetary value of environmental impacts (CO <sub>2</sub> , wastes, harmful substances, NOx and SOx) / Sales	Reduce 2% from FY 2012	Reduce 1% from FY 2012	Reduced 17%	◎	
Reduction of environmental impacts from business activities	Global warming prevention	Reduce greenhouse gas emissions (in Japan and overseas)	Reduce 2% from FY 2012	Reduce 1% from FY 2012	Reduced 1.5%	○
		①Reduce energy consumption per unit of sales through energy saving (in manufacturing sites) [Consumption in crude oil equivalent / Sales]	(4% per annum; reduce 20% in 5 years)	Reduce 4% from FY 2012	Reduced 13%	◎
		②Reduce energy consumption per unit of sales through energy saving (Office) [Consumption in crude oil equivalent / Floor area]	Reduce 2% from FY 2012	Reduce 1% from FY 2012	Reduced 22%	◎
Promotion of resource conservation and recycling	(1) Reduce the zero emission rate (in Japan)	0.3% or less	0.3% or less	0.1%	◎	
		(2) Reduce waste (excluding valuable materials) (in Japan)	Reduce 2% from FY 2012	Reduce 1% from FY 2012	Reduced 9.9%	◎
	(3) Reduce the zero emission rate (overseas)	5% or less	5% or less	13%	▽	
	(4) Reduce water use per unit of sales [Water use / Sales]	Reduce 2% from FY 2012	Reduce 1% from FY 2012	Reduced 16.6%	◎	
Reduction of the harmful chemical substances	(1) Reduce emissions of volatile organic compounds (VOCs) (in Japan and overseas)	Reduce 2% from FY 2012	Reduce 1% from FY 2012	Increased 8.2%	▼	
	(2) Use no hazardous substances (to comply with the RoHS and ELV Directives)	Prepare for discontinuing use of all of the substances to be potentially banned by the RoHS Directive (phthalates and some bromine-based flame retardants) Set the numerical target in Phase VI	Prepare for discontinuing use of all of the substances to be potentially banned by the RoHS Directive (phthalates and some bromine-based flame retardants) Set the numerical target in Phase VI	Completed investigation of the use of phthalates	○	
Environmentally conscious product	Expansion of environmentally conscious product range	(1) Register "Eco Mind" products	100%	100%	100% (128)	○
		(2) Increase the ratio of Eco-products in sales	50%	45%	41%	△
		(3) Reduce CO <sub>2</sub> emissions by products with less CO <sub>2</sub> emissions	Contribute to reducing CO <sub>2</sub> emissions by 100 thousand tons/year	80 thousand tons/year	59 thousand tons/year	△

Legend ◎: Target achieved and performance far exceeding the target (by more than about 150%); ○: Target achieved; △: Target not achieved (performance improved from the previous fiscal year); ▽: Target not achieved (performance similar to that in the previous fiscal year); ▼: Target not achieved (performance deteriorating from the previous fiscal year)

## Monitoring Based on Environmental Efficiency

In fiscal 2013, environmental efficiency was improved by 17% from the fiscal 2012 level

The Sumitomo Electric Group has introduced environmental efficiency, which is defined as the sum of the damages of various environmental impacts (converted into monetary value according to LIME\*, a life cycle impact assessment method based on endpoint modeling) divided by sales, as a group-wide indicator on environmental management. We will continue to enhance our efforts to meet the targets for the Action ECO-21 (Phase V) Campaign on a global scale.



(Note 1) Data on CO<sub>2</sub> emissions and wastes are collected from Group companies in Japan and overseas while those on harmful substances, NOx and SOx are from Group companies in Japan only.

(Note 2) A different method for calculation of CO<sub>2</sub> emissions (CO<sub>2</sub> emission factor for purchased electricity) was used this fiscal year (see P60). Accordingly, the environmental efficiency for the past fiscal years has also been corrected retroactively.

**Glossary** \*LIME  
Life Cycle Impact Assessment Method Based on Endpoint Modeling (LIME) is a method for evaluating the impact of products and services on the environment.

## Education and Training

### We provide systematic education programs on environmental conservation

To realize environmental management, the Sumitomo Electric Group works to enhance every employee's environmental awareness and knowledge. We provide all employees with education on the history of measures to protect the global environment as well as the Group's environmental policy and the Action ECO-21 Campaign. In fiscal 2013 as well, we

Training system	Training menu	Title of the training	
General training	General environmental education	Environmental awareness education	
		Sumitomo Electric Group's environmental activities	
	Legal and compliance education	Education on environmental laws	
		Education on legal issues	
	Sectoral education	ISO14001	ISO 14001 internal auditor education
		Energy saving	Education on energy saving methods and the improvement
		Eco-Life Activities	Sumitomo Electric Group Eco-Life Activities
Waste		Waste separation and treatment	
Chemical substances	Management of harmful substances contained in products		
	Management of poisonous and deleterious substances		
Position-based training	General environmental and sectoral training	Environmental laws, chemical control, energy saving	
On-site training	Sectoral education	Energy saving	
		Others	

provided systematic education on general environmental issues, environmental laws, chemical control and global warming as part of the position-based training program. A total of 582 employees participated in 34 sessions during the fiscal year.

## Global Environmental Audits

### We also implement audits of overseas sites according to the environmental laws in the countries and regions where they are located

#### 《 Audit Implementation Plan and Its Progress 》

The Sumitomo Electric Group implements audits based on ISO 14001. In addition, to ensure compliance with relevant laws and reduce even more environmental impact, we have conducted environmental audits with a focus on compliance with environment-related laws and the efforts in the Action ECO-21 Campaign since fiscal 2008, and finished the audits of all 53 manufacturing sites in Japan by the end of fiscal 2011. We are now planning the second round of the audits. Environmental audits of manufacturing sites outside Japan were also started in fiscal 2010.

Following the audits of 11 sites in China in fiscal 2010 and of four sites in Thailand and four sites in Malaysia in fiscal 2011, as well as the audits of three sites in China and four sites in Indonesia in fiscal 2012, we conducted audits of three sites in

## Environmental Accounting (New Approach to Calculation and Disclosure)

Since our CSR Report 2010, we have collected and disclosed environmental accounting data based on a new disclosure approach in reference to the concept of the Connected Reporting Framework (CRF)\*.

Boundaries of tabulation: Sumitomo Electric + domestic affiliates

(Note 1) Only the amount of investment in the activities mainly aimed at energy saving among the activities certified as "energy saving activities" by the Energy Saving Office of the Safety & Environment Department is subject to the calculation (the activities mainly for the purposes other than energy saving, such as renewal of aging facilities and peak cut, are not covered). The economic effect includes that of the energy saving activities in which no investment has been made.

(Note 2) The amount of investment does not include investment related to efficient use of resources but covers investment for reduction of waste generation and recycling.

(Note 3) The cost is calculated based on payment to the waste disposal contractor. Metals are not included in the calculation of either cost or economic effect.

(Note 4) Change due to boundaries change: Emissions or amount of waste in fiscal 2012 from the boundaries of collection newly added or excluded in fiscal 2013 (no boundaries were newly added or excluded in this fiscal year).

Change due to sales change: [Emissions or amount of waste in fiscal 2012 from the boundaries of collection for fiscal 2013] x (Sales in fiscal 2013 / Sales in fiscal 2012 - 1)

Actual change: Calculated by subtraction

(Note 5) Values for the past years have been adjusted retroactively to improve the accuracy.

	Financial items								
	Investment (million yen)			Expense (million yen)			Economic effect (million yen)		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Reduction of greenhouse gas emissions	Investment in energy saving (Note 1)			/			Reduction of energy cost (Note 1)		
	1,382	1,303	2,717				353	384	534
Waste reduction	Investment in resource saving and recycling (Note 2)			Waste disposal cost (Note 3) (Note 5)			Sale of valuables materials (Note 3) (Note 5)		
	115	49	23	1,097	1,017	983	91	91	107
Cost of management activities (Note 5)	/			1,092	1,070	1,157	/		
Cost of social activities	/			10	9	6	/		
Cost of environmental remediation	/			14	12	8	/		

China, two sites in the Philippines, two sites in Vietnam and two sites in Taiwan in fiscal 2013. As a result, we have completed 35 of the 47 sites subject to audits as of the end of fiscal 2013. In fiscal 2014, we have scheduled to audit eight sites in the United States.

For our domestic sites, to prevent environmental accidents, we launched the evaluation of facilities that may affect effluent quality in fiscal 2012, and evaluated nine sites in fiscal 2012 and 11 sites in fiscal 2013. We also started the evaluation of overseas facilities in fiscal 2013, and evaluated seven sites during the fiscal year. The evaluation of facilities in Japan and overseas will be continued in fiscal 2014.

### 《 Evaluation of Facilities That May Affect Water Quality 》

In response to a revision of the Water Pollution Control Act in 2012, we started the evaluation of facilities that use any of the hazardous substances, designated substances, oils, etc. and may thereby affect water quality. The equipment and ancillary facilities are inspected to assess the management status on the check items set for each of the parts such as liquid storage and pipes.

### 《 Action ECO-21 》

We have set 60 check items for our sites both in Japan and overseas to audit their activities and progress.

### 《 Confirmation of Legal Compliance 》

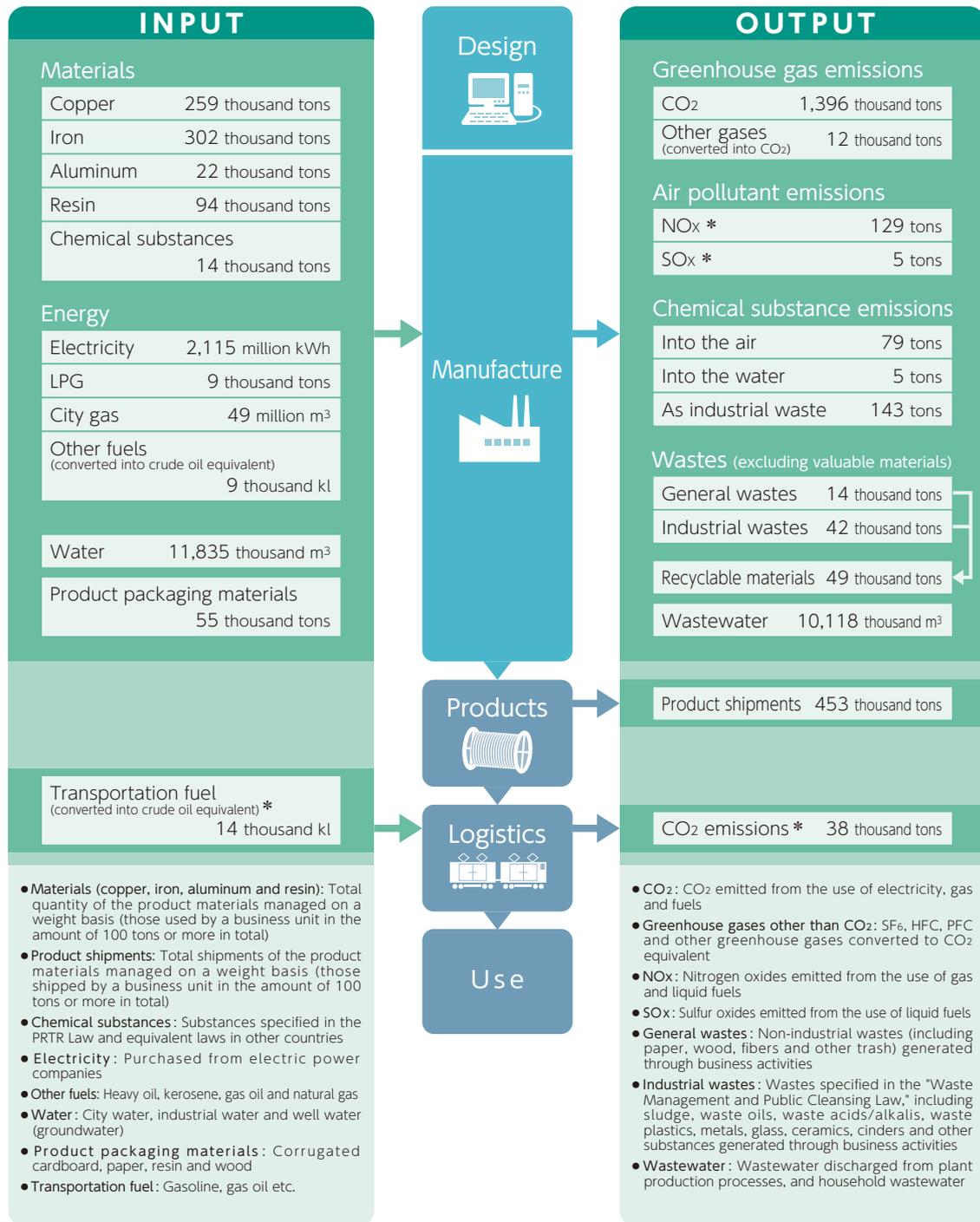
In Japan, we conduct audits to confirm compliance with 120 items of 23 environmental and related laws as well as the ordinances of the prefectures and municipalities where the sites are located. Overseas, we also investigate the environment-related laws in the countries and regions where our global facilities are located, and carry out audits based on the results.



Audit work in Vietnam

Non-financial items		
Performance (in Japan)	Change factors in fiscal 2013 (in Japan)	Strategy/opportunity and risk
<p>GHG emissions (thousand tons-CO<sub>2</sub>e/year) Reduction rate (%)</p> <p>■ GHG emissions ● Emission reduction rate (from the fiscal 2012 level)</p>	<p>GHG emissions (thousand tons-CO<sub>2</sub>e/year) (Note 4)</p>	<p>It is still uncertain when power supply, which has been unstable as a result of shutdown of nuclear plants following the earthquake disaster in 2011, will be stabilized. In addition, increases in electricity cost due to the rising oil prices affect operations of our manufacturing sites in Japan and other Asian countries. This is a crucial challenge for the business activities of Sumitomo Electric, which require a large quantity of energy for wire drawing machines, furnaces and other equipment. To address these issues, we have continued to make investment in energy-related initiatives, such as introduction of equipment that improves energy efficiency, since the previous fiscal year. Through investment mainly aimed at energy saving, we will reduce energy consumption. Energy cost continues to be a risk factor obviously, and we will make best efforts for energy saving and other measures to address the electricity issues. While greenhouse gas emissions from our domestic facilities are on the decrease, our overseas sites, as well as their production volume, are increasing. We will maintain the enhanced energy saving activities and also introduce the measures successfully taken in Japan into the overseas facilities to reduce the emissions.</p>
<p>Amount of waste (excluding valuable materials) (thousand tons/year) Reduction rate (%)</p> <p>■ Amount of waste ● Waste reduction rate (from the fiscal 2012 level)</p>	<p>Amount of waste (excluding valuable materials) (thousand tons/year) (Note 4)</p>	<p>Investment was made in the expansion of waste liquid treatment facilities. While treatment of waste liquid is outsourced in some cases, internal treatment results in reduction of CO<sub>2</sub> emissions from transportation and overall cost when the amount of waste liquid is large. We also perform activities to convert waste into valuable materials, and the achievement is represented by the gradual growth of the sales of valuable materials. In addition, we have initiated initiatives to optimize production and treatment processes and thereby reduce generation of waste. We will continue to promote these improvement activities aggressively.</p>
<p>Cost of environmental organization, ISO 14001 registration and maintenance, etc.</p>		<p>The cost increased from the previous fiscal year. ISO 14001 is an effective environmental management system, and the certification is requested by customers.</p>
<p>Cleanup of areas outside company sites, external environmental education, etc.</p>		<p>We have participated in cleanup of the neighboring areas actively for many years, and will continue our commitment to this initiative, which is also an effective method for communication with local communities.</p>
<p>Restoration of contaminated soil and groundwater</p>		<p>We continuously restore the contaminated soil and groundwater identified in our facilities.</p>

## Materials Flow (Environmental Impacts)



Boundaries of data integration Items with \*: Sumitomo Electric + domestic affiliates; Items without \*: Sumitomo Electric + domestic and overseas affiliates

### Explanation of the Boundary

In promotion of environmental management, Sumitomo Riko Co., Ltd., Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd., which are listed in the stock exchange in Japan, and their consolidated companies are excluded from the boundaries of the environmental management of the Sumitomo Electric Group although these companies are included in the boundaries of consolidation for financial reporting.

When the comprehensiveness of the boundaries is assessed based on greenhouse gas emissions, a representative environmental indicator, the emissions from the boundaries of the environmental management of our Group, 1,408 thousand tons, account for the vast majority of 1,600 thousand tons, which are estimated greenhouse gas emissions from the boundaries of consolidation for financial reporting in fiscal 2013.

In the meantime, out of the 232 consolidated subsidiaries excluding the 3 listed companies mentioned above, the environmental management of our Group covers 143 companies in production units (46 in Japan, 32 in China, 31 in Asia (except China), 14 in the Americas and 20 in Europe and other in fiscal 2013). Our trial calculation indicates that environmental impact, such as greenhouse gas emissions, of the 143 companies is estimated to occupy 99% of that of the 232 subsidiaries.

# Activities to Prevent Global Warming

## Reduction of Greenhouse Gas Emissions

### We reduced CO<sub>2</sub> emissions both in Japan and overseas

The Sumitomo Electric Group sets the targets of reducing GHG emissions by 1% and energy consumption per unit of sales by 4% from the fiscal 2012 level in fiscal 2013 in the Action ECO-21 (Phase V) Campaign. Various energy saving activities were promoted in the fiscal year to meet these aggressive targets and prevent global warming.

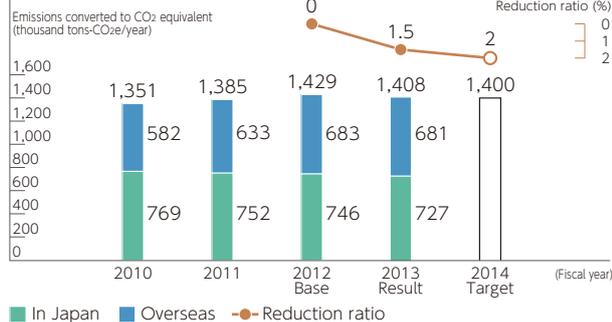
Specifically, to meet the target of reducing GHG emissions by 4%, each division/affiliate collected ideas from such perspectives as production conditions, implementation of quality measures, improvement of productivity and reduction of failure. Division/affiliate staff then inspected main facilities based on the information gathered on those ideas and helped improve their energy saving activities. The divisions also cooperated with the Manufacturing Management & Engineering Unit (Energy Saving Office, Plant Engineering Department, Sumitomo Electric Technical Solutions, Inc.) to develop energy saving measures in priority areas.

As a result of these efforts, we reduced GHG emissions both in Japan and overseas in fiscal 2013 with an overall reduction of 1.5% across the Group. Energy consumption per unit of sales also dropped by 13%, partly due to the production growth in fiscal 2013.

We have introduced currently available latest data on CO<sub>2</sub> emission factor (see Note) in Phase V, and disclosed the values adjusted according to them retroactively in fiscal 2010. The latest data reflect the impact of the increases in GHG emissions in Japan as a result of shutdown of nuclear power plants.

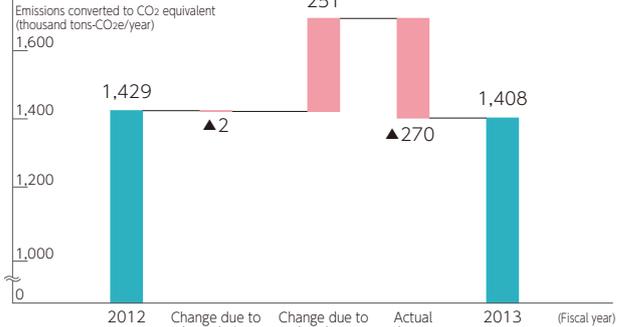
In fiscal 2014, we will develop energy saving activities on a global scale to meet the annual targets of reducing GHG emissions by 2% and energy consumption per unit of sales by 8% from the fiscal 2012 level.

### Greenhouse Gas Emissions and Reduction Ratio (in Japan and overseas)



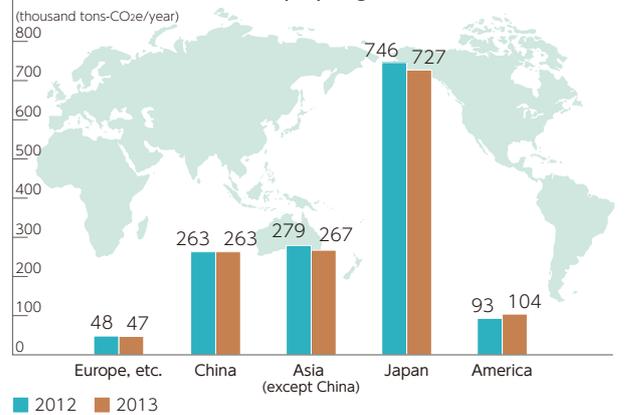
(Note 1) GHG emissions are calculated based on the Greenhouse Gas Emissions Accounting and Reporting Manual Ver. 3.5 (2014) by the Japanese Ministry of the Environment and Ministry of Economy, Trade and Industry (except the emission factors, which are mentioned below).  
Basic policy on the emission factors: fixed emission factors are applied to the values for all fiscal years presented in the graph.  
CO<sub>2</sub> emission factor for purchased electricity  
[In Japan] Actual emission factor of each electricity power supplier published in the "Disclosure of actual emission factor, adjusted emission factor, etc. of each electricity power supplier for fiscal 2012" (2013) by the Japanese Ministry of the Environment  
[Overseas] Emission factor in each country for 2011 mentioned in "CO<sub>2</sub> Emissions from Fuel Combustion Highlights 2013" (2013) by IEA  
CO<sub>2</sub> emission factor for other than purchased electricity  
[Both in Japan and overseas] Emission factor in "Guidelines for accounting and reporting of greenhouse gas emissions from industrial commercial sectors" (2003) by the Japanese Ministry of the Environment  
(Note 2) A revised CO<sub>2</sub> emission factor was adopted for purchased electricity this fiscal year, and the values for the previous fiscal years have been corrected according to the new emission factor retroactively. For reference, GHG emissions based on the old emission factor in fiscal 2013 were 508 thousand tons-CO<sub>2</sub>e in Japan and 825 thousand tons-CO<sub>2</sub>e in other countries.

### Factor Analysis of Changes in Greenhouse Gas Emissions (in Japan and overseas)



(Note) Change due to boundaries change: Emissions in fiscal 2012 from the boundaries of collection newly added or excluded in fiscal 2013.  
Change due to sales change: [Emissions in fiscal 2012 from the boundaries of collection for fiscal 2013] x (Sales in fiscal 2013 / Sales in fiscal 2012 - 1)  
Actual change: Calculated by subtraction

### Greenhouse Gas Emissions from the Global Operations of the Sumitomo Electric Group by Region

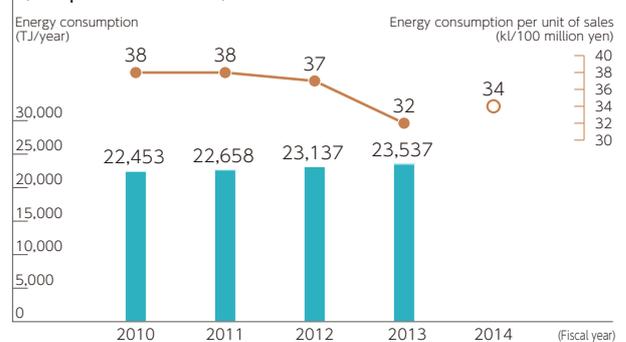


## Reduction of Energy Consumption

### While the absolute value of energy consumption is on the increase, the value per unit of sales is dropping

We reduced energy consumption per unit of sales by 13% from the fiscal 2012 level in fiscal 2013.

### Energy Consumption and Energy Consumption per Unit of Sales (in Japan and overseas)



(Note) Energy consumption per unit of sales: Crude oil equivalent of energy consumption divided by sales

## Disclosure of Environmental Information

### We are actively promoting disclosure of environmental information

We respond to requests from external organizations for supply of information, and also answer to CDP\* from fiscal 2009, to actively promote disclosure of environmental information.

#### Greenhouse Gas Emissions in Fiscal 2013 (thousand tons-CO<sub>2</sub>e/year)

Scope 1	162
Scope 2	1,246
Scope 3	38

(Note 1) Scope 1: Direct emissions from the use of fossil fuels, etc. in our facilities (including SF<sub>6</sub> and other greenhouse gases)

Scope 2: Indirect emissions from the use of electricity and steam supplied from outside our facilities  
Scope 3: Other indirect emissions from logistics, use of products, travel by personnel, etc.

(Note 2) Scope 3 in the table above covers the data on logistics in Japan only.

## Energy Saving Activities in Production Units

### We will work to reduce wasteful use and improve efficiency with the effects of ideas for energy efficiency improvement

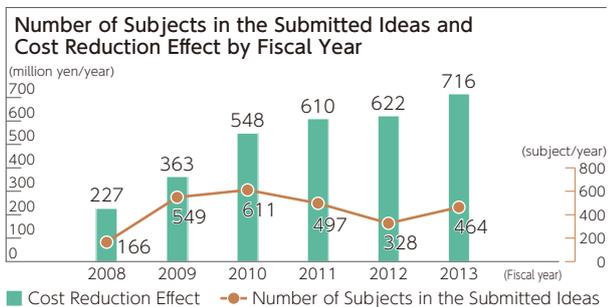
The Sumitomo Electric Group as a whole annually emits about 1.4 million tons of CO<sub>2</sub>, and its overall energy cost reaches approximately 28 billion yen in a year. We are fully committed to energy saving activities through reduction of wasteful use and improvement of efficiency, which are also aimed at offsetting the increases in electricity charges after the Great East Japan Earthquake.

#### 《 Proposal of Energy Efficiency Improvement Measures to Reduce Energy Use 》

We work to meet the Group-wide energy saving target of reducing energy consumption per unit of sales by 4% per annum from the fiscal 2012 level in the Action ECO-21 Campaign from fiscal 2013. In the meantime, the divisions that engage in energy saving by proposing ideas for energy efficiency improvement have also set the target of reducing the absolute energy consumption by 4% from the fiscal 2012 level with the expected effects of such ideas.

Group companies and divisions are implementing the ideas under the slogan of "reduction of 4% with the effects of ideas for energy efficiency improvement." As a result, energy consumption was reduced by 4.3% year-on-year in fiscal 2013. Energy consumption per unit of sales, which is set as an indicator for Action ECO-21 Campaign, also dropped by 13%.

The number of subjects in the submitted ideas and cost reduction effect are presented below.



#### 《 Measures Taken for Energy Saving 》

In Japan, we inspected 45 main facilities and identified those which were expected to achieve insufficient energy saving effect. Those facilities took such measures as energy saving evaluation, measurement-based evaluation, cooperation in priority areas, adoption of relevant technologies and use of external engineering companies, and employed new ideas. Overseas facilities are also committed to energy saving activities in cooperation with their respective mother factories. As a pilot

case, Shigaraki Works of Sumitomo Electric Wintec, Inc. is taking the following measures in cooperation with overseas affiliates:

- **Measurement-based evaluation** : To make visible the effect of energy saving activities, we determine the number of steam and air leaks, the amount of energy loss in steam traps, and compressors' power consumption, etc. Measuring instruments will generate more approximated figures of the activity effects. In fiscal 2014, we launched measurement and analysis of power consumption during holidays and at night, as well as the diagnosis in overseas affiliates.
- **Cooperation in priority areas** : In addition to the equipment-related energy saving measures proposed in the energy saving diagnosis program and other conventional initiatives, measures to improve overall efficiency on intangible aspects including production engineering and equipment utilization rate are promoted through cooperation between divisions, business units and Energy Saving Engineering Department of Sumitomo Electric Technical Solutions, Inc.

- **Adoption of relevant technologies and use of external engineering companies** : The operation of high-efficiency pumps and improvement of heat insulation in steam pipes, which sometimes require special technologies, are outsourced to companies with the know-how.

We will continue to work to meet the target of annual reduction of 4% in fiscal 2014 by using the PDCA(plan-do-check-act)cycle .

## Energy Saving Activities in Offices

### Offices other than manufacturing sites also promote energy saving activities

We reduced greenhouse gas emissions per unit of sales in offices by 22% from the fiscal 2012 level in fiscal 2013 while the target is set to be reduction of 2% from in fiscal 2014.

To promote the efforts, we have assigned a member and a vice member of the "Workplace ECO Activity Promotion Committee" in each workplace in the head office, district offices and branch offices (on a division or group basis). The committee members have taken energy saving initiatives and formulated rules to promote and establish the following activities:

- ① Dressing cool in summer and warm in winter, to keep air conditioning moderate
- ② Turning off all office lights during lunch break
- ③ Turning off lights and air conditioners in meeting rooms and toilets when not in use
- ④ Introducing economy mode for PCs
- ⑤ Turning off or down unnecessary lights etc.

## Energy Saving Activities in Households

### Sumitomo Electric Version of "My family's Minister of the Environment - Eco Family"

The Sumitomo Electric Group worked for Eco-Life Activities to promote energy saving activities in households from fiscal 2008, and made efforts to meet the target of reducing CO<sub>2</sub> emissions from households by 5,000 tons per year until fiscal 2012. As a result, CO<sub>2</sub> emissions decreased by approximately 9,600 tons year-on-year in fiscal 2012.

While we have not set a numerical target for the reduction of CO<sub>2</sub> emissions in households since fiscal 2013, we maintain the website for Sumitomo Electric Version of "My family's Minister of the Environment - Eco Family," which is used as a household eco-account book and a forum to post ideas on energy saving efforts. We make use of this website to encourage employees to make energy saving efforts in households by, for example, commending those who are actively committed to the efforts through the website and providing foliage plants and other prizes from Sumiden Friend to the participants based on the points obtained from the use of the website.

**Power Saving REPORT**

**We are developing new approaches to energy saving activities to achieve the aggressive energy saving target in the Action ECO-21 Campaign**

**Sadamitsu Miyake**  
General Manager of Manufacturing Department, Sumitomo Electric Wintec, Inc.



Sumitomo Electric Wintec, Inc. develops the business of magnet wire, which is a key component in electronic parts for automobiles, industrial motors, information communication equipment, etc., on a global scale. As the company consumes more than 10% of the power used in the Sumitomo Electric Group as a whole, we consider energy saving as one of the three main management policies, and have promoted energy saving activities to meet the target of reducing more than 2% of electricity consumption in a year in conjunction with the Action ECO-21 Campaign, an energy saving initiative of Sumitomo Electric. We are now committed to energy saving efforts to achieve the aggressive target of offsetting the recent increases in electricity rates in two years because the substantial price hikes after the Great East Japan Earthquake had a material impact on our business results. In the meantime, our factories in other countries such as Thailand and Indonesia have also faced significant increases in electricity prices. With recognition of the need to make energy saving efforts on a global scale, we are now introducing the energy saving measures developed in Japan into other facilities after adjustment of the measures to each facility.

In the energy saving procedure, Shigaraki head office of Sumitomo Electric Wintec have worked together with the Safety & Environment Department of Sumitomo Electric to make detailed assessment of energy saving efforts on equipment in manufacturing sites and prepared a list of energy saving measures in a way that their effect, budget, profitability and actual results can be checked. Key measures included initiatives involving modification of equipment such as photovoltaic power generation, introduction of inverter pumps, replacement of compressors with roots blowers and improvement of heat insulation effect, as well

as intangible efforts such as shutdown of unnecessary devices, improvement of productivity and reduction of failure. The efforts in these new approaches, along with visualization of the effects with actual figures, allowed Head Office and Shigaraki Plant to save energy of 376 MWh in total per month in fiscal 2013. In fiscal 2014, we will work to meet the energy saving target of 1,000 MWh per month within two years through equipment-related efforts such as heat insulation of softening furnaces and intangible efforts such as reduction of down time and improvement of catalyst combustion efficiency.

PT. Sumitomo Electric Wintec Indonesia, our manufacturing site in Indonesia, also achieved the very challenging target of reducing annual energy consumption by 17% in fiscal 2013. While the target was 183 MWh/month, the actual result reached 232 MWh/month. This performance demonstrates the effects of our initiatives including sharing of energy saving measures and follow-up of activities through monthly conference calls of the energy saving review committee with Head Office and Shigaraki Plant.

We believe that the energy saving activities of the Sumitomo Electric Group will progress smoothly to make major achievements and also help prevent global warming.



Replacement of a pump in the effluent treatment plant with a high efficiency pump



Reduction of the revolution speed of the paint feed pump by installing an inverter



- (From left)
- Haruhiko Tanaka**  
Manager of Plant Engineering Group, Manufacturing Department
  - Sadamitsu Miyake**  
General Manager of Manufacturing Department
  - Akihisa Kontani**  
Plant Engineering Group, Manufacturing Department
  - Junichi Takahara**  
Plant Engineering Group, Manufacturing Department
  - Sumitomo Electric Wintec, Inc.
  - Yukinori Hashimoto**  
Assistant General Manager of Safety & Environment Department
  - Hirotake Komori**  
Manager of the Energy Saving Office, Safety & Environment Department
  - Sumitomo Electric Industries, Ltd.

**CSR VOICE**

**〈Energy saving in households〉 I am enjoying energy saving activities to pursue “cutting-edge eco-friendliness”**

**Toru Takada** Optical Fiber Plant, Manufacturing Department, Kiyohara Sumiden, Ltd.

I like manufacturing, and always look for something to improve even during a private time outside the workplace. I have also engaged in Eco-Life Activities aggressively. A massive effect was made by introducing photovoltaic power generation. While I used “solar power loan” to purchase the system, the profit from sales of electricity exceeded the loan payment last fiscal year, and I also paid less electricity prices. In addition, I introduced an advanced DC motor fan and LED lights equipped with human presence sensors. I also laid tile carpets on wooden floors and inserted heat insulating materials into walls by myself. These efforts resulted in reduction of CO<sub>2</sub> emissions by 2.8 tons-CO<sub>2</sub>/year. While I also enjoy driving, which is another hobby of mine, I will keep pursuing cutting-edge eco-friendliness.



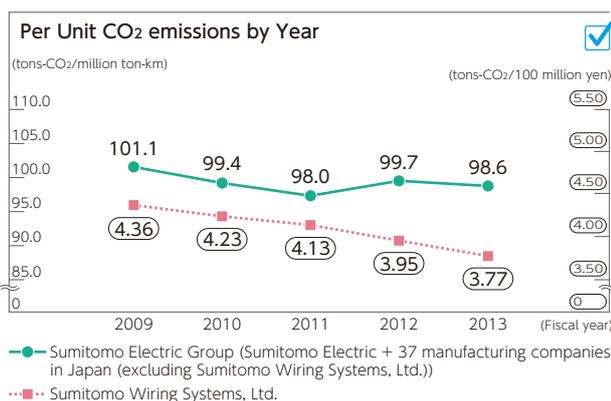
## To Reduce CO<sub>2</sub> Emissions from Logistics

We are reducing CO<sub>2</sub> emissions by using railroad for small-lot delivery and consolidation

Per unit CO<sub>2</sub> emissions in the Sumitomo Electric Group as a whole (Note 1) in fiscal 2013 were reduced by about 2.7% from the fiscal 2012 level (Note 2). Sumitomo Electric improved the value with active use of railway containers for small-lot supply on an irregular basis, along with transportation of high-strength steel wire to a construction site in the same cargo with goods to be delivered to nearby construction sites. In the meantime, CO<sub>2</sub> emissions in Sumitomo Wiring Systems were reduced through more frequent use of railway containers for the transport of wiring harness products for automobiles to the relay point in Tokyo as well as increase in the loading ratio of truck. We will continue the Group-wide efforts to reduce CO<sub>2</sub> emissions from transportation.

(Note 1) CO<sub>2</sub> emissions from transportation in Japan were calculated.

(Note 2) Comparison with Group-wide per unit CO<sub>2</sub> emissions in the previous fiscal year Sumitomo Wiring Systems, Ltd. adopts CO<sub>2</sub> emissions per sales amount as the basis for the calculation while other group companies use CO<sub>2</sub> emissions per cargo transport (t-km). Therefore, the weighted average of each year-on-year CO<sub>2</sub> emission rate is calculated based on the CO<sub>2</sub> emissions.



### CO<sub>2</sub> Emissions from the Sumitomo Electric Group (Excluding Sumitomo Wiring Systems, Ltd.) by Year

Fiscal year	Total cargo transport (million ton-km)	CO <sub>2</sub> emissions (tons-CO <sub>2</sub> )	CO <sub>2</sub> emissions per cargo transport (tons-CO <sub>2</sub> /million ton-km)
2009	216.8	21,910	101.1
2010	228.6	22,720	99.4
2011	214.1	20,986	98.0
2012	208.0	20,734	99.7
2013	217.0	21,384	98.6

(Note 1) Boundaries of data collection: Sumitomo Electric + 37 manufacturing companies in Japan (excluding Sumitomo Wiring Systems, Ltd.)

(Note 2) CO<sub>2</sub> emissions are calculated on an improved ton-kilometer basis + a fuel-efficiency basis.

### CO<sub>2</sub> Emissions from Sumitomo Wiring Systems, Ltd. by Year

Fiscal year	Sales amount (100 million yen)	CO <sub>2</sub> emissions (tons-CO <sub>2</sub> )	CO <sub>2</sub> emissions per sales (tons-CO <sub>2</sub> /100 million yen)
2009	3,480	15,182	4.36
2010	3,761	15,903	4.23
2011	3,815	15,759	4.13
2012	4,127	16,290	3.95
2013	4,423	16,653	3.77

(Note 1) CO<sub>2</sub> emissions are calculated on an improved ton-kilometer basis + a fuel-efficiency basis.

(Note 2) The sales amounts of Sumitomo Wiring Systems, Ltd. used for this calculation exclude the adjustments made at the end of each fiscal year, and are therefore not necessarily equivalent to the sales amounts published by Sumitomo Wiring Systems.

## Initiative to Promote Modal Shift

We increased the use of railroad and coastal transportation

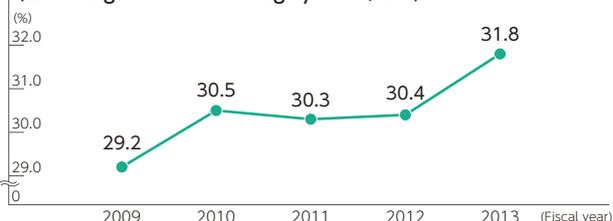
Sumitomo Electric is active in promoting modal shift mainly in the case of heavy and long-distance (500 km or longer) freight transportation.

In fiscal 2013, the modal shift rate increased because demand from the customers to which we deliver copper wire rod and high-strength steel wire mainly by railroad and coastal transportation remained strong and we aggressively switched to delivery of naked copper wire by rail.

Meanwhile, in recognition of the fact that 50.8% of our freight land transportation covering 500 km or more in fiscal 2011 was by rail, we acquired certification as a company engaged in the initiatives of Eco Rail Mark from the Railway Freight Association in February 2012.



### Modal Shift Rate of the Sumitomo Electric Group by Year (Excluding Sumitomo Wiring Systems, Ltd.)



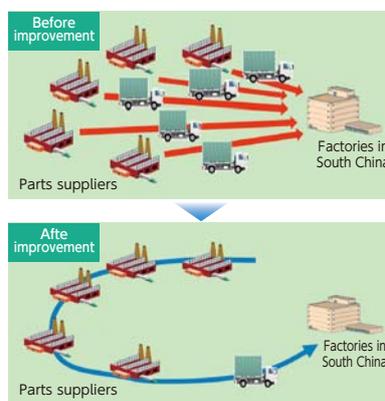
(Note) Boundaries of data collection: Sumitomo Electric + 37 manufacturing companies in Japan (excluding Sumitomo Wiring Systems, Ltd.)

$$\text{Modal shift rate (\%)} = \frac{\text{Cargo transport by rail or ship (ton-km)}}{\text{Total amount of cargo transport in Japan (ton-km)}} \times 100$$

## Round-trip Transportation by Group Companies in China

Milk run has been introduced to procure parts of wiring harnesses for automobiles in southern China

Three group companies in southern China are involved in the business of wiring harnesses for automobiles, and receive parts from many suppliers. Those suppliers used to deliver the parts separately by trucks ranging from 1.5- to 10-ton vehicles. In August 2012, under the initiative of SDL-China Co., Ltd. (China), a local logistics subsidiary of the SWS Group, the "milk run" (Note) system mainly using 10-ton trucks was introduced



for delivery from five suppliers to increase the loading ratio and use larger vehicles. The suppliers were selected based on their locations and supply amount. As a result, CO<sub>2</sub> emissions were reduced by approximately 3.6 tons/month.

(Note) Milk run

In this logistics system, a truck follows a route to collect goods from multiple suppliers. It is also called round cargo collection.

# Promotion of Resource Conservation and Recycling

## Efforts to Achieve Zero Emissions and Reduce the Amount of Waste (in Japan)

We are promoting resource saving and recycling

### 《Zero Emissions》

In our efforts for the zero emission rate, we achieved the target of maximum 1% zero emission rate in the domestic Group as a whole in fiscal 2009, and have worked to decrease the rate to 0.3% or less since fiscal 2013.

The zero emission rate in the entire Group in fiscal 2013 was 0.1%, which met the target.

While most of waste is recycled, we will be also committed to recycling of the remaining waste that is difficult to recycle, as well as the waste newly generated from new products, etc., to maintain this level.

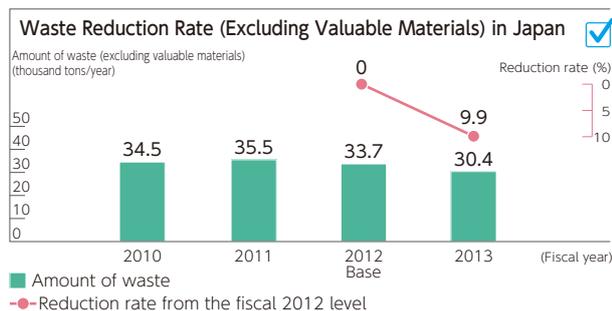
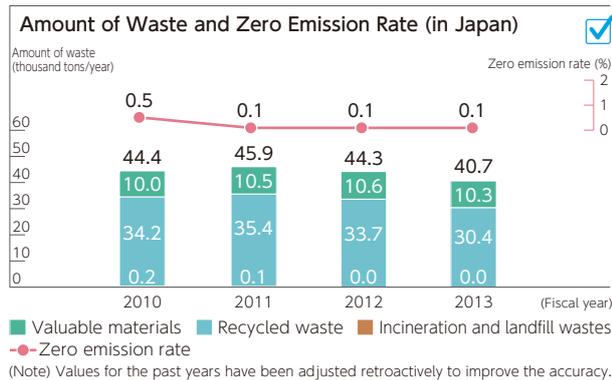
$$\text{Zero emission rate (\%)} = \frac{\text{Amount of waste incinerated without heat recovery} + \text{Amount of landfill waste}}{\text{Amount of industrial waste} + \text{Amount of general waste}} \times 100$$

(Note) Amount of waste incinerated without heat recovery : Amount of waste generated and incinerated without heat recovery  
 Amount of landfill waste : Amount of landfill waste generated  
 Amount of waste: Amount of recycled waste generated + Amount of simple incineration waste + Landfill amount + Amount of valuable materials generated  
 Valuable materials: Waste that used to be unsellable until 2001 but was converted into sellable forms through internal efforts after the year

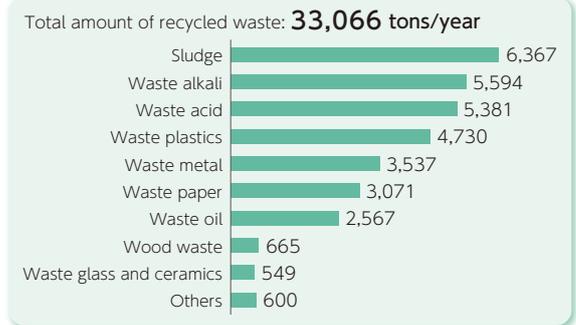
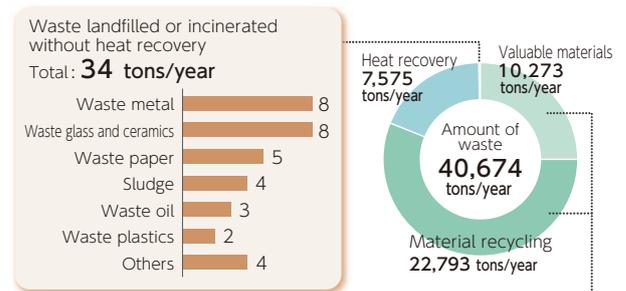
### 《Reduction of the Amount of Waste》

We make efforts to reduce the amount of waste with the target of reducing the absolute amount by 1% per year as part of our activities in the Action ECO-21 (Phase V) Campaign from fiscal 2013. While production growth tends to be accompanied by an increase in the amount of waste, we achieved the reduction of 9.9% from the fiscal 2012 level in fiscal 2013, which exceeded the target.

To reduce the amount of waste, we promote conversion of the waste into valuable materials through separation and search of uses, and also focus on reduction of defects and review of the process that caused defects in production sites, which are fundamental activities for manufacturing, as well as reuse of the waste generated within the company and reduction of waste volume.



## Amount of Waste by Type in Fiscal 2013 (in Japan)



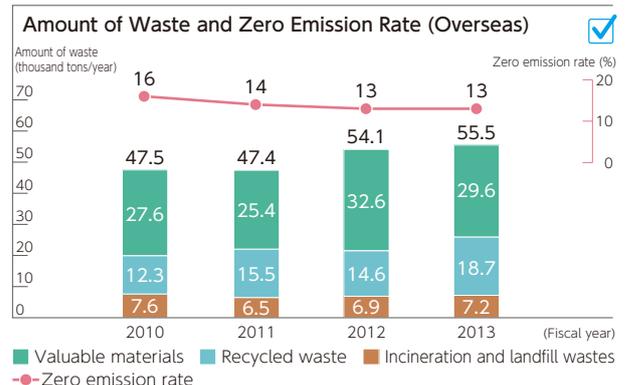
## Reduction of the Waste to Be Incinerated Without Heat Recovery or Landfilled (Overseas)

We will continue to promote our activities to reduce the zero emission rate

We are committed to resource saving and recycling in overseas group companies with the target of reducing the zero emission rate to 5% or less from fiscal 2010.

While the zero emission rate in fiscal 2013 was 12.9% and the target was not achieved, recycling has been promoted through such measures as sale of variable materials converted from waste with thorough separation, along with search for recycling companies.

As in the cases of general waste in Southeast Asia and sludge in China, we are facing a problem that waste cannot be processed around the sites due to shortage of recycling companies. In US facilities, recycling can involve a cost increase when they transport waste to a remote recycling company although there is a landfill site in a closer location. We will continue to encourage overseas group companies to reduce the amount of waste incinerated without heat recovery or landfilled in cooperation with staff in the parent divisions.



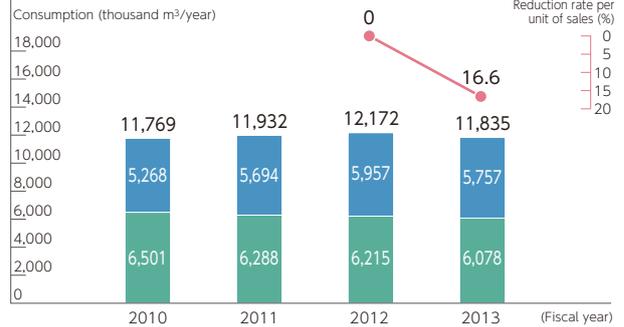
(Note) Waste from the dormitories for employees is excluded from the data collection for this fiscal year. Accordingly, data for the previous years have been corrected retroactively.

## Water Use Reduction

### We reduced both absolute water consumption and the volume per unit of sales

We have been actively committed to reducing water consumption as an action item since fiscal 2008. In fiscal 2013, absolute water consumption also showed a slight year-on-year decrease, along with reduction of the volume per unit of sales by 16.6% from the fiscal 2012 level. As water leakage accounts for a surprisingly high percentage of the water consumption, we are making steady efforts for prevention of water leakage and management of water use. Introduction of water reuse facilities is also promoted. In addition, we are committed to improvement of water use efficiency in gas washing columns, water-cooled air conditioners and other facilities using water in parallel with efforts to reduce energy consumption in these facilities.

### Water Consumption and Reduction Rate per Unit of Sales (in Japan and Overseas)



■ Consumption in Japan ■ Consumption in other countries  
● Reduction rate per unit of sales

(Note) Values for the past years have been adjusted retroactively to improve the accuracy. Water consumption is calculated as the sum of the consumption of city water, industrial water and groundwater.

## Sumitomo Wiring Systems, Ltd. Received the METI Minister's Prize 〈Recognition of distinguished people in promoting 3Rs〉

At the annual ceremony organized by the 3Rs Promotion Council to commend distinguished people in promoting 3Rs, Sumitomo Wiring Systems, Ltd. received the METI Minister's Prize for fiscal 2013.

Sumitomo Wiring Systems, which manufactures electrical wiring systems (wiring harnesses) for vehicles, received the prize in recognition of the commitment of the entire Sumitomo Wiring Systems Group to reduction, reuse and recycling (3Rs) of waste and the outstanding achievement through its continuous efforts.

The entire Sumitomo Wiring Systems Group works to reduce, reuse and recycle waste through such initiatives as construction of the 3R Center to collect, dissolve and recycle the waste generated in the manufacturing process, introduction of equipment to recycle waste generated in the manufacturing process as raw materials on the spot and establishment of a mechanism to introduce office machines that are no longer used to other divisions in the company for reuse. As a result of these efforts, the Group has succeeded in reducing 60% of its waste from the fiscal 2005 level.



Dissolution at 3R Center



Crush and reuse of resin scraps



## Waste Segregation in Overseas Affiliates (Municipal Solid Waste in Indonesia) — PT. Sumiden Serasi Wire Products (SSWP)

PT. Sumiden Serasi Wire Products is a factory that manufactures special steel wires in Indonesia. While sludge and waste acid had been already recycled in PT. Sumiden Serasi Wire Products, part of general waste was landfilled.

In fiscal 2011, the waste in the general waste storage included plastic bottles and paper. PT. Sumiden Serasi Wire Products then worked for segregation of waste paper and wood and began to sell them. Subsequently, sale of combustible materials was also started after search for companies that use such waste as fuel.

While 18 tons per month of waste was sent to landfill in fiscal 2011, the amount was reduced to 6 tons per month in fiscal 2013 through the accumulation of such efforts. The zero emission rate also dropped to 2%, which was also attributed to the promotion of recycling of industrial waste.



Before improvement



After improvement

# Reduction of the Release of Harmful Chemical Substances

## Reduction of VOC Emissions

We are working to reduce atmospheric VOC emissions throughout the Group including overseas affiliates

The Sumitomo Electric Group has been committed to discontinuing the use of trichloroethylene and other hazardous chlorinated volatile organic compounds (VOCs) designated as substances requiring priority action in the Air Pollution Control Law. As a result of the commitment, the use of chlorinated VOCs in the Group was discontinued in fiscal 2011.

The Group has also promoted activities to cut the atmospheric release of any VOC whose annual emissions from a site were 1 ton or more in Sumitomo Electric and its affiliates in Japan or 5 tons or more in overseas affiliates <sup>(Note)</sup>. In fiscal 2013, we set the target of reducing VOC emissions by 1% from the fiscal 2012 level and made efforts to satisfy it. Despite the efforts, due to production growth in overseas affiliates, the emissions in fiscal 2013 increased by 8.2% from the fiscal 2012 level to 282 tons.

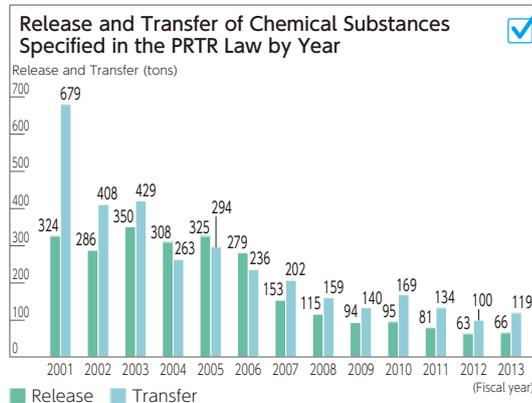
(Note) The Sumitomo Electric Group (excluding the Sumitomo Wiring Systems, Ltd.) covers the sites that are required to identify the emissions by law.

## Release and Transfer of Chemical Substances Specified in the PRTR Law

The whole Group, including overseas affiliates, is submitting reports in accordance with the applicable laws

Sumitomo Electric and its domestic affiliates, using the chemical substance management system developed by the Company, measure the monthly generation rate of chemical substances specified by the PRTR Law\*, and calculate the amount of these substances released and transferred in order to report annually in accordance with the law. A total of 43 plants of Sumitomo Electric's Osaka and Yokohama Works and 26 group companies submitted such reports for fiscal 2013. Sumitomo Electric Group's total release and transfer of PRTR-designated substances in Japan were 66 tons and 119 tons, respectively.

A total of five plants of our four overseas affiliates submitted reports to regulatory agencies in accordance with the applicable local laws equivalent to the PRTR Law. The total release and transfer of designated chemical substances reported in 2013 (calendar year) were 8 tons and 16 tons, respectively.



\* Revision to the law involved addition and exclusion of the designated substances required to be reported from fiscal 2010. As a result, the number of the substances increased by 108.

\* The boundaries of data collection included the Sumitomo Wiring Systems Group from fiscal 2010.

\* The amounts are calculated in accordance with PRTR Release Estimation Methods Manual, version 4.1 (2011) by the Ministry of the Environment and the Ministry of Economy Trade and Industry of Japan.

## Chemical Substance Management System

We have established an original system to unify the management of chemical substances

The Sumitomo Electric Group established a chemical management system, and started the management of poisonous and deleterious substances and PRTR-designated substances in Sumitomo Electric's three Works in Osaka, Itami and Yokohama, and our affiliates in the Works in fiscal 2011. The system is also used to collect data for reporting under the PRTR Law.

In fiscal 2012, some of the domestic affiliates outside the three Works also launched the operation of this system, which enabled the search of the companies using poisonous and deleterious substances and SDS (Safety Data Sheet) concerning all poisonous and deleterious substances used in affiliates in Japan.

We will continue our efforts to enhance the management of chemical substances used in the Group.

## Soil and Groundwater Remediation

We are continuously conducting soil and groundwater remediation and groundwater monitoring

We disclosed the pollution status of three major Works (Osaka, Itami and Yokohama) in August 2001. At those three Works and other domestic sites where pollution has been identified through our surveys conducted thus far, we are continuing soil and groundwater remediation by soil replacement, groundwater pumping and soil gas absorption. We also conduct groundwater monitoring on a regular basis, and have confirmed that the pollution has not spread outside the sites.

## Measures against Dioxins and Asbestos

We continue to control the facilities subject to the law We manufacture no products using asbestos

The aluminum alloy manufacturing facility and its exhaust gas purification facility at Sumitomo Electric Toyama Co., Ltd. are subject to the Law Concerning Special Measures against Dioxins. We have ensured that emissions from these facilities remain within regulated standards.

Release and Transfer of Chemical Substances Specified in the PRTR Law (Unit: tons)

Chemical substance	Release					Transfer			Total amount
	Into air	Into water	Into soil	Into landfill	Total release	By sewage	By disposal	Total transfer	
Toluene	28.0	0.0	0.0	0.0	28.0	0.0	11.1	11.1	39.1
Phenol	6.7	0.0	0.0	0.0	6.7	0.0	12.5	12.5	19.2
Cresol	6.0	0.0	0.0	0.0	6.0	0.0	10.5	10.5	16.5
Nickel compounds	0.0	0.3	0.0	0.0	0.3	0.0	16.1	16.1	16.4
Lead	0.0	0.0	0.0	0.0	0.0	0.0	16.0	16.0	16.0
Dichlorobenzene	3.9	0.0	0.0	0.0	3.9	0.0	9.8	9.8	13.7
Xylene	4.4	0.0	0.0	0.0	4.4	0.0	5.3	5.3	9.7
1-bromopropane	5.7	0.0	0.0	0.0	5.7	0.0	0.6	0.6	6.3
2-aminoethanol	0.0	0.0	0.0	0.0	0.0	0.4	5.8	6.2	6.2
Molybdenum and its compounds	0.0	0.7	0.0	0.0	0.7	0.0	5.4	5.4	6.1
34 other substances	8.6	1.9	0.0	0.0	10.5	0.4	25.1	25.5	36.0
<b>Total</b>	<b>63.3</b>	<b>2.9</b>	<b>0.0</b>	<b>0.0</b>	<b>66.2</b>	<b>0.8</b>	<b>118.2</b>	<b>119.0</b>	<b>185.2</b>

(Unit: mg-TEQ)

Chemical substance	Release					Transfer			Total amount
	Into air	Into water	Into soil	Into landfill	Total release	By sewage	By disposal	Total transfer	
Dioxins	0.00	0.00	0.00	0.00	0.00	0.00	1.90	1.90	1.90

(Note) Scope of data collection: Sumitomo Electric + PRTR obligatory companies among its domestic affiliates

# Expansion of Environmentally Conscious Products

## Expansion of Environmentally Conscious Products

### We are actively promoting assessment and development of environmentally conscious products

Along with reduction of environmental impact from our business activities, we are striving to increase environmentally conscious products as an initiative stated in our environmental policy.

Our products are assessed to determine their levels of social and environmental contribution, and classified into, for example, "Eco Mind" products, Eco-products and anti-global warming products based on the levels. The assessment results are also used for development of new products.

### 《 "Eco Mind" Products 》

We perform environmental assessment of products when developing new products, as well as when making major design changes to existing products. The products having undergone product assessment are registered as "Eco Mind" products in the Sumitomo Electric Group.

By the end of fiscal 2013, a total of 539 items have been registered as "Eco Mind" products.

### 《 Eco-Products (Eco Symbol Program) 》

Among "Eco Mind" products, the products with particularly outstanding environmental features are examined in accordance with our Eco Symbol Program, which is based on ISO14021, and those that meet the criteria are certified as "Eco-products." Through this system, we aim to promote development of environmentally conscious products and strive to penetrate the market with them.

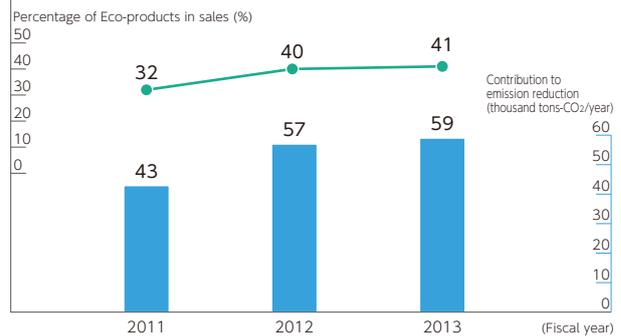
By the end of fiscal 2013, a total of 184 items have been registered as Eco-products. The sales ratio in fiscal 2013 was 41%.

### 《 Anti-Global Warming Products 》

In this system, we register the Eco-products that especially contribute to the reduction of CO<sub>2</sub> emissions from society, and calculate and disclose the reduction effect, in order to contribute to the prevention of global warming.

The products contributed to the reduction of CO<sub>2</sub> emissions by a total of 59,000 tons in fiscal 2013.

### Percentage of Eco-Products in Sales and Contribution to the Reduction of CO<sub>2</sub> Emissions



· Calculation method

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

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

For methods to calculate contribution to the reduction of CO<sub>2</sub> emissions, see "Examples of Eco-Products" in P68.

## Eco-Products Report

### We have succeeded in efficiency improvement and power saving of the GE-PON system, which supports optical broadband access

**Hirofumi Takeichi**  
Deputy General Manager,  
North America Optical Access Products Department,  
Broad Networks Division

GE-PON is a transmission technology that allows Gbps-class high-speed data communication at low cost by branching a single optical fiber to allow more than one user to share it. We have developed "FSU7100," a GE-PON-supporting optical line terminal that accommodates more than four times as many subscriber lines as our previous product "FSU6200."

While the volume is only 2.5 times as large as that of the previous product, we have successfully reduced the volume per line by 40% in FSU7100 thanks to its high-density mounting capability. The port density is



GE-PON system "FSU6200" (left) and GE-PON system "FSU7100" (right)

also about 1.5 times as high as that of similar products provided by competitors. In addition, we have made it easier to maintain the device by using replaceable modular optical transceivers while the transceivers in previous products are unreplaceable. The power consumption can also be reduced by controlling the cooling fan speed based on monitoring of the load status of the device.

FSU7100 was awarded a qualification by CableLabs, a US-based organization for cable television technical standardization in 2013. Sumitomo Electric is the only Japanese company that has been awarded the qualification. We expect to increase the shipment of this product to US cable operators.



(From left) **Sumie Tomiyama** Software Development Group  
**Junichi Maeda** Manager, Technical Marketing Group  
**Hirofumi Takeichi** Deputy General Manager  
**Yusuke Kai** Manager, Software Development Group  
**Shinya Goto** Manager, Hardware Development Group  
North America Optical Access Products Department, Broad Networks Division

## Examples of Eco- Products

Contributing to the improvement of fuel efficiency of hybrid cars as electrodes of secondary batteries



**CELMET® (porous metal)**  
Sumitomo Electric Toyama Co., Ltd.

The contribution is calculated by multiplying the amount of CO<sub>2</sub> emissions reduced with a hybrid car (estimated based on "Automobile Fuel Efficiency List (March 2014)" published by the Japanese Ministry of Land, Infrastructure, Transport and Tourism and other data) by the contribution rate of CELMET (estimated by Sumitomo Electric).

Contributing to the improvement of fuel efficiency of cars by trimming the weight



**Lightweight wire harness**  
Sumitomo Wiring Systems, Ltd.

The contribution is calculated by estimating the improvement of fuel efficiency of a car achieved by reducing the weight of the wire harnesses (based on criteria in "Guidelines for Environmental Factors for Products (second edition)" of Japan Auto Parts Industries Association).

Contributing to resource saving by extending the service life



**Cemented carbide tools with longer service life**  
Sumitomo Electric Hardmetal Corp.

The contribution is calculated based on resource saving by the extension of the service life and reduction of CO<sub>2</sub> emissions from the production using the "Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables" of National Institute for Environmental Studies.

## Activities to Conserve Biodiversity

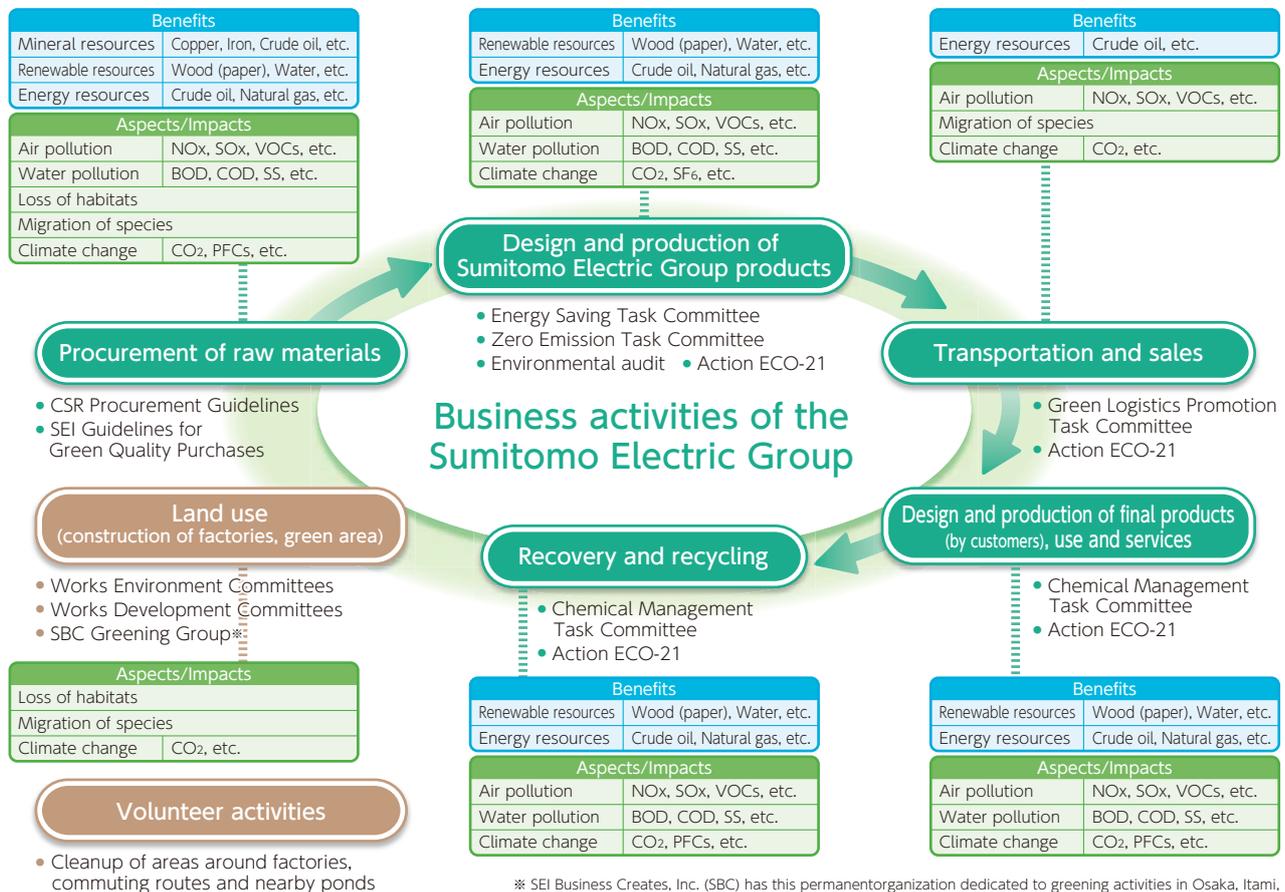
The Action ECO-21 Campaign is linked to biodiversity via activities to conserve the ecosystem

### Basic Approach

The Sumitomo Electric Group aims to procure raw materials and design and manufacture products in a way that protects the ecosystem and maintains sustainable resource use. We also seek to contribute to the environment preservation on a global basis by providing high-performance products.

### Relations with Business Activities and Response

The Sumitomo Electric Group contributes to conservation of biodiversity through business activities, as well as environmental activities in the Action ECO-21 campaign, as mentioned below. For example, our efforts to promote zero emission activities prevent or minimize the expansion of waste landfill sites, and thereby help provide habitats for wildlife.



Core Category

## Social Contribution

Priority Theme

### Contribution through Our Business Locations and Foundation

#### Main Targets for Fiscal 2013

Increase monetary contributions to university courses, scholarships and grants to academic and research activities supplied through the fund

Promote cooperation with NPOs for support of the reconstruction of the Tohoku Region and other purposes

#### Results in Fiscal 2013

- ① Monetary contributions to university courses: 94.5 million yen in total for 8 courses
- ② Subsidies for academic and research programs: 20 million yen in total for 16 programs
- ③ Supply of scholarships: 23.6 million yen in total for 98 persons

Held a fair of products from the Tohoku region to support the region's reconstruction from the Great East Japan Earthquake

Participated in the TABLE FOR TWO program

#### Main Targets for Fiscal 2014

Increase monetary contributions to university courses, scholarships and grants to academic and research activities supplied through the fund

Promote cooperation with NPOs for support of the reconstruction of the Tohoku Region and other purposes

#### Basic Policies on Social Contributions

Sumitomo Electric stipulated the Sumitomo Electric Group Basic Policies on Social Contributions, which are based on the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, on the occasion of the 110th anniversary of its founding in 2007.

#### The Sumitomo Electric Group Basic Policies on Social Contributions

The Sumitomo Electric Group will proactively address voluntary social action programs, as a member of society, focusing on "respect for human resources," "attaching importance to technology," and "creating a better society and environment" in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, as well as widely contributing to society through its business activities, including the provision of products, technologies and services that benefit society.

- Globally promote efforts toward the development of human resources, the promotion of research and learning and environmental conservation.
- Promote community-oriented social contribution activities in the Group's business locations all over the world.
- Provide continuous support to employees' voluntary social contributions.

Under the Basic Policies, we are committed to the social contribution activities suitable for the Sumitomo Electric Group, which is aiming to be a "Glorious Excellent Company," with focus on the establishment of the SEI Group CSR Foundation as a vehicle to contribute to encouragement of research and learning activities and human resource development, as well as on promotion of activities to contribute to local communities and support of volunteer activities and donations by employees.

#### Activities of the SEI Group CSR Foundation, a Public Interest Incorporated Foundation

The SEI Group CSR Foundation is a public incorporated foundation established for the purposes of developing human resources and promoting academic activities

In fiscal 2013, the SEI Group CSR Foundation received contributions of 632.0 million yen in total from Sumitomo Electric (500 million yen appropriated for its endowment and the remaining amount for operation), and (1) donated 94.5 million yen in total to university courses, (2) supplied subsidies of 20 million yen in total to academic and research activities, and (3) provided scholarships of approximately 23.6 million yen in total for 18 foreign students learning in Japan and 80 local students studying at overseas universities. In the program to make donations to university courses, we provided monetary support for one new course along with the seven courses continued from previous fiscal year.

- "Plant Bioengineering for Bioenergy Laboratory" and "Implementation of a problem-solution oriented machine engineering education to develop human resources for manufacturing practice in the next generation" at Osaka University
- "Solution study of plant biomass" and "Nano-interface photonics institute" at Kyoto University
- "Research course on tsunami marine hazards" at Kobe University
- "Research on terminal care for elderly patients with chronic heart disease" at Saga University (new)
- "Research on neuroimaging" at Tohoku University
- "Course on environmental laws and policies toward reconstruction from the earthquake disaster and the nuclear power plant accident" at Hitotsubashi University

We also invited applicants to the program to support academic and research activities, and received 86 applications. Out of them, we have selected 16 research programs including basic science research that needs research funds and embryonic research by young researchers, and offered subsidies to them.

For detail on the programs, see the Group CSR Foundation page of our website.

 <http://www.sei-group-csr.or.jp/e/business/index.html>

## Social Contribution through Donations

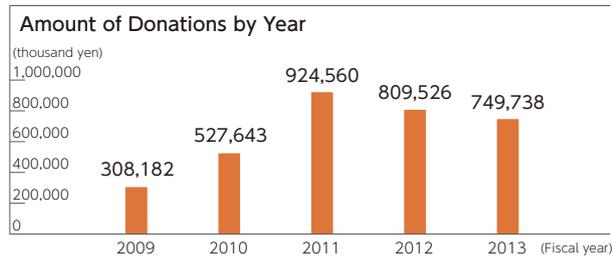
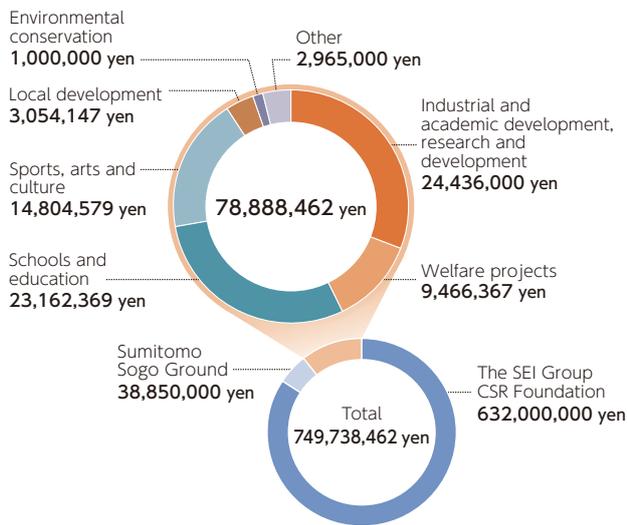
**We are making social contribution through donations from a global perspective**

In fiscal 2013, we made donations in various areas including schools and education, industrial and academic development, R & D, art and culture, welfare, local development, environmental conservation and sports. For example, we gave financial support to symphony orchestras and opera performance as part of our efforts to assist art and cultural activities, as well as important social activities such as environmental conservation by nature conservation funds and other organizations.

We are also collecting matching gifts\* from employees through our welfare system (cafeteria plan) to donate to the Japan Committee for UNICEF, Japanese Red Cross Society and World Wide Fund for Nature (WWF) Japan.

In addition to initiatives in Japan, we are developing social contribution activities on a global scale, including monetary donation to the victims of the typhoon that hit the Philippines in November 2013 and the reconstruction of the affected region.

### Amount of Donations by Category (Sumitomo Electric alone)



**Glossary** \*Matching gift system  
The company concurrently donates an amount equal to the donation made by an employee in this system.

## Results of contributions through the cafeteria plan in fiscal 2013

	Donation amount (yen)	Total number (persons)
Japanese Red Cross Society	1,030,496	128
UNICEF	341,404	42
World Wide Fund for Nature (WWF)	100,036	15
Great East Japan Earthquake	1,386,544	167
SEI Group CSR Foundation	774,378	94
<b>Total</b>	<b>3,632,858</b>	<b>446</b>

## Volunteer Activities

**We support volunteer activities by employees with various systems**

We have introduced a volunteer holiday system since April 2007, which allows employees to take cumulative paid holidays (up to 10 days in a year) for performing volunteer activities.

## Collaboration with an NPO

**We promote a program aimed at contributing to society and helping employees manage their health**

We have promoted TABLE FOR TWO (TFT), a program to contribute to society and support health management of our employees at our cafeterias since October 2011. A low-calorie, well-balanced healthy menu is offered daily at the cafeterias and 20 yen is donated from the sale of each meal to help provide school meals in African countries.

### CSR VOICE

#### Your efforts will be rewarded

**Mr. Weigang Liu**

3rd year student, Department of Japanese, School of Foreign Languages, Sun Yat-sen University, China



I really feel that time flies. Looking back the past year, I was actively involved in various activities including the school work. Then, I won a scholarship from the Sumitomo Electric Group. I would like to express my gratitude. While I felt very glad, the event also reminded me that your efforts will be rewarded.

I have studied at the Department of Japanese of the School of Foreign Languages at Sun Yat-sen University, and am now working hard to prepare for the Japanese Proficiency Test at the N2 level. This is just a small challenge in my life, and the thought of many more challenges that are waiting for me in the future gives me much power. While I have to make efforts to study, of course, I must also participate in various sports activities positively because there are fewer men than women on the campus. Although men, who are minorities, almost always lose the game, we must keep participating and doing our best. I believe that your efforts will never betray you as long as you do your very best in your school life.

The scholarship from the Sumitomo Electric Group is supporting and encouraging me very much because I am not rich. It also gave me an opportunity to learn the Group and understand its corporate culture. If I am lucky enough, I hope that I can work for the Group after graduation and contribute to the company, society and my country using my expertise. Lastly, I would like to thank the Sumitomo Electric Group again for its support for my learning activities. I wish for the Group's continued success.



In accordance with the basic principle of “Harmony with the International Community,” the Sumitomo Electric Group, which has presence in about 40 countries around the world, aims to contribute to development of local economy and society while respecting the culture and customs of every region and country. To this end, along with social contribution through business activities, we are committed to various activities to support local communities and build harmonious relations with them.

### Activities in Japan

A total of 53 companies of Sumitomo Electric and its group companies are covered. They include Sumitomo Riko Co., Ltd., Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd., which are listed in stock exchange.

#### Promoting community support activities and exchange with local communities

- **Local cleaning activities, promotion of greening, environmental conservation activities, etc.**  
Sumitomo Electric: Cleanup of the area around each of its business sites
  - Cleanup activities are performed in 34 of the 53 companies including the companies mentioned above.
- **Supporting local disaster-prevention and safety activities**
  - Performed in 23 of the 53 companies including Hoshi Industries Co., Ltd.
- **Opening corporate facilities (sports grounds, gyms etc.) to the public**
  - Performed in 4 of the 53 companies including Sumitomo Electric Fine Polymer, Inc.
- **Inviting local residents and students (from elementary, junior high and high schools) to plant tours**  
Sumitomo Electric: Osaka Works received 135 third grade students from Shimaya Elementary School in May.
  - Performed in 9 of the 53 companies including the company mentioned above.
- **Opening company sites to the public to organize events**  
Hokkaido Sumiden Precision, Co., Ltd. and Hokkaido Electric Industries Ltd.: Organizing Shibazakura Festival in May
  - Performed in 4 of the 53 companies including the companies mentioned above.
- **Publishing local community magazines**  
Sumitomo Electric: Osaka Works in July 2013 and January 2014, Itami Works in May and November 2013, Yokohama Works in May and November 2013



● Local cleaning activities



● Plant tour



● Athletic practice sessions for elementary and junior high school students

#### Contributing to sports and cultural activities

- **Contributing to sports activities**  
Sumitomo Electric: Sponsoring the 69th Lake Biwa Mainichi Marathon in March 2014  
Itami Works: Jointly organizing athletic practice sessions for elementary school and junior high school students in Itami City (12 sessions a year)
  - Performed in 9 of the 53 companies including the company mentioned above.
- **Contributing to arts and cultural activities**  
Sumitomo Wiring Systems, Ltd.: A team of employees inherited the traditional performing art of the historical Yokkaichi Suwa-Daiko Japanese drum and performed at nursing homes and other places
  - Performed in 4 of the 53 companies including the company mentioned above.



● Donation of school supplies in the US

#### Supporting education and training

- **Offering hands-on training programs and off-campus classes to students and teachers**  
Sumitomo Electric: Yokohama Works accepted students from the University of Electro-Communications for an internship program in September.
  - Performed in 21 of the 53 companies including the company mentioned above.
- **Holding on-site science classes at schools**  
Nissin Electric Co., Ltd.: Science class using solar-powered cars for elementary school students in Kyoto City in July to October
  - Performed in 4 of the 53 companies including the company mentioned above.



● Technical education activities in Thailand (received an Education Minister's award)

#### Activities in Other Countries

- **Donations of money and goods to local schools and communities**  
Sumitomo Electric Wiring Systems, Inc.: Donation of school supplies in the United States
- **Support of technical education for local students and other people**  
Sumitomo Electric Sintered Components (Thailand) Co., Ltd.: Technical education activities in Thailand
- **Employee volunteerism in local communities**  
TECHNO ASSOCIE Co., Ltd.: Improvement of a football ground and organization of a tournament in Mexico



● Improvement of a football ground and organization of a tournament in Mexico



# With Jatropha, a high-yield crop resistant to dry climates, we will turn barren areas into green fertile lands



Professor Kiichi Fukui  
Graduate School of Engineering,  
Osaka University



Dr. Suguru Tsuchimoto, Associate Professor  
Graduate School of Engineering,  
Osaka University



Jatropha is a plant that helps reduce CO<sub>2</sub> emissions without competing with food production

The SEI Group CSR Foundation makes donations to excellent university courses that contribute to social development. “Plant Bioengineering for Bioenergy Laboratory” at Osaka University has been selected to receive its donation for three terms since fiscal 2009 because the research can lead to social contribution on a global scale. This course is introduced below.

## We focused on Jatropha, a fuel crop that can be grown even in dry, barren areas

Our course is aimed at research and development that can help prevent global warming. While there are many potential methods to prevent global warming, we study the greening of the earth with a focus on Jatropha. This plant can be cultivated with little care even in dry, barren areas where other plants cannot survive. It absorbs carbon dioxide in the atmosphere, and the seeds can be used to produce aviation fuel and high-quality diesel oil. The plant is also excellent in terms of energy balance, and does not compete with production of food such as rice and vegetables. Thus, Jatropha is an ideal plant for greening agriculture.



Zone where Jatropha can be grown

The plant be cultivated in various regions from tropical lands experiencing desertification to subtropical areas

## To further improve the drought tolerance and increase the yield

In consideration of the rapid desertification, as well as past Jatropha cultivation projects that ended in failure, we worked to further improve the drought tolerance. One of the methods to achieve it was “screening based on the genetic resources.” In this method, we collected various Jatropha species and selected the ones especially tolerant of dry conditions. Another method was introduction of genes that are resistant to dry climates to “create drought-tolerant recombinants.” After making efforts for about five and a half years, we finally produced species close to an ideal in a green house. Experiments to confirm that the advantages of the plant

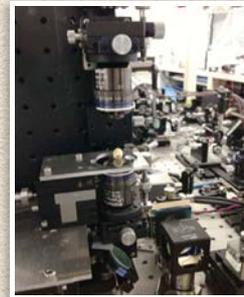


The Sandponics method of Sumitomo Electric is also used for cultivation

can be also demonstrated under natural conditions are currently underway in the University of the Philippines. In addition, we have succeeded in the development of SRS microscope that enables us to analyze the quality and quantity of oil contained in the seeds just by observing them through the device. The combination of these methods allows us to screen drought-tolerant, high-yield seeds with a large amount of high-quality oil.



Two types of drought-tolerant recombinants were successfully created (photo taken in Arid Land Research Center, Tottori University)



Newly developed SRS microscope enables analysis of oil content without breaking the seeds

## For sustainable “greening agriculture”

Our ultimate goal is establishment of “ecologically-stable autonomous greening agriculture.” This means greening that can spread spontaneously with minimum care by local people and also provide appropriate areas for agriculture. To this end, we still have issues to be examined, such as companion planting to enhance the added value. Lastly, research on plants, especially trees, takes much time and effort until they take roots and grow big enough, just like raising children. The SEI Group CSR Foundation properly understands it, and is going to support our work for nine years (three terms). Thanks to it, we have made specific achievements such as registration of new species and widespread use of them. We would like to express our sincere gratitude to the support.



## Independent Assurance Report

To the President and CEO of Sumitomo Electric Industries, Ltd.

We were engaged by Sumitomo Electric Industries, Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators and environmental accounting indicators marked with  for the period from April 1, 2013 to March 31, 2014 (the “Indicators”) included in its CSR Report 2014 (the “Report”) for the fiscal year ended March 31, 2014, and the completeness of material environmental information in the Report.

### The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report, which are derived, among others, from the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan’s Ministry of the Environment, and for including the material environmental information defined in the ‘Environmental Reporting Assurance and Registration Criteria’ of the Japanese Association of Assurance Organizations for Sustainability Information (“J-SUS”) in the Report.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’, ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’, issued by the International Auditing and Assurance Standards Board, and the ‘Practical Guidelines for the Assurance of Sustainability Information’ of J-SUS. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company’s responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and also recalculating the Indicators.
- Visiting to the Company’s overseas and domestic factories selected on the basis of a risk analysis.
- Assessing whether or not all the material environmental information defined by J-SUS is included in the Report.
- Evaluating the overall statement in which the Indicators are expressed.

### Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report, and all the material environmental information defined by J-SUS is not included in the Report.

### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.

Osaka, Japan

November 4, 2014

My findings on the CSR activities and information disclosure by the Sumitomo Electric Group are as follows:

### Commendable points

#### ■ Innovation and environmentally conscious technologies

The mid-term management plan launched in fiscal 2013 (VISION 2017) sets value creation through innovation as a fundamental concept for the strategy. In conjunction with the concept, development of products that have potential marketability in the sustainable society is promoted in various business areas as an initiative in Products & Services, one of the core categories. These activities are underpinned by a wide range of basic technologies that have been cultivated through continuous research and development. Sumitomo Electric proved the abundance of such intellectual properties again by receiving Thomson Reuters Top 100 Global Innovators Award for the second time in 2013. Technological contribution to realizing a sustainable society is clearly indicated by the growth of the percentage of Eco-products in sales by nearly 10% over the last two years and the resultant increases in their contribution to reduction of CO<sub>2</sub> emissions.

#### ■ Enhanced commitment to supply chain management

The most commendable point in the Group's CSR management during fiscal 2013 was enhanced commitment to supply chain management. In February 2014, a questionnaire survey of 122 main suppliers was conducted to check their awareness of the CSR Procurement Guidelines, as well as progress in their activities to comply with the guidelines. This is a significant action to verify the effectiveness of CSR procurement, and the stance of the Sumitomo Electric Group to place emphasis on promotion of CSR procurement is appreciated.

#### ■ Development of personnel systems on a global scale

The Sumitomo Electric Group is expanding the size of business, and keeps growing especially rapidly on a global scale. The proportion of overseas sales on a consolidated basis rose sharply from 48% in fiscal 2012 to 55% in fiscal 2013, and that of overseas employees also increased to 83%. In this context, the Group promotes the globalization of the personnel systems, and takes various measures under the Global HRM Policy. In particular, the introduction of the Global Glade System, which selects executives from group employees worldwide in a fair manner, is highly valued as a system to assess personnel beyond regions.

#### ■ Strengthening of CSR management overseas

In line with the globalization of the Group, CSR management outside Japan has been enhanced gradually. The notable achievements in fiscal 2013 include the reduction of CO<sub>2</sub>

emissions during transportation through the adoption of the milk run system by affiliates in China, promotion of efforts to reduce the zero emission rate in foreign countries and overseas compliance training on the prevention of bribery.

### Aspects needing improvement

#### ■ Expansion of the reporting boundary

A continuous challenge for CSR management in the Sumitomo Electric Group is expansion of the reporting boundary to provide information on a consolidated basis. As consolidated financial statements are indispensable for presentation of the economic status of a company, non-financial data in the CSR report have to be disclosed on a Group-wide basis to inform stakeholders of the actual situation of the corporate activities. Statistics on workers by gender, which serve as a basis for Group-wide labor-related measures, are particularly essential information for labor management and should be therefore disclosed promptly. The information is also necessary for promotion of the measures related to diversity, which is one of the priority CSR themes. As the first step, discussions should be made to set up the channels to collect the information.

#### ■ Thorough compliance

In August 2014, the Chinese Government imposed administrative penalties on 12 Japanese auto parts firms including Sumitomo Electric for violation of the Anti-Monopoly Law. Actually, the activities considered to be violation were terminated in 2009, which was before Sumitomo Electric formulated Competition Law Compliance Regulations in June 2010 to develop the organizational system to address the issue of compliance. Nevertheless, unfair trading gives great damage to society and also has negative impact on the maintenance, survival and growth of the company. I suggest that Sumitomo Electric work to ensure compliance by raising the awareness again.



Professor, Faculty of Economics,  
Sophia University

**Yoshinao Kozuma**

### Sumitomo Electric's Response to the Findings



**Yoshitomo Kasui**  
Managing Director  
and Chairperson of  
the CSR Committee

We thank Professor Kozuma for providing suggestive opinions on our Group's CSR activities and information disclosure. Professor Kozuma gave a high mark to our efforts for "innovation and environmentally conscious technologies." Innovation is a core subject of our growth strategy in VISION 2017, and we will continue to promote development of new products and new technologies to contribute to realizing a sustainable society. For "enhanced commitment to supply chain management," we will expand the scope of the questionnaire survey to cover more companies, and strengthen monitoring to promote CSR procurement.

The expansion of our business activities enhances the importance of the Group's global management and diversity management. We therefore consider that "development of personnel systems on a global scale" and "strengthening of CSR management overseas" are significant initiatives.

As to the items identified as aspects needing improvement, we will make discussions on the "expansion of the reporting boundary," and also improve our efforts to ensure "thorough compliance." We will develop our CSR activities, including these efforts, so that our stakeholders enhance their understanding of our activities and attach a higher value to them.

# SUMITOMO ELECTRIC INDUSTRIES, LTD.

HR & Administration Division (CSR Promotion Office)

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Universal design fonts that are easy to understand and easy to read are used

[Published November 2014]