

# CSR Report 2015

Feature Creation of Jobs in Morocco



## Editorial Policy

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

- In the introduction of our business activities, a representative product that contributes to solving social issues is picked out from each of the business sections, and a person in charge of the product presents our efforts to offer value through the business (P11 to 15).
- The global business development of the Sumitomo Electric Group is described with the history of its business development and relevant projects, and the presentation of related indicators has been enhanced (P17 to 18). The feature article focuses on our social contribution to the local community through creation of jobs in Morocco, and introduces the activities of Group companies and comments from local employees (P19 to 24).
- The page on corporate governance presents a VOICE of an outside director concerning the governance of Sumitomo Electric and its CSR activities as a whole (P26).
- The Fifth Sumitomo Electric Group Stakeholder Dialogue selected support of women's career development as the subject, and opinions were exchanged between the participants (most of them were female workers), which are introduced in this report (P54 to 56).

We have continued to make efforts to facilitate understanding of the contents of this report as follows.

- In P33, the main targets and actual results in fiscal 2014, as well as the targets for fiscal 2015, are summarized to introduce our major activities in the CSR core categories.
- 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.
- The acquisition of ISO 14001 certification, environmental impact data of main facilities and a table showing correlation of employee support programs with relevant laws are published on the following website:  
( <http://global-sei.com/csr/download.html> )

### ■ Period Covered by This CSR Report

April 1, 2014 through March 31, 2015 (fiscal 2014).  
Some activities conducted in fiscal 2015 are also covered.

### ■ Boundary of This CSR Report

Sumitomo Electric Industries, Ltd. and its consolidated subsidiaries (354 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 Company Limited, 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.
- The boundaries of the data compilation for "Corporate and Business Outline" (P7) are Sumitomo Electric and 389 consolidated companies.
- For details of the scope of data collection for environmental indicators, see Explanation of the Boundary in P63.
- The data in "Social Contribution" (P73 to 76) 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 2015

(Last CSR Report: published in November 2014; and next CSR Report: scheduled for release in November 2016)

## Responses to findings by an external expert

### The reporting boundary should be expanded

- » While we have conventionally made efforts to promote information disclosure, we will continue to seek expansion of the reporting boundary to provide information on a consolidated basis. We will promote establishment of a system to collect information of employees by gender and aim to disclose it promptly.

### Thorough compliance should be ensured

- » We have been committed to measures for thorough compliance including preparation and distribution of a compliance manual, compliance training and development of Competition Law Compliance Regulations and an anti-bribery program. In addition, we have expanded the scope of those who receive the training to employees of domestic affiliates, and launched regular compliance training sessions for managers in overseas affiliates with focus on prevention of bribery, compliance with competition laws, etc. We will continue to make efforts to further strengthen compliance in the Group.

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 P77. 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 "CSR Report 2015" 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>).



# CONTENTS

<b>Basis for Management</b>	03 Top Message 05 Basic Value Standards	
<b>Business Outline</b>	07 Company Profile 08 Mid-term Management Plan "VISION 2017" 09 Our History and Business 11 Automotive 12 Infocommunications 13 Electronics 14 Environment & Energy 15 Industrial Materials 16 2014 Highlights 17 Global Business Expansion  19 <b>   CSR EYE    MOROCCO</b> We Create 17,988 Jobs	
<b>Governance</b>	25 Corporate Governance 27 Risk Management 29 Compliance	
<b>Group's CSR Activities</b>	31 CSR Management 32 Relationships with Stakeholders 33 Main Targets and Actual Results in Fiscal 2014 / Main Targets for Fiscal 2015	
<b>Core Category Products &amp; Services</b>	34 Research & Development 37 Product Quality & Product Safety	
<b>Core Category Supply Chain</b>	41 Supply Chain	
<b>Core Category Human Resources</b>	45 Diversity 49 Human Resource Development 51 Safe and Sound Workplace 54 Fifth Sumitomo Electric Group Stakeholder Dialogue 57 To Eliminate Occupational Accidents	
<b>Core Category Environmental Preservation</b>	59 Environmental Management 64 Activities to Prevent Global Warming 68 Promotion of Resource Conservation and Recycling 70 Reduction of the Release of Harmful Chemical Substances 71 Expansion of Environmentally Conscious Products 72 Activities to Conserve Biodiversity	
<b>Core Category Social Contribution</b>	73 Social Contribution	
	77 Independent Third Party Assurance Report 78 Comments from an External Expert	

# 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. This year, we conducted an interim review of the plan while also considering changes in the external environment that cannot be controlled by a single company, such as sharp

exchange rate fluctuations, in addition to past performance. As a result, we replaced the initial numerical targets with higher ones, namely sales of 3,300 billion yen and operating income of 200 billion yen, and also added a new target index of ROE of 8% or more to the existing target index of ROA of 9% or more.

## CSR Core Initiatives

In fiscal 2013, we redefined the five CSR core categories, namely Products & Services, Supply Chain, Human Resources, Environmental Preservation and Social Contribution, to further strengthen our CSR activities. Since then we have promoted measures 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 is also consistent with VISION 2017 and will consequently contribute to society through business activities in a sustainable manner. This year’s report selects a representative product that contributes to solving social issues from each of the business sections to present progress in our commitment.

In the Human Resources category, “promotion of diversity” is set as the priority theme. Our Group 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. Since the establishment of the Global HRM Policy in 2011, we have promoted initiatives to apply it to actual systems, such as the preparation of a common personnel system and guidelines across the Group on a global basis to develop the framework. We also adopted officers and equivalents in overseas subsidiaries as “Group Global Executives” in 2014. 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 for this theme, we have set the target of reducing greenhouse gas 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 continuously promote energy saving and other measures for the conservation of the global environment based on recognition that environmental preservation is one of the most important business challenges.

While “promotion of CSR procurement,” which aims to share CSR value with suppliers and ask their positive response, is the priority theme in the Supply Chain category, we continue to 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 are outlined above while their respective correlations with VISION 2017 are also mentioned. 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 Antimonopoly Law in August 2014. Following its investigation launched in January 2009, the European Commission imposed a surcharge on us in April 2014 based on its decision that we had violated EU competition laws concerning the supply of 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 Law 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 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.

This year is set as the first year of corporate governance reform in Japan, and Corporate Governance Code has been established and published by the Tokyo Stock Exchange. Sumitomo Electric has also adopted measures to further enhance the transparency of the business management in a way to comply with the code.

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 more than 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.



Figure of Masatomo Sumitomo (Monjuin)※



Signboard of the medicine shop operated by Masatomo※



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.

# Company Profile

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, 2015)
Head Office	4-5-33, Kitahama, Chuo-ku, Osaka, JAPAN

## Business Conditions in Fiscal 2014

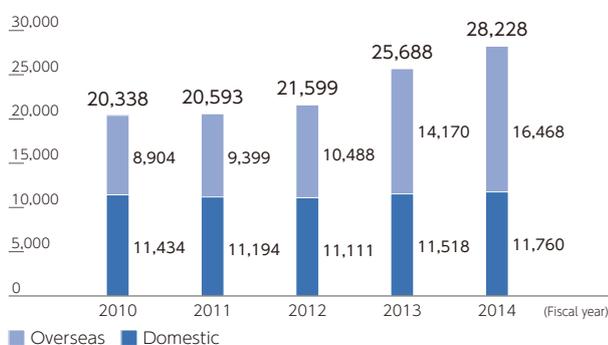
During fiscal 2014, the Japanese economy showed a gradual recovery with continuous improvement in corporate earnings and employment situation although personal consumption was weak. From a global perspective, while the US economy continued to recover and the European economy as a whole picked up, some regions showed uncertain situations such as a slowdown in the growth of the Chinese economy.

In the business environment surrounding the Sumitomo Electric Group, demand for wiring harnesses remained strong mainly in foreign markets, especially the US. Demand for cemented carbide tools, optical and electronic device products, optical fibers and cables and other products also increased. Under these circumstances, our consolidated results for fiscal

2014 recorded a revenue growth with net sales of 2,822.8 billion yen, a year-on-year increase of 9.9%. Our operating income also grew by 12.0% from the previous fiscal year to 134.5 billion yen with an increase in depreciation expenses as a result of upfront investment in the reinforcement of global production bases, as well as an increase in research and development costs aimed at future growth, offset by the impact of cost reduction and the weaker yen. Net income also increased significantly by 79.4% year-on-year to 119.8 billion yen with a major contribution of the exceptional gain from the sale of the shares of Sumitomo 3M Ltd. (the trade name was changed to 3M Japan Limited as of September 1, 2014).

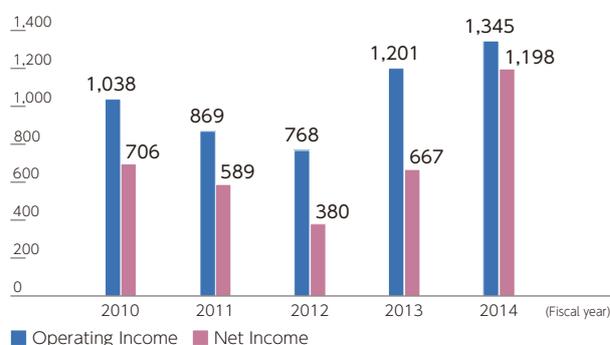
### Net Sales (Consolidated)

(Unit: 100 million yen)



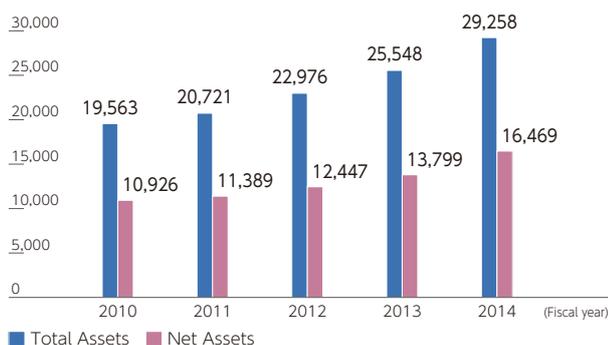
### Operating Income and Net Income (Consolidated)

(Unit: 100 million yen)



### Total Assets and Net Assets (Consolidated)

(Unit: 100 million yen)



### Return on Equity (ROE) and Return on Assets<sup>(Note)</sup> (ROA)\*

(%)



#### 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).

## Basic Concepts

### 1 Growth strategy based on innovation

In order to create unique features and future potential by developing strategies that take into account the new needs of society in the future, "innovation" is positioned as a concept underlying throughout VISION 2017.

### 2 Direction we should aim for

The Sumitomo Electric Group owns various technologies and products in the fields of automotive (mobility), energy and communications (ICT), as well as other supporting fields. While actively responding to new social needs, we will also apply the Group's material and information technologies to life sciences (needs for the longevity, aging and care-based society), resources (needs for the resource-saving society) and other business fields.

### 3 Definition of "business fields" where we will make efforts toward fiscal 2017

#### • Current business fields

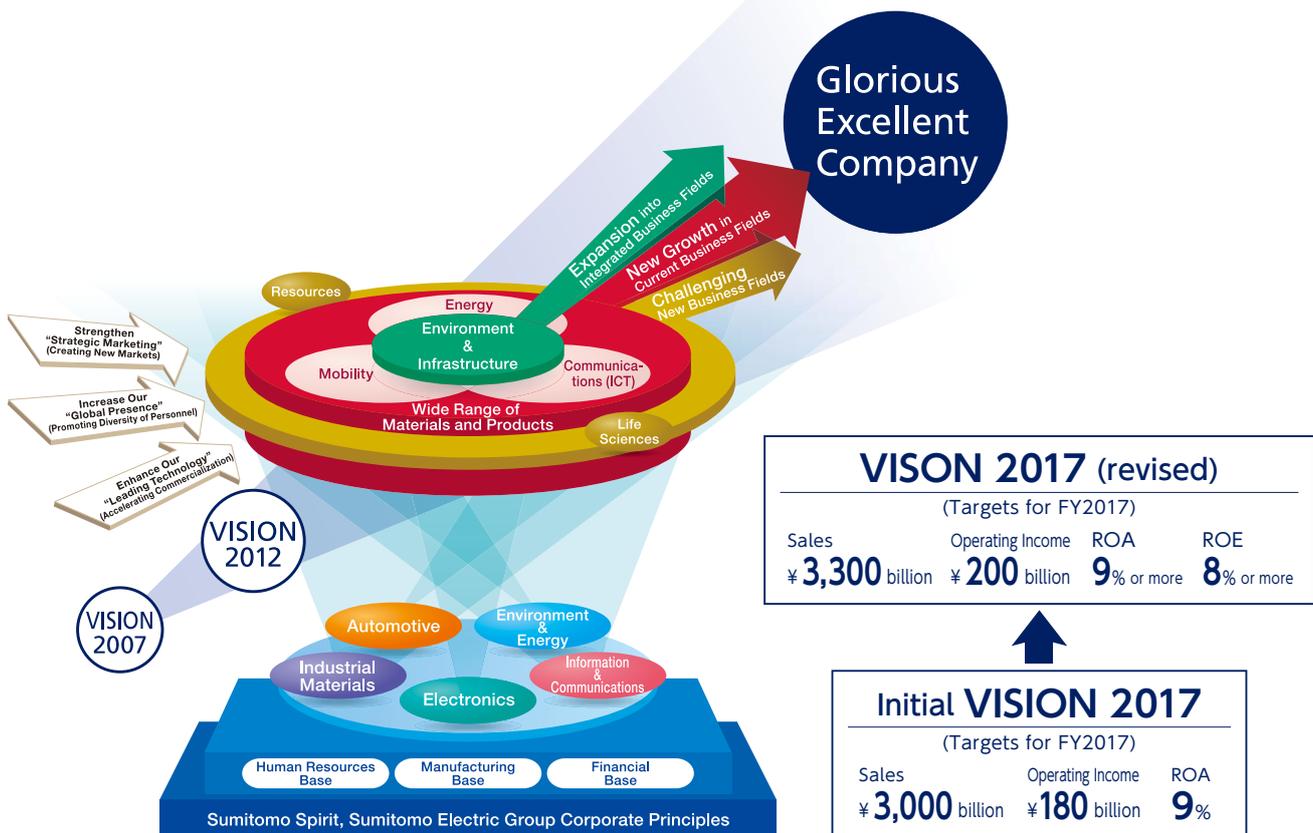
Fields in which our group has been involved thus far. In moving toward fiscal 2017, we have selected mobility, energy and communications (ICT) as the three fields where we will particularly exploit the strengths of our group. The materials and products supporting these fields are also included.

#### • Integrated business fields

Fields for developing business in areas where there will be new social needs, such as the environment and infrastructure field, by combining and integrating the technologies and product lines in current business fields.

#### • New business fields

Fields that our group will be challenging, such as the life sciences and resources fields.

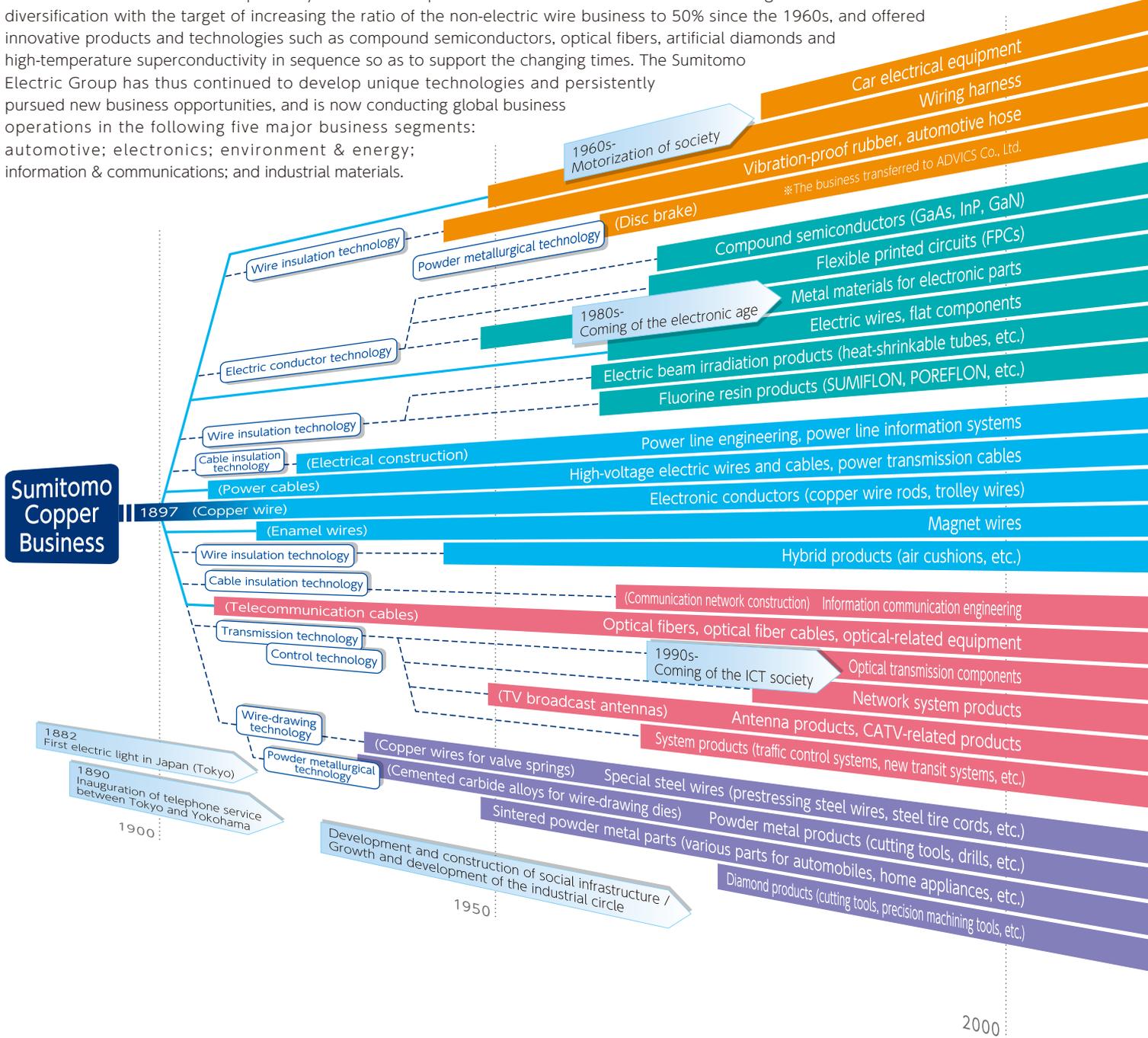


Other indicators (no change from the originally published targets)

- We aim to increase the proportions of overseas sales and production to 60% or more.
- We aim to target a new product sales ratio of 30%.
- We aim to achieve total sales of the order of 150 billion yen in fiscal 2017 in integrated and new business fields.

# 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.



## History

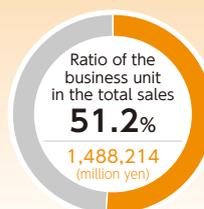
- 1897 • Sumitomo Copper Rolling Works was founded.
- 1900 • Started production of coated wires.
- 1908 • Started production of power cables.
- 1909 • Started trial production of telecommunication cables.
- 1911 • Established Sumitomo Electric Wire & Cable Works (the foundation of the Company). Manufactured 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

### 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.



## Electronics

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

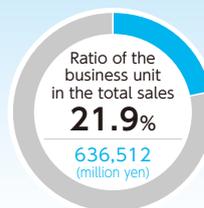
In the electronics field, devices are required to be ever smaller, lighter, more functional, and more sophisticated. To meet these requirements, Sumitomo Electric has been expanding its product lineup by continuously developing new materials, wires and other parts. Sumitomo Electric's leading-edge Technologies 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

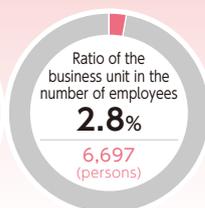
Since its establishment, Sumitomo Electric has made efforts to develop wire and cable technologies that are essential for ensuring a stable power supply. The Company is now moving toward new businesses in the field of renewable energy and smart grids to supply environmentally friendly and energy-efficient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



## 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 network products. 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.



## 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.

- 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



Under-floor pipe-shielded wiring harnesses for HEVs



Vibration-proof rubbers



Quick charging connector for EVs

Aluminum wiring harnesses, a lighter, stronger and more environmentally friendly product, will change the future of automobiles.

## Shigeki Sawada

3rd Group, 2nd Sales Department, Sales Division (Central Japan),  
Automotive Business Unit

Demand for cars is increasing on a global scale with economic growth in developing countries. Improvement of fuel efficiency of cars and conservation of resources are universal challenges in the current world. While copper is the most common material of wiring harnesses, which are used in cars for interconnection, we have developed new technology to manufacture wiring harnesses made of aluminum to provide equivalent performance to conventional products while reducing the weight to one third. We are now promoting mass production of aluminum wiring harnesses. The minable duration, or the ratio of reserves to production, of aluminum is several times longer than that of copper, which means that this technology also contributes to saving scarce resources. Sumitomo Electric has reinforced the capabilities to produce automotive aluminum wires since 2014 to enhance the capacity to supply aluminum wiring harnesses on a global scale.

I repeatedly make a proposal to designers in car manufacturers, but it takes many years until the vehicles that incorporate such proposals hit the market. While I have been in charge of sales for four years only, I hope to purchase a car developed with any of my proposals when such a model is released. Technology to use aluminum is continuously developed. The day when all of the cars driven all over the world are equipped with aluminum wiring harnesses may come before long.



### Social challenges

- Response to global warming
- Depletion of rare metals

### Social expectations

- Improvement of fuel efficiency of cars
- Measures to address depletion of resources

### New products and technologies contributing to the solution of the challenges

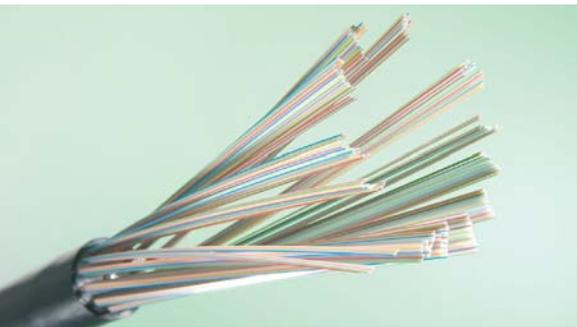
- Improvement of automobile fuel efficiency through the reduction of vehicle weight  
⇒ Aluminum wiring harnesses

## Aluminum wiring harnesses

A wiring harness is a wiring system to transmit electricity and signals in cars. As the weight of wiring harnesses used in a vehicle sometimes exceeds 20 kg due to an increase in the functions of cars, the reduction of their size and weight is an urgent task for the improvement of fuel efficiency. The Sumitomo Electric Group has developed new technologies for the electric wires and connectors and succeeded in mass production of aluminum wiring harnesses. The harnesses have been adopted in Ractis, Vitz and other models of Toyota Motor Corporation. We will continue the technical development to promote business activities that consider the environment by saving resources and energy and reducing CO<sub>2</sub> emissions through the improvement of fuel efficiency of cars.



# Infocommunications



Multicore optical fiber cables



Broadband network service devices



Optical data links

A product created by integrating our technologies supports transmission of information across the sea.

**Takehiko Kawano** Specialty Fiber Group, Market Development & Engineering Department, Optical Fiber & Cable Division, Infocommunications Business Unit

The explosive diffusion of smartphones and online video distribution has led to a need for upgrading optical fibres to increase the capacity to transmit more information at a time. While the ground-breaking digital coherent transmission technology was developed in 2009 to dramatically increase the capacity, long-distance inter-continental communication using the technology requires reduced transmission loss from optical fibers.

Z-PLUS Fiber™ 130 ULL, which was released by Sumitomo Electric in April 2013, is a submarine optical fiber that meets this requirement with the lowest attenuation at present, and has been adopted in various projects around the world. Since a trouble in optical fibers after sub-sea installation could be very expensive to address, high reliability, as well as high performance, is required for submarine fibers. We are very proud that the product, which is an outcome of our long-time research and development activities and production technologies, helps satisfy such customer demand. Demand for submarine optical fibers will keep growing all over the world and we aim to further improve the performance to meet the requirements of the market.



## Social challenges

- Explosive increase in transmission quantity for smartphones and online video distribution

## Social expectations

- Low attenuation of optical fibers

## New products and technologies contributing to the solution of the challenges

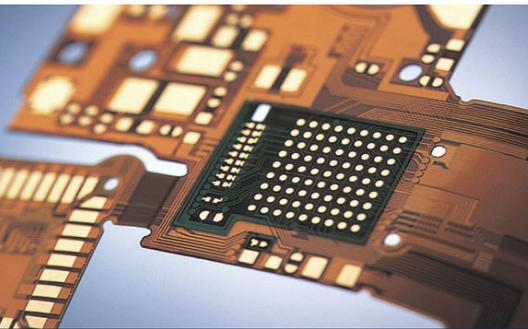
- Achievement of the lowest attenuation in the world  
⇒ Z-PLUS Fiber™ 130 ULL

## Z-PLUS Fiber™ 130 ULL

Z-PLUS Fiber™ 130 ULL is an optical fiber with ultra-low attenuation developed by combining the technology for mass production of optical fibers, which were developed by Sumitomo Electric ahead of others, with a newly developed loss reduction technology. In addition, the effective core cross-section area, where light is transmitted, was increased to achieve optimal transmission performance for large capacity digital coherent communication technology, which is being diffused rapidly. Especially in a submarine optical cable system, the product is expected to contribute to not only an increase of transmission capacity and extension of the transmission distance but also the reduction of the overall cost by reducing the number of the expensive optical amplification repeaters.



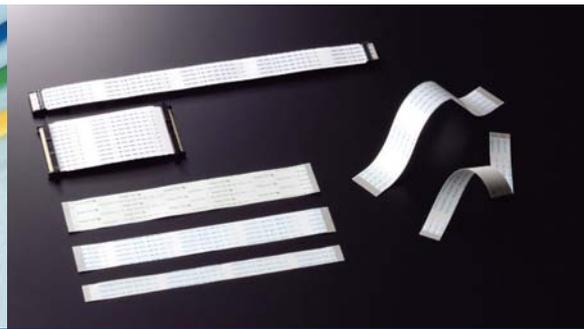
# Electronics



Flexible printed circuits (FPC)



SUMITUBE™



SUMI-CARD™

Porous materials to purify water are being introduced into the fields of energy and life sciences based on new ideas.

## Atsushi Uno

Senior Assistant General Manager, Poreflon Engineering Department,  
Functional Fluororesin Products Division, Sumitomo Electric Fine Polymer, Inc.

Sumitomo Electric Fine Polymer, Inc. engages in business activities related to functional polymer products using such technologies as electron beam irradiation and fluororesin coating. The product I introduce is Poreflon™, which is a porous PTFE (polytetrafluoroethylene resin) filter with high filterability as well as high resistance to chemicals and heat. While Poreflon™ has been used as a filter to remove impurities at semiconductor plants, it can now be employed as a filter to purify dirty water thanks to the successful reform of the product to replace the initial water-repellent property by a hydrophilic property. In addition, with improvements to have micro pores and a multi-layer structure, it is expected to be used as membranes for redox flow batteries in the energy field and as medical materials taking advantage of its high biocompatibility in the field of life sciences. We are now working to make use of it in the field of nursing care as the first step. Poreflon™ was derived from wire coverings, for which our company was originally established. Having engaged in research on this product for about 20 years, I am very proud that this material can contribute to solving various social issues. I will never get tired of seeking the unmeasurable potential of this product.



### Social challenges

- Access to clean water
- Development of safe and clean energy
- Further development of medical technologies

### Social expectations

- Recycling of water
- Progress in electricity storage technologies
- Development of biocompatible materials

### New products and technologies contributing to the solution of the challenges

- Durable, chemical resistant and heat resistant filters to purify dirty water
  - Development of high-efficiency battery through application to redox flow battery
  - Use for surgery
- ⇒ Poreflon™

## Poreflon™

Poreflon™ is a porous material made of 100% PTFE (polytetrafluoroethylene resin) produced by Sumitomo Electric. We can manufacture the product in a way to have different pore sizes ranging from 0.03-10 μm (micron) in response to various customer needs. Poreflon™ is characterized by high heat and chemical resistance and high permeability, as well as high strength, which provides it with a long service life. All of these superb features are derived from PTFE. Sumitomo Electric patented its PTFE expanding technology in 1962, and has since supplied the product as a filter mainly to obtain high-purity cleaning agents used in production processes at semiconductor and liquid crystal factories. We anticipate that the product is applied to purification of dirty water, medicine and the energy field in the future in order to make use of its excellent performance.



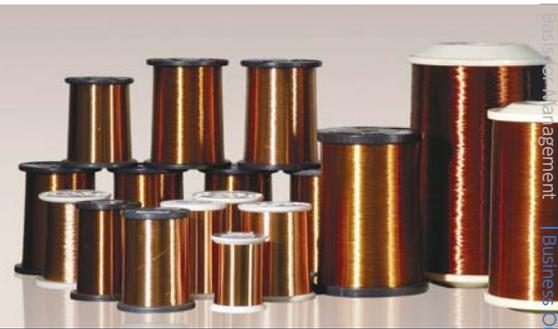
# Environment & Energy



Copper wire rods



High-temperature superconducting (HTS) cable



Magnet wires

The cross-linked polyethylene cable we developed for extra high voltage DC power transmission allows large capacity and long distance DC power transmission with less transmission loss.

**Shoshi Katakai** Executive Officer, J-Power Systems Corporation

For long distance power transmission over more than 50 km, direct current power transmission is more favorable than alternating current power transmission, which is commonly used in society at present, because the former involves less transmission loss. However, a cross-linked polyethylene cable, which shows excellent insulation performance when applied to AC transmission, had a problem concerning insufficient insulation performance when used for high voltage DC transmission. Through continuous research, we successfully developed a solid insulation DC cable using cross-linked polyethylene. This technology was adopted in the ±250 kV grid transmission line connecting Hokkaido and Honshu, which commenced operation in 2012. Unlike conventionally used oil-impregnated insulation cables, this cable requires no hydraulic pressure and can be applied to long distance, large capacity power transmission. For this development, we were awarded the Prize for Science and Technology (Development category) of the Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology for fiscal 2015. Overseas as well, it was decided to employ the cable in a key international power transmission line in Europe (±400 kV grid cable between the UK and Belgium) in 2015. These results were achieved thanks to a series of joint research with many university scholars and power companies. While I have devoted myself to research in this field for more than 30 years since I was a university student, I am proud that the cable we developed has been adopted in large-scale projects that need long distance, large capacity power transmission and contributes to energy saving and solution of global environmental issues.



## Social challenges

- Inter-regional and international supply of power
- Establishment of power grid with less transmission loss

## Social expectations

- Construction of long distance, large capacity DC power transmission lines
- Economical and environmentally friendly DC power cable that is easy to manage and maintain

## New products and technologies contributing to the solution of the challenges

- Development of solid insulation DC cables
- ⇒ High voltage DC power transmission cable

## High voltage DC power transmission cable

The extra-high voltage direct current power transmission cable developed by Sumitomo Electric is an innovative solid insulation DC cable that shows unprecedentedly high performance. Specifically, a small amount of special compounding filler is distributed uniformly in the cross-linked polyethylene, which is used as an insulating material, to dramatically increase the volume resistivity and reduce space charge\* accumulated in the insulating material. These properties provide the cable with resistance to high voltage direct voltage and allow it to be used at up to 90°C, the tolerable operation temperature, and to maintain high insulation performance even during polarity reversal\*. Using no insulating oil, this cable is also environmentally friendly. We expect in the future that it will be applied to transmission of power generated offshore, the demand for which is growing, as well as power grid systems interconnecting different regions, to make contribution in the field of the environment and energy.



### Glossary

#### \*Space charge

Charge accumulated in insulating materials. Accumulation of a large amount of charge causes large distortion of the electric field and influences the insulation performance of the cable.

#### \*Polarity reversal

Change between positive and negative voltages (polarity) applied to a cable depending on the operating conditions of an interconnected DC power line.

# Industrial Materials



Cutting tools



Sintered parts



Prestressing steels

Our Prestressing steels shorten the construction period and extend the life of the structures. They also help conserve resources, receiving attention in the marketplace.

## Katsuhito Oshima

Assistant Manager, System Engineering Group,  
PC Technical Department, Sumitomo (SEI) Steel Wire Corp.

Prestressing steels are an industrial material mainly used for concrete bridges. Being used in concrete, Prestressing steels prestress the concrete and give a bridge strength and a long service life. In addition to the strongest prestressing strands in the world, Sumitomo (SEI) Steel Wire Corp. has also developed and supplied corrosion-resistant durable epoxy-coated prestressing strands and anchorage systems to fix the tensioning strands.

The recently developed ultra-high strength prestressing strands reinforce concrete structures effectively and allow construction of light-weight and strong concrete bridges. Using less material input, the steel strands contribute to the saving of labor and personnel for construction, management and maintenance, shortening of the construction period and reduction of environmental impact, which has led to widespread use of the strands. Epoxy-coated prestressing strands are resistant to corrosion and have a service life of more than 100 years. They attract attention as materials for the renewal and rebuilding of aging bridges and those that have been damaged by seawater or freezing, as well as for the reconstruction of the areas affected by the Great East Japan Earthquake.

I have engaged in manufacturing of prestressing steels for about nine years since I joined the company, and am now in charge of development of the entrenching system. I am proud of the bridges that are on a map thanks to the projects in which I was involved. Looking forward to driving on such bridges someday, I will continue to work hard.



### Social challenges

- Rebuilding of aging structures
- Effective use of resources
- Shortage of labor in construction sites

### Social expectations

- Extension of the life of structures
- Construction of bridges in consideration of resource saving
- Shortening of the construction period and saving of labor and personnel

### New products and technologies contributing to the solution of the challenges

- Achievement of resource saving and consideration of the environment by using ultra-high strength prestressing strands
- Extension of the life of bridges by using epoxy-coated prestressing strands  
⇒ **Ultra-high strength prestressing strands (designed to have high durability)**

## Ultra-high strength prestressing strands (designed to have high durability)

The ultra-high strength prestressing strand developed by our company are the toughest in the world, being about 20% stronger than the prestressing strands specified in the current JIS standard G3536. Due to the optimization of the chemical ingredients of the raw materials and the production conditions, the product can exhibit higher tension (load) with the same level of stretch performance. Since its first adoption for AKIBA\_BRIDGE in 2005, the robust prestressing strand has attracted attention as an environmentally friendly material in recent years, and is used in highway bridges and many other structures. There are two types of ultra-high strength prestressing strands, namely an epoxy-coated type and a pre-grouted type\* (shown at right in the photo), and they have high corrosion resistance and workability. We expect that the product contributes to a wide range of infrastructure development projects in Japan and other countries.



### Glossary

#### \*Pre-grouted prestressing strands

Corrosion-resistant prestressing strands that can eliminate the need for grouting (application of cement milk in the gaps between prestressing strands and the sheath) and the arrangement of the sheath on the construction site, thanks to the seamless polyethylene sheath filled with factory-cured resin.

## 2014

4

5

- 6 Ballast water treatment system ECOMARINE™ UV received a pre-installation test certificate from the Ministry of Land, Infrastructure, Transport and Tourism



Held a fair of products from the Tohoku region to support the region's reconstruction from the Great East Japan Earthquake in our Tokyo Head Office as well as other sites



- 7 Started a demonstration test to cultivate vegetables in collaboration with Chiba University
- 8 Established a company for manufacturing and selling sintered products in Mexico
- 9 Sumitomo Electric's oil filled cable was listed as a "future Engineering Heritage" material of the National Museum of Nature and Science



10

- Received a Minister's Prize from the Ministry of Economy, Trade and Industry (METI) in the FY2014 Reduce, Reuse, and Recycle Promotion Merit Awards Program



11

- Launched mass production of base material for optical fiber in Tianjin, China

12

- Ballast water treatment system ECOMARINE™ UV received United States Coast Guard AMS\* approval

## 2015

1

- Received Thomson Reuters Top 100 Global Innovators Award as in 2013 (for two straight years)



2

- Received the Excellence Award for environmental reporting at the 18th Environmental Communication Awards



3

- Supported the 70th Lake Biwa Mainichi Marathon as a special sponsor



# Global Business Expansion



## GLOBAL NETWORK

The Sumitomo Electric Group is developing business activities on a global scale, with 389 consolidated companies and over 240,000 employees around the world.

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 sustainable development of the economy and society.

### EUROPE

UK	7
Germany	13
Poland	5
Slovakia	2
Hungary	3
Italy	3
Netherlands	3
Romania	2
Turkey	4
Bulgaria	1
Ukraine	1
Belgium	1
France	6
Serbia	1
Russia	4
Spain	1
Czech Republic	1

### JAPAN

Japan	112
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### ASIA

Singapore	4
Thailand	21
Malaysia	5
Indonesia	12
Philippines	11
Vietnam	9
China	70
Hong Kong	6
Taiwan	5
South Korea	6
India	7
Cambodia	1
Saudi Arabia	1

### AMERICA

USA	27
Canada	2
Mexico	9
Brazil	7
Argentina	1
Paraguay	1

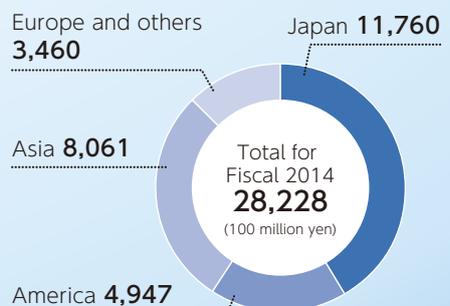
### AFRICA

South Africa	2
Morocco	4
Tunisia	3
Egypt	2

### OCEANIA

Australia	3
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### Net Sales by Region (Consolidated)



AMERICA  
47

Companies Consolidated  
**389** in total

Breakdown of companies consolidated (as of March 31, 2015)

- Consolidated subsidiaries (354)
- Equity-method affiliates (35)

## History of the business development on a global scale

Sumitomo Electric started to export electric wires, which underlie the industry, during the era of its forerunner, Sumitomo Electric Wire & Cable Works, which was founded in 1911. In the postwar period, we expanded our business by exporting full turnkey projects, which covered exports of electric wire products and all services from design to construction. This leads to the establishment of foundations for the social and economic development of developing countries and regions all over the world. With respect to products in the business segments as well, we have promoted localization of the business by setting up a number of production bases in the trend of customer demand for overseas operation and so on. Through these activities, we have provided technical guidance and have established an integrated system of production and sales outside Japan.

## Full turnkey projects

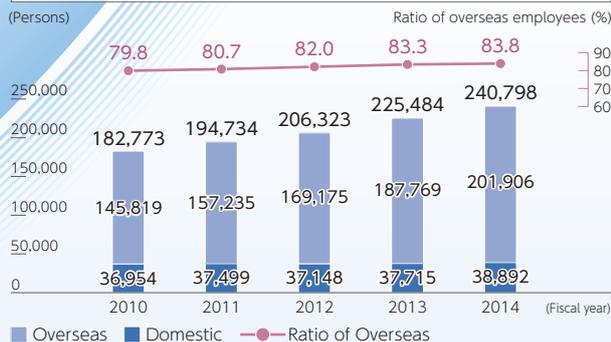
Since our first project in Venezuela in 1963, we have undertaken construction works in Asia, Middle East, Africa and South America to lay power transmission lines, which serve as an "artery" that conveys electricity throughout society, and to build communication networks, which serve as a "nerve system" that conveys information. In particular, the order we received to construct an urban telephone network in Nigeria in 1974 was at that time an unprecedentedly large communication network construction project, even by worldwide standards, to be placed with a single company. A total of 300 Japanese staff and 2,000 locals worked together on the project for 11 and a half years until its completion in 1988. In the two power transmission line construction projects for which we received orders in Iran in 1975 and 1977, we faced not only harsh geographical and weather conditions in the construction area but also unstable political circumstances such as revolution and war. Still, we managed to connect major industrial bases of the country and eventually complete the projects in 1987.



## Global development by business segment

Beginning with the establishment of our first overseas manufacturing base in Thailand in 1969, we have promoted establishment of overseas bases in consideration of market needs and characteristics for each business segment. In the parts of the world in which we have established our bases, we are committed to job creation and human resource development while aiming to stabilize the local operation of the manufacturing bases. We now have a total of 277 affiliates located in approximately 40 countries with more than 200,000 employees.

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



\*Sumitomo Electric and consolidated subsidiaries

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



\*Sumitomo Electric and consolidated subsidiaries



# We Create 17,988\* Jobs

\* As of March 31, 2015

Located in the northwestern corner of the African continent, the Kingdom of Morocco maintains friendly relationships with European countries and sustains smooth economic development and political stability under the reign of His Majesty the King Mohammed VI. Blessed with a wealth of human resources, the country serves as a main base for the production of automotive wiring harnesses in Africa. Hiring more employees than any other private companies in Morocco, the Sumitomo Electric Group contributes to the local community through job creation.



Morocco is our production base to deliver wiring harnesses to Europe. Creating the largest number of jobs among private companies in the country, the Sumitomo Electric Group is contributing to the local community.

Our Group's business development in Morocco was launched by buying the wiring harness business and factories of an Italian firm in 2001 to establish SEWS-CABIND S.P.A (SEWS-CI) as well as SEWS-CABIND MAROC S.A.S (SEWS-CM) as its subsidiary. In 2006, we acquired a German company to set up Sumitomo Electric Bordnetze GmbH (SEBN) and its subsidiary SE Bordnetze Morocco S.A.R.L. (SEBN-MA), and in 2007, we founded

SEWS-Maroc S.A.R.L. (SEWS-M) as a subsidiary of Sumitomo Electric Wiring Systems (Europe) Ltd. (SEWS-E) in the UK. Thus, we have continuously expanded our wiring harness business in Morocco to deliver the products to Europe. We currently operate eight plants, most of which are located in major cities of the country, and hire approximately 18,000 people.

### SEWS-CABIND Group

Total **4,955** persons



SEWS-CABIND MAROC  
Aïn Harrouda  
**1,713** persons

SEWS-CABIND MAROC  
Aïn Sebaâ  
**1,258** persons

SEWS-CABIND MAROC  
Berrechid  
**1,984** persons

### SEWS-Europe Group

Total **8,974** persons



SEWS-MAROC  
Aïn Aouda  
**3,553** persons

SEWS MFZ  
Kenitra  
**2,135** persons

SEWS-MAROC  
Kenitra  
**3,286** persons

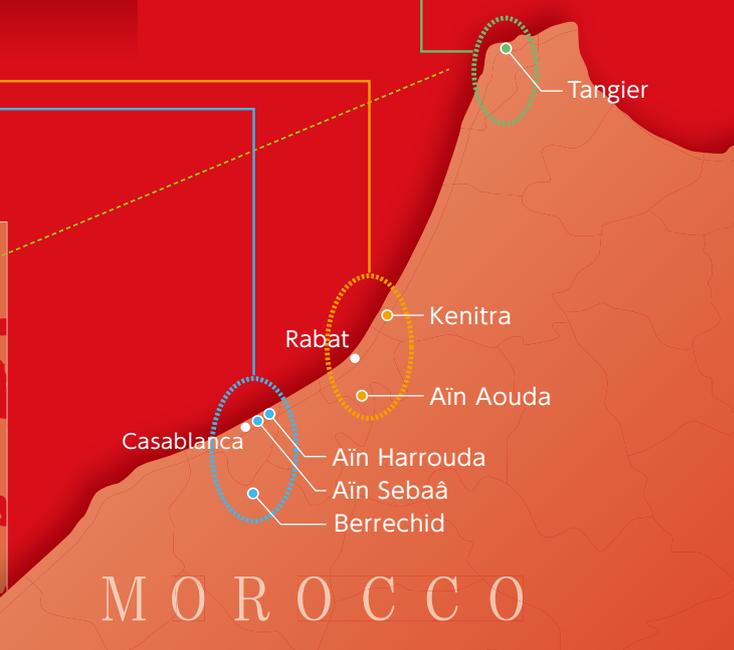
### SEBN Group

Total **4,059** persons



SEBN-MA  
Tangier Plant 1  
**2,544** persons

SEBN-MA  
Tangier Plant 2  
**1,515** persons



# Eight plants in Morocco provide secure employment as well as excellent welfare benefits.

## Received Wissam-Al-Alaoui (medal) for recognition of contribution to national development

Only approximately 14 km (at the shortest distance) away from Spain on the other side of the Mediterranean Sea, Morocco has close relationships with Europe in both geographical and economic terms. Three Europe-based wiring harness manufacturing companies of the Sumitomo Electric Group currently operate eight plants in total in Morocco, which are making contributions to the country by creating many jobs.

The wiring harness industry is known for a high percentage of female employees. In Morocco in general, the employment rate of women is as low as less than 40% of the employment rate of men. Our Group currently employs 14,398 women and 3,590 men in total in the country and provides them with stable jobs and rich welfare benefits. Such commitment has been recognized as contribution to national development, and Masayoshi Matsumoto, our President, had the honor to receive Wissam-Al-Alaoui (medal) from the country's beloved king, His Majesty the King Mohammed VI, in 2011. Except for Japanese ambassadors to Morocco, he is the first Japanese to receive the medal.



## Launched a wide range of Group-wide initiatives beyond the borders between plants

To ensure that we can recruit the best human resources in the Moroccan car parts industry, which has been growing continuously in recent years, it is essential to improve welfare benefits and create a corporate climate that motivates employees. Personnel sections therefore play key roles in these issues.

The Sumitomo Electric Group has promoted various cross-organizational initiatives for the plants of the three Group companies operating in Morocco since the beginning of the 2010s. They are original initiatives tailored to the specific circumstances of Morocco, widely ranging from measures related to the working environment including joint agreements with bus companies, cafeterias and cleaning companies, to administrative measures including sharing of a common IT system and administrative procedure tools, as well as measures based on our long-term perspective such as development of a training system and submission of proposals on educational reform to the government. Meetings attended by all HR staff of the companies have been held for 10 times over the two years from 2013. Thus, the three Group companies operating in Morocco have been steadily generating greater synergy.



Fez, a world heritage city

# SEWS-CABIND MAROC

## Aïn Harrouda



An especially large number of experienced employees work in Aïn Harrouda Plant, which is located about 30 km away from the urban center of Casablanca, among our affiliates in Morocco.



**Mokhtar IDELMOU**  
CMO  
(Chief Manufacturing Officer)

### The extensive career development system realizes long-term employment of excellent staff.

Established as a subsidiary of SEWS-CI in 2001, SEWS-CM moved from the former plant in Casablanca to the Aïn Harrouda Plant in Mohammedia, a neighboring city, in 2013. Accordingly, the employees working in this plant have the longest years of service among all plants of the Sumitomo Electric Group in Morocco. The products are delivered to FCA\*, which is our main customer. We are proud that His Majesty the King Mohammed VI has commended President Matsumoto for the Group's contribution to national development through job creation. Morocco does not have sufficient personnel assessment systems, and it is therefore common to change jobs for career development. However, our plant is endowed with experienced, long-serving employees with a strong sense of belonging. I believe that this is the result of the outstanding human resource development programs and the internal career development system offered by the Sumitomo Electric Group. The plant is equipped with a concentrator photovoltaic (CPV) system developed by Sumitomo Electric and a demonstration test is underway for the system. It is also scheduled in 2015 that Sumitomo Electric, JICA\* and MASEN\* will jointly conduct a demonstration test for the latest CPV model featuring higher power generation efficiency in Ouarzazate in southern Morocco.



**Abdellah CHENGUITI FAKHOURI**  
General Manager,  
Human Resources Department

### We provide all employees with generous support such as insurance and grant programs.

Our plant has in place various personnel systems to ensure that we remain an attractive company for our employees. All employees are covered by excellent insurance, and a grant system based on funds reserved by the company and all employees has been established to aid employees who are especially in difficult economic circumstances. While most of the companies in Morocco have no labor union, our plant has two unions and holds a meeting with them every month to discuss the improvement of the working environment. We sometimes supply reasonable bonuses for the positions depending on performance. In addition, we have a welfare program that allows around 10 employees to make a pilgrimage to Mecca, the Muslim holy land, every year.



### If you work hard, your efforts will be recognized. I want to tell my experience to younger people.

Since I joined the company in April 1998, I have attended various training courses and learned the ways of doing work, management and communication with colleagues. Now, as a team leader, I am working to motivate employees and feel that appropriate communication methods are crucial for it. More women are working in Morocco and not only for earning money. I hope that young women who are joining the company have goals, learn each job properly and aim to develop their career.



**Khadija TAKOURT**  
Manufacturing (assembly)  
Team Leader

#### Glossary

\*FCA  
Abbreviation of Fiat Chrysler Automobiles. FCA markets car brands of FIAT AUTO, Chrysler, Alfa Romeo, Iveco and CNH.

\*JICA  
Abbreviation of Japan International Cooperation Agency.

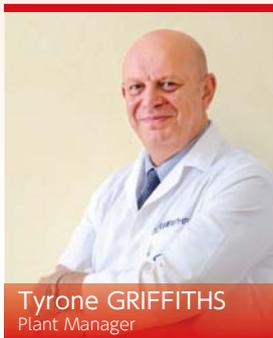
\*MASEN  
Abbreviation of the Moroccan Agency for Solar Energy.

# SEWS-MAROC

## Aïn Aouda



In Aïn Aouda plant, which is located near Rabat, the capital of Morocco, about 90% of the employees are women.



Tyrone GRIFFITHS  
Plant Manager

**We conduct thorough training and quality control to supply products that meet the needs of customers in Europe.**

Aïn Aouda plant was established near Rabat, the capital of Morocco, in 2009. Our main customers are European and Japanese car manufacturers including Renault, PSA Peugeot Citroën and UK Nissan. Our plant places emphasis on product quality, welfare benefits and human resource development. In the past, I was involved in the launch of factories of the Sumitomo Wiring Systems Group in Poland, Slovakia and Romania. As in the plants in Slovakia and Romania, the plants in Morocco also adopt the plant management approach of SWS actively. Moroccan employees are trying to absorb various cultures and customs to improve their life. In that sense, I think they are open to the Japanese work style. All of our employees are learning the principle of safety first and the "three types of management"\* properly through training.



Mohammed AZIZI  
Human Resources Manager

**Thanks to support programs tailored to the lifestyle of female workers, 100% of the employees return to work after childbirth.**

The ratio of female employees is especially high in this plant. Staff stability leads to a stable workplace as well as stable production activities. Thus, I try to listen to the opinions of female employees. Along with statutory maternity leave for three months, we approve additional leave if they apply for it. In Morocco, women should avoid using public transportation at night in particular. It is therefore crucial to provide transportation means for them, and the plant operates bus services for transportation to and from the neighborhoods of their houses. Female workers can have one hour of breast-feeding time each day with pay for one year after childbirth. Thanks to these initiatives, nearly 100% of the female employees who have taken maternity leave in our plant return to work after the leave.



**I have learned that the principle of safety first is also necessary for protecting myself.**

I joined the company in November 2011. It is the first company I worked for after graduating from high school. I was raised in a town near Aïn Aouda, and had wanted to work for this company because it had a very good reputation. I thank the company for the welfare program to provide transportation means. Training in the company is also very helpful. I think the principle of safety first is also necessary for protecting myself. As a Moroccan, I am proud that I can work for a company of the Sumitomo Electric Group.



Fatima ESSAADAOU  
Manufacturing (assembly)

# SEBN-MA

## Tangier



Located in a port town on the northern tip of Morocco, Tangier Plant is positioned in major export city to Europe.



### The plant is located in a free trade zone that plays a crucial role in export of products.

(Peter GULLICH, CEO for the North African Region, SEBN) SEBN has plants in Tunisia and Tangier, Morocco, and the Tangier Plant is located in a free trade zone near the Tangier-Med Port. Its main customers are German car manufacturers including Volkswagen and Audi. As production plants of various industries are concentrated in the free trade zone, there is a competition between the plants for excellent employees. The plant manager serves as the chair of the free trade zone committee, and the plant also has partnership with local universities, in order to develop community-based business and secure human resources.

### We are working to strengthen our brand to attract personnel in a very competitive environment.

(Abdelkrim BAHJI, Plant Manager) We have partnership with local engineering schools and universities and actively receive the students and interns to disseminate the corporate culture and education of the Sumitomo Electric Group in Morocco. I hope that further development and enhanced presence of the Sumitomo Electric Group will lead to support of the policy that facilitates economic development in Morocco. I would also be happy if our activities also result in attraction of investment from foreign countries to contribute to further growth of the Moroccan industry.



### We are committed to various measures to develop motivated employees.

I can assert that employees in our plant have a strong sense of belonging. We hold a wide range of events to create a family-like and cooperative corporate climate. As employees spend more time in the plant than in their homes, I believe that it is our mission to make the plant an enjoyable and motivating place. This is because motivated employees are essential for the wiring harness business. The Sumitomo Electric Group has a very powerful influence in Morocco. The good examples established here will surely have good impact on other companies as well. I would like to work to enhance the systems through jobs and promote the development of outstanding human resources to help stabilize employment in Morocco.



### I learned much through various training sessions after joining the company.

I joined SEBN-MA in 2009. Even before that, I had already heard that it is a good company with a well-developed insurance system as well as employees who work with pride. Right after joining it, I received training on cables, which made me learn much about my life because I had never thought about efficiency in any duties or set a goal to evaluate my performance. I am interested in IT and hope to hold an IT-related post in the future. My dream is to realize both economic stability and my interest in IT in this company.



## Basic Structure of Corporate Governance

Sumitomo Electric has employed the system with the Board of Corporate Auditors in consideration of the contribution of corporate auditors and the Board of Corporate Auditors to ensuring sound business management. The Board of Directors, the business execution system, corporate auditors and the Board of Corporate Auditors are committed to fulfillment of their respective duties in order to achieve sustainable growth and medium- and long-term increases in the corporate value based on the basic value standards.

In addition, an outside director is appointed to adopt an external perspective with the aims of further strengthening the supervising functions of the Board of Directors and enhancing the transparency and objectiveness of the business management. We also select three outside corporate auditors with various specialized knowledge and multifaceted views to reinforce the monitoring system for the purpose of ensuring lawful and proper management.

## Business Execution System

In our business execution, the Board of Directors deliberates only important issues, such as the medium-term business plan, annual plans based on it and follow-ups of the plans, so that it can appropriately perform the function to decide basic matters concerning the direction of the Company, as well as the supervising function.

Sumitomo Electric holds monthly meetings of the Board of Directors, which comprises 14 directors, as well as extraordinary meetings when necessary. In the meetings, which are chaired by the President because the position of the chairman is vacant, the Board of Directors deliberates and takes decisions on the matters mentioned above, makes decisions on the basic policy of the internal control system and supervises the development and operation of the system. Directors (13 persons excluding the outside director) received 821 million yen in total for fiscal 2014, and all of them are male.

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

## 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. As to the corporate auditors and the Board of Corporate Auditors, the majority of the corporate auditors are independent outside corporate auditors with various specialized knowledge and multifaceted views. These auditors, along with two full-time corporate auditors and dedicated staff to corporate auditors (Office of Corporate Auditors), are in charge of monitoring in cooperation with Internal Auditing Department and Accounting Auditors to ensure lawful and proper corporate management.

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.

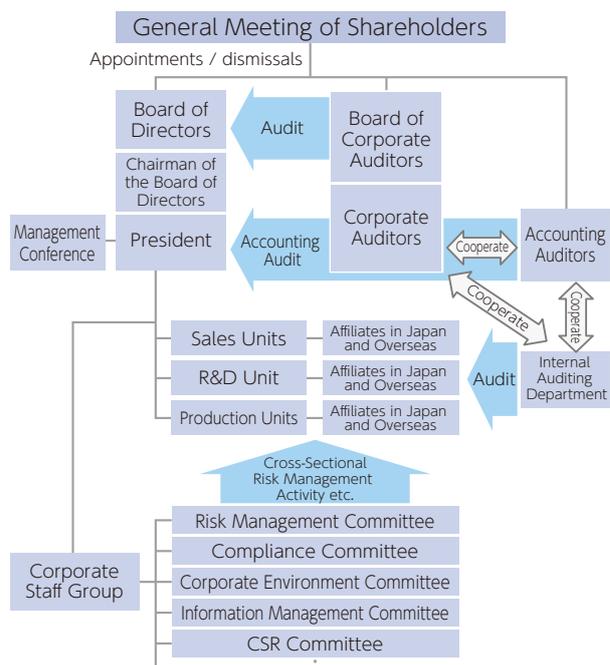
## Outside Directors & Outside Corporate Auditors

An independent outside director is appointed in the Board of Directors to ensure multifaceted and sufficient discussions in the meetings, in which independent outside corporate auditors are also provided with opportunities to present their opinions actively. As to supervising function of the Board of Directors, while we respect opinions of the independent outside director and other independent outside officers to ensure the independence and objectiveness, we plan to set up an advisory committee chaired by the independent outside director and made up of a majority of independent outside officers to enhance the effectiveness in the future. This committee will give advice on the appointment of executives and directors and their compensations. In addition, while the Board of Directors currently has one independent outside director, we will have a system with two or more independent outside directors after the Ordinary General Meeting of Shareholders in 2016, and enhance the support system as well as the system to cooperate with corporate auditors including independent outside corporate auditors, accounting auditors and Internal Auditing Department.

## 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, 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





## As an outside director, I realize that the business is developed in a steady and highly motivated manner

**Kazuo Hiramatsu**, Outside Director

Professor at the School of Business Administration, Kwansai Gakuin University  
 President of the International Association for Accounting Education and Research (2013 to 2014)  
 President of Kwansai Gakuin University (2002 to 2008)

I was appointed as an outside director in 2008, and am currently in the eighth year. While I visit plants in Japan and other countries and participate in executive training from time to time, I recognize that my basic duty is to attend the monthly meetings of the Board of Directors and present my opinions with an emphasis on the perspective of shareholders. In the meetings, important subjects such as business results and various corporate activities to be performed are reported, which is followed by an open-minded discussion under the initiative of President Matsumoto.

Cutting-edge technologies that contribute to our future are also reported in the Board of Directors meetings. Many of them are closely related to our life, and I look forward to seeing products using such technologies someday. I feel happy that I always have an opportunity to hear enthusiastic stories from staff who are working for development with a spirit of challenge in the meetings.



In addition, records on occupational accidents are reported in each of the meetings, along with sincere efforts to eliminate occupational accidents including the background of the accidents and measures to prevent recurrence of them. Furthermore, measures to reduce CO<sub>2</sub> emissions and the results of them are reported. Even with time limitations, unfavorable subjects for the management are discussed as well, which demonstrates the openness of the meetings.

I also realize steady progress in other priority areas set for the CSR activities. Even in the eyes of me, who work for a university, the human resource development and other programs are excellent for a private company. On the other hand, with respect to diversity, the members of the Board of Directors and the Board of Corporate Auditors are all male although I know that less women work in this business area. It is desirable to make a conscious effort to develop female managers first.

In the commitment to CSR procurement involving the supply chain, I think that it is difficult to simply ask suppliers to be at the level that Sumitomo Electric is seeking to reach. As many suppliers are located in other countries, conflicts could occur without response in consideration of their cultural and economic backgrounds.

Support in the sports area as part of social contribution activities is beneficial for the local communities and also helps improve the corporate image. It is a good opportunity to show the presence of the company and a good way of making contribution that pleases everyone.

Non-financial information has been becoming more and more important in recent years. I consider myself as one of the pioneers who identified the importance of non-financial information in accounting, which is my area of expertise. Like this CSR report, improvement has been seen in efforts to disclose a considerably broad range of information in recent years. Still, disclosure of non-financial information has been insufficient in Japanese companies although such information is essential for understanding the background of the financial report. A concept that currently attracts attention is "integrated reporting," which is used to understand a company in a systematic manner and identify the strategic characteristics and growth potential. The International Association for Accounting Education and Research, in which I served as the president, also considers it as a significant subject. I hope that Sumitomo Electric also makes efforts to prepare a report with view to integrated reporting to become an even better company for stakeholders.



## Basic Approach

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

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

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

### Basic Policy of Risk Management

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

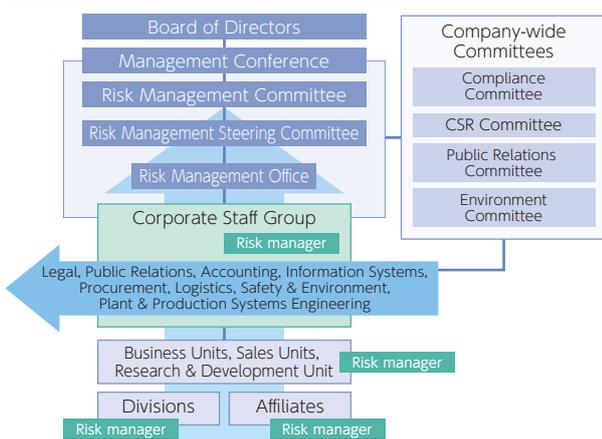
- Impact on business performance, maintenance of quality and safety
- Social responsibility to ensure stable supply
- Maintenance of favorable relations with stakeholders such as customers, suppliers, shareholders/investors, local communities and employees
- Continuous compliance with laws and corporate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

## Risk Management System

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

In addition, a risk manager is appointed in each of the divisions and affiliates to periodically raise awareness of employees and promote risk management activities as well as improvement of emergency management and preparedness.

### 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.

Annual results of the risk inventory are shared with executives and the corporate staff divisions. With mutual cooperation between them, group-wide risk management activities are promoted steadily.

### Risk Inventory

- The significance of each of the major risk items is determined by scoring its severity, probability of occurrence and other factors.
- For the significant risks, countermeasures are considered and taken.

### 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</li> <li>• 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 》

We examine and take specific enhanced measures to meet the following targets, in addition to the conventional initiatives of risk management:

- 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) 》

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, and promoted business continuity management (BCM) for continuous improvement of the BCPs. We also review the BCPs periodically, verify the effectiveness of the emergency response plan and take inventory of supply chain risks every fiscal year.

In line with the growing importance of overseas bases, we started to promote development of BCPs in each of the overseas subsidiaries as well in fiscal 2014.

Furthermore, a table top exercise that simulates the BCPs of specific divisions and affiliates is organized with relevant persons to improve the business continuity capabilities.

《Continuous Implementation of Group-wide Joint Emergency Drills》

The Sumitomo Electric Group enhances disaster awareness of employees by implementing joint emergency drills to conduct the drills in Group companies at the same time twice a year (in the daytime and at night).

Our production facilities carry out evacuation drills, which include confirmation of the safety of employees, as well as inspection of places where hazardous materials are used and simulation of the initial response to emergency situations.

In the meantime, drills of information transmission and sharing are also implemented by establishing headquarters of countermeasures with the aims of grasping disaster information promptly, reporting it accurately and promptly to executives and sharing the information among the Group.

《Cooperation with Local Communities》

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

## Protection of Personal Information, and Information Security

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》

Sumitomo Electric established its Personal Information Protection Policy and Personal Information Protection Rules in April 2005. In accordance with them, we properly deal with the personal information of customers, business partners and employees handled in the course of our business while complying with laws, regulations and other rules relating to the protection of personal information. The Company has also worked to develop and improve the in-house system for personal information management through employee education programs and other means.

《Strengthening of Information Security Measures》

Sumitomo Electric regards internal information including trade secrets as important management assets and has established the Information Security Policy. In addition, 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. IT staff members of overseas affiliates are also involved in our initiatives to strengthen information security to promote it on a global scale. Furthermore, we take measures to address information security vulnerabilities and improve the monitoring system to cope with the threat of cyber attacks, as well as measures to prevent information leakage.

## 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 2014

Target of the training	No. of sessions	No. of participants	Main content
Staff in charge of classification	20	139	Tasks on how to classify goods and technologies
Export control sections	12	199	Export control practice
General employees	19	524	Outline of export control and internal rules
Domestic affiliates	2	53	Outline of export control
Overseas affiliates	19	215	Outline of export control and issues to be noted in foreign countries

## Intellectual Property Protection

Sumitomo Electric seeks protection of its 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 and Standardization Convention every year to commend the strategic applications that are highly likely to make a contribution to our business performance as well as the excellent cases that have greatly improved 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 our contribution to promotion of the diffusion of the industrial property rights system and industrial development through these IP activities, we received the Minister of Economy, Trade and Industry Award as part of the FY2013 Intellectual Property Achievement Awards organized by Japan's Ministry of Trade, Economy and Industry (METI).

## 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 2014 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 preventive measures and monitors the compliance activities implemented by each division and subsidiary. In fiscal 2014, the Committee held four meetings (May, September and November 2014, and March 2015).

## 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 2014, the annual training seminars for managers were held with compliance with competition laws, prevention of bribery and false claims of quality as the subjects, and we also disseminated the Speak-Up System as mentioned later.

Compliance training seminars were held as shown in the table below.

Target	Period
Officers (including executive officers)	Dec. 2014
Managers of Sumitomo Electric and its subsidiaries in Japan	Feb. - May 2015
Newly promoted personnel	Feb. - Mar. 2015
New employees of Sumitomo Electric	Apr. & Oct. 2014

## Speak-Up System

We have established the Speak-Up System, which enables employees, business partners and other parties 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 and a call center firm have been appointed as external contacts in the Speak-Up System. To address issues reported through this system, the Compliance Committee swiftly conducts investigation and takes necessary action. Sumitomo Electric has instructed Group companies in Japan to establish their own in-house consultation contacts. At the same time, Sumitomo Electric positions its external contacts as the ones for the entire Group. Furthermore, the Company has instructed overseas Group companies to establish their own in-house consultation contacts while also setting up external contacts to receive reports on a global scale. We inform employees of the Speak-Up System at the time of various internal training sessions and also work to disseminate it 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 organized special training seminars with focus on compliance with competition laws. These seminars were conducted in response to acknowledgement in December 2012 that, 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, an employee at Sumitomo Electric engaged in cartel activities as a member of the joint venture.

In the meantime, we set up a global e-learning system in fiscal 2013 to provide training on competition laws in 11 languages for employees in Sumitomo Electric and its subsidiaries in Japan and overseas.

## 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 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 two years, is operated smoothly under the initiative of the Bribery Prevention Manager at each division.

Almost all of our subsidiaries in Japan and overseas have introduced the program to operate it. 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. We provided special training sessions (including lectures by local attorneys) for the Bribery Prevention Managers in the respective countries from 2014 to the beginning of this year. 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 training programs designed for local managers of overseas affiliates, which included Basic Course (from April 2008 to September 2009) and Advanced Course (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 CD recording of the lectures, along with the training materials used in the previous training programs, 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 training sessions for Overseas Bribery Prevention Managers as part of the anti-bribery measures mentioned above since January 2014.

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

### Results of Overseas Compliance Training Seminars

	Anti-bribery Course From Apr. 2014 to Mar. 2015
Total number of seminars	29
Number of participating companies	96 in total
Number of trainees	137 in total*

\* As a general rule, exclusively for the Bribery Prevention Managers

## 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	
Five CSR core categories	CSR priority themes <small>Priority themes for achievement of the targets for VISION 2017</small>
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

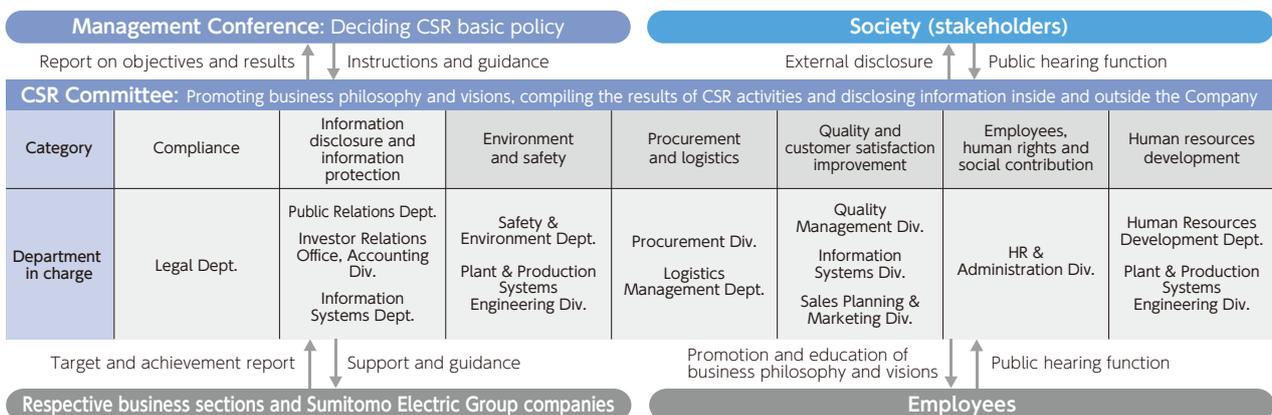
Contribution to the establishment of a sustainable society



## 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.



	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 the amount of waste, reduction of the release of harmful 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 390 companies located in approx. 40 countries all over the world (as of March 31, 2015).</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. 240,000 employees consisting of approx. 39,000 employees in Japan and approx. 202,000 employees in other countries. Around 80% of the Group employees thus work outside Japan (as of March 31, 2015).</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. 63,000, and the number of shares issued and outstanding is about 800 million. By type of shareholders, financial institutions and foreign holders own 37.76% and 42.95% of the shares respectively, followed by Japanese individuals and others (12.43%) (as of March 31, 2015).</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 2014 gathered 120 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 survey sheet and other channels</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 works to enhance communication with institutional investors and analysts at such occasions as briefings on financial results and interviews. For general shareholders and investors, we post a wide range of information on our websites, including financial information, press releases and materials distributed in financial result briefings as well as relevant video images.

We will continuously promote fair and prompt information disclosure and further improvement of the content.

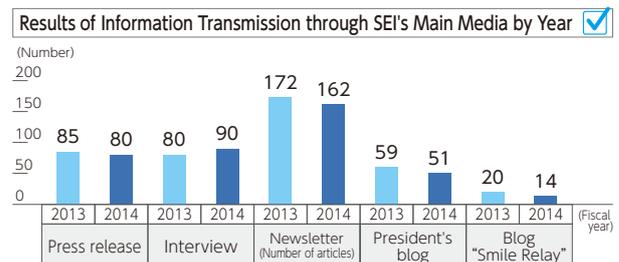
## Efforts to Disseminate Information

Sumitomo Electric continued its commitment to active dissemination of information on a wide range of activities of the Group through various media such as press releases, interviews, newsletter "SEI WORLD" and websites in fiscal 2014 to help our stakeholders improve understanding of the Group.

In January 2015, we introduced a visual identity (VI) in an effort to enhance awareness of our brand. The VI aims to give consistency to visual elements used for company communications, such as designs, logos, colors and fonts, throughout the Sumitomo Electric Group and establish a common impression and world-view. It is applied to various publications and promotion materials.

Our websites were wholly redesigned in January 2015 with emphasis on the visibility, especially the menu and font size. The layout was also improved to help visitors find the pages containing the products and information they seek more easily.

"President & CEO Masayoshi Matsumoto's Blog" marked its eighth anniversary, and 51 entries were posted on the blog during fiscal 2014. This blog thus serves as an effective tool to promote interactive communication with stakeholders.



# Main Targets and Actual Results in Fiscal 2014 / Main Targets for Fiscal 2015

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 2014 and targets for fiscal 2015 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 2014	Results in Fiscal 2014	Evaluation	Page	Main Targets for Fiscal 2015
Products & services	Reduce complaints by 18% from the previous fiscal year	Reduced complaints by 6% from the previous fiscal year	△	38	Reduce complaints by 26% from the previous fiscal year
	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	Performed theme-based activities (105 themes) at each division, expanded the activities into overseas facilities, mainly in China (3 regions) and promoted the activities through inspection of the divisions involved and exchange meetings (using the core items of the examination of the approach to reduce in-process defects in the inspection)	○	37	Continue to promote own process quality assurance activities (sixth year) • In Japan ① Stimulation of the activities in the "three activity areas" ② Stimulation of the activities through visit of the divisions involved in the activities and continuous exchange meetings ③ Stimulation of the activities of the practitioners • Overseas ① Development of quality control training for managers in global bases
Supply chain	Continue to make requests based on the CSR Procurement Guidelines to individual suppliers and expand the initiative. Promote the establishment of supplier monitoring	• Used opportunities such as start of business with a new supplier and the partners' meeting to ask suppliers to act in line with the CSR Procurement Guidelines • Conducted a questionnaire survey of 830 business partners that had a certain scale of business on an ongoing basis concerning compliance with the CSR Procurement Guideline	○	41 42	Continue to make requests based on the CSR Procurement Guidelines to individual suppliers and expand the initiative. Promote the expansion of supplier monitoring
	Continue to implement the education program that supports compliance, and translate, develop and apply common basic rules on procurement	• Implemented and expanded the compliance education program on procurement (the number of persons who took the course increased by 27% from the fiscal 2013) • Prepared common basic rules on procurement including English and Chinese versions	○	44	• Continue to implement the education program that supports compliance • Extend the application of common basic rules on procurement to overseas Group companies
Human resources	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	• Recognized 24 persons in April 2014 and 7 persons in April 2015 as Group Global Executives, and extended the application of the personnel rating system for Japanese managers to Group Global Executives in fiscal 2014 • Took inventory of human resources and continued to organize human resource meetings at Business Units • Almost completed preparation of draft guidelines on international transfer More consideration of the practical aspect is needed before the formal issuance • Invited HR managers in main overseas facilities to hold an overseas HR manager meeting in September 2014	△	45 46	• Implement the Global HRM Policy ① Promotion of the talent management cycle ② Setting of personnel rules to be commonly applied on a global scale • Develop global activities of the HR Division ① Dispatch of trainees from the HR Division ② Acceptance of local employees of overseas Group companies into the HR department ③ Dispatch of HR expatriates to Europe
	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)	• <b>Whole Group</b> Promotion of the campaign through the dedicated website, posters, in-house magazines, etc. • <b>Promotion of the activities in the workplace</b> Appointment of a committee member in charge of the operation of the campaign in each workplace, organization of meetings in each of the Works, setting of the target at each Business Unit • <b>Company-wide measures</b> Consideration of flexible working styles, dissemination of the Data Health Plan, revision of the town meetings, etc.	○	51	Develop the SWITCH 17 Campaign (second year) • <b>Whole Group</b> Continuation of the promotion activities, and consideration of a awarding system in the workplace • <b>Company-wide measures</b> Continued consideration of flexible working styles, ongoing consideration of measures to optimize working hours and encourage employees to take paid holidays, promotion of mental health measures, expansion of initiatives to promote self-development, etc.
	Eliminate serious accidents and accidents resulting in lost work time, and reduce the total number of no lost work time accidents and accidents causing minor injury to 20 or less	Eliminate serious accidents and accidents resulting in lost work time: 15, no lost work time accidents + accidents causing minor injury: 31	▼	58	Eliminate serious accidents and accidents resulting in lost work time, and reduce the total number of no lost work time accidents and accidents causing minor injury to 20 or less
Environmental preservation	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	• Issued a safety and environmental notice "Second Half Emergency Measures" and requested identification ① Inspection to prevent serious disasters ② Safety! Switch/Power off campaign ③ Safety measures for two-worker operation ④ Prevention of recurrence of accidents involving injury in the respective divisions • Conducted practice activities in KKP for 443 persons in Japan and overseas • Conducted activities at the four operation sites designated for safety management and activities subject to priority management • Developed two types of safety management global standards • Implemented global safety evaluation at 43 sites in Japan and overseas	○	57 58	Implement priority items for fiscal 2015 • Promote the establishment of the priority activities ① Inspection to prevent serious disasters ② Safety! Switch/Power off campaign ③ Safety measures for two-worker operation ④ Prevention of recurrence of accidents involving injury • Promote an upward spiral of the activities ① Global safety evaluation ② Dissemination and application of the safety global standards • Develop activities at the operation sites designated for safety management and activities subject to priority management in the departments where injury occurred frequently
	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 (▽): 0 item, Performance deteriorated (▼): 2 item	▼	60	Achieve the targets in all items in the Action ECO-21 (Phase VI) campaign
Social contribution	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	In Japan: Assessed facilities' water quality at 6 sites Overseas: Conducted legal compliance audits at 3 sites, assessed facilities' water quality at 7 sites	▽	61 62	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 8 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	Provided professional education on laws and regulations 4 times for 310 persons in total Provided position-based environmental education 35 times for 611 persons in total Provided sectoral education for 196 persons in total	○	61	Continue the practical training introduced in fiscal 2014, in which simulated diagnosis is conducted using the actual products and sites of "hiyari" or near-miss cases and issues indicated in past audits
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: 92 million yen in total for 9 courses ② Subsidies for academic and research programs: 21.8 million yen in total for 19 programs ③ Supply of scholarships: 24.9 million yen in total for 98 persons	○	73	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	○	74	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)

## Glossary

### \* 1-2-3 activities

Activities of leaders in the divisions as well as managers and supervisors to inspect sites twice (2) in one (1) day to make over three (3) indications or warning calls to identify problems

### \* Activities at the operation sites designated for safety management

At the operation sites designated as requiring prompt improvement of the health and safety activities due to occurrence of an occupational accident or other reasons, these activities are promoted to take necessary measures in a planned manner and improve the structure.

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.

- ① Expand into integrated business fields - Contribution to the establishment of a sustainable society with a new style of electric power and energy
- ② Enter the life-science business field
- ③ Enter the resources business field

High capacity communication with smartphones is supported by communication base stations. Our technology is used to reduce the size of the stations.

Chihoko Mizue

Group 2, Device Process Development Department, Electron Device Division, Sumitomo Electric Device Innovations, Inc.



In the base stations that are needed for communication with smartphones and other equipment, GaN HEMT\* is used as a device to amplify signals. This new transistor we developed requires no cooling system and has greatly contributed to reduction of the size of communication base stations installed on buildings and in underground malls. This is definitely an innovation because it helped meet the social demand for diffusion of LTE communications. We also succeeded

in decreasing the power consumption of GaN HEMT by around 25% in comparison with conventional silicon-based transistor. Reduction of power consumption in communication base stations is crucial as smartphones are becoming widespread at an explosive pace on a global scale. I am also proud that I contributed to the reduction. As I studied GaN HEMT at university, I have engaged in this research since I joined the company in 2011. Working in Yamanashi, which is close to the production site, I would like to continue the research and development of GaN HEMT to achieve higher power amplification with even less power consumption and realize more innovations.

### 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.

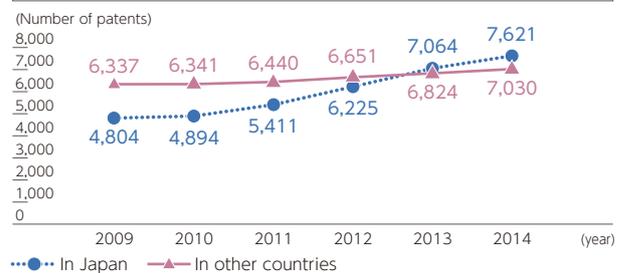
### Receiving Thomson Reuters Top 100 Global Innovators Award

Sumitomo Electric received Thomson Reuters Top 100 Global Innovators Award in 2014 for the second straight year, following 2013. This award is given by Thomson Reuters 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 nano-diamond. 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.

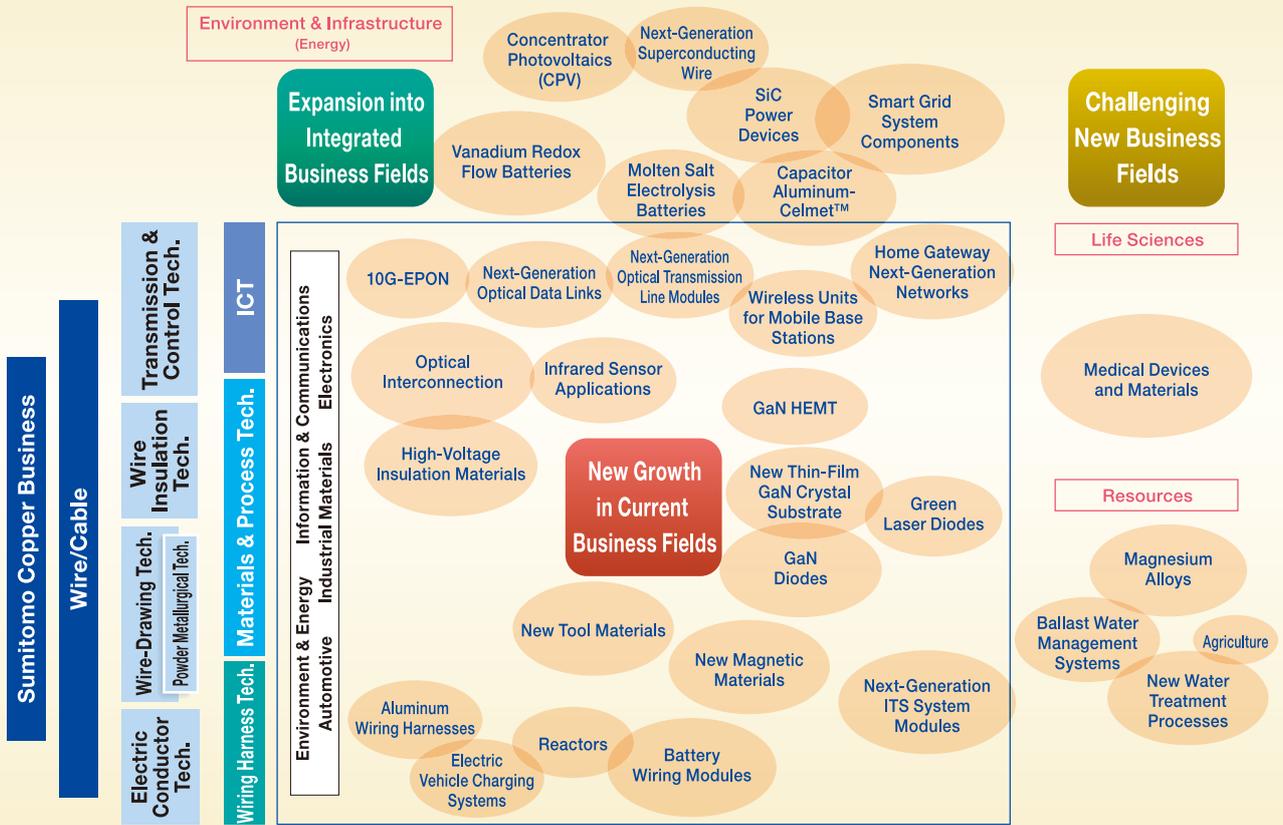
Number of Patents Year by Year



- 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.

**Glossary** \* GaN HEMT  
High Electron Mobility Transistor (HEMT) using gallium nitride (GaN)

## Research and Development Themes for the Next Generation



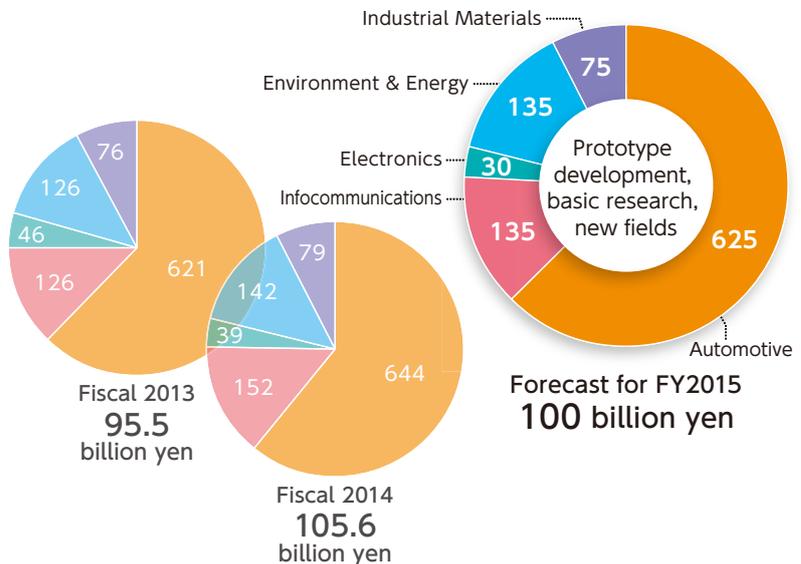
### Research and Development Expenditures

Revision to accelerate expansion into integrated business fields and challenges in new business fields

VISION 2017 Initial Plan  
Cumulative total:  
450 billion yen

VISION 2017  
Interim Revision  
Cumulative total:  
480 billion yen

### Research and Development Expenditures



## ◆ Commendation for Invention in Fiscal 2014 ◆

### The 60th Okochi Memorial Technology Prize of the Okochi Prize

#### The development of synthesis technology and applied products of nano-polycrystalline diamond

(Japanese Patent No. 5070688, etc.)

##### Advanced Materials Laboratory

Sumitomo Electric succeeded in the commercialization of nano-polycrystalline diamond tools through design of dies for mass production of nano-polycrystalline diamond and highly accurate and fast cutting-edge preparation of its cutting tools for the first time in the world. While conventional tools made of monocrystal diamond had a problem specific to its crystal structure that they easily split along definite crystallographic structural planes (cleavage), nano-polycrystalline diamond is free of such a problem and has achieved high hardness.



### Invention Encouragement Prize at the Fiscal 2014 Kinki Block Invention Commendation Ceremony

#### Nitride semiconductor transistors for high-frequency amplification

(Japanese Patent No. 4912604)

##### Sumitomo Electric Device Innovations Inc.

The nitride semiconductor transistors are characterized by high power and high efficiency. The wafer process was improved to solve the problem of power decline occurring at the time of high voltage drive. This greatly contributed to responding to a rapid increase in the number of LTE base stations for mobile phones, which need to reduce their size and power consumption.



### Invention Encouragement Prize at the Fiscal 2014 Kinki Block Invention Commendation Ceremony

#### Method for forming DLC membrane containing graphite crystal

(Japanese Patent No. 5150861)

##### Analysis Technology Research Center, Nippon ITF, Inc., Nissin Electric Co., Ltd.

This technology is related to hard carbon film for coating. DLC (diamond-like carbon) is amorphous in structure, containing both diamond bond(sp3) and graphite bond(sp2). As such, DLC has both diamond-like and graphitic properties. DLC has characteristics such as high hardness and wear resistance, low friction, chemical inertness. DLC coating becomes the necessary technique as highly reliable surface treatment of automobile parts to achieve the low fuel consumption.



### Encouragement Award at 2014 Osaka Outstanding Invention Awards

#### Filtration module incorporating microporous double-layered hollow fiber membranes

(Japanese Patent No. 3851864)

##### Intellectual Property Department, Water Processing Division, Sumitomo Electric Fine Polymer, Inc.

The new hollow fiber membrane made of polytetrafluoroethylene (PTFE) has a double-layered microstructure, and the surface of it can prevent invasion of particulates to avoid clogging and dramatically increase the ability to filter polluted water. The fibers are characterized by high filtration precision and superb chemical and heat resistance, along with high tensile strength, and can be applied to various types of water treatment.



## Basic Approach

In addition to quality of products, the company's attitude toward quality is evaluated more strictly than ever. Delivery of high quality products in a stable manner requires steady efforts to systematize daily duties, implement them soundly and correct any problems.

In the Sumitomo Electric Group, while each division used to establish its quality assurance system independently, the Sumitomo Electric Group Quality Management Global Standards was established as a common framework to be applied to divisions throughout the Group in February 2013.

We encourage the divisions to develop and strengthen their quality assurance systems based on the standards so that customers can use the Group's products with a sense of security. A company-wide quality improvement activity called the QR-1 campaign is also developed, in which we make continuous efforts to enhance the awareness of quality among all employees with focus on the three priority activities of "own process quality assurance activities," "global quality management system audits" and "quality management education."

## 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

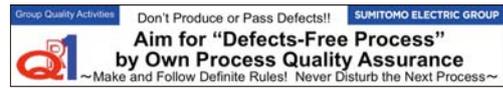
**We are introducing the degree of quality assurance assessment and efforts for improvement into overseas sites as well**

In the QR-1 campaign, we have promoted own process quality assurance activities, which are comprehensive efforts to prevent defects from being produced or passed down to the following process in each process, for five years since 2010.

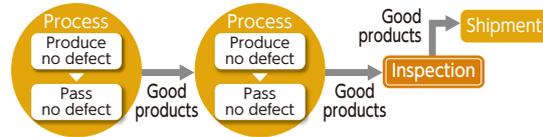
The divisions of the Sumitomo Electric Group, which manufacture various types of products, are committed to their important themes on own process quality assurance activities. The Quality Management Division works to promote such activities through practitioner training education, exchange meetings between different divisions and other support measures.

We also introduced the "degree of quality assurance," an indicator of the activities to eliminate defects in processes. Visualizing quality risks with this indicator, we develop the activities in a more quantitative manner.

In the system of the degree of quality assurance, the rank of prevention of defect occurrence and the rank of prevention of defect flow-out are respectively determined by type of defect in each process on a four-point scale from 1st (sufficiently prevented) to 4th (not prevented), and combined to determine the degree of quality assurance on a six-point scale from S to E.



Banner for the QR-1 Campaign



We consider that the degree of B or higher should be achieved to prevent occurrence of complaints. For example, even when the rank of prevention of occurrence is 2nd (no defect is produced in a normal operation), if the rank of prevention of being passed to the following process is 4th (defects cannot be prevented from being passed to the following process), the degree of assurance is only C. Defects can be passed to the following process or the customer in this case, and efforts have to be made to improve the degree of assurance to B or higher. The system of the degree of quality assurance allows the divisions and Group companies to promote activities to fill the gap between the target and current performance in an efficient manner.

Degree of Quality assurance	Rank of prevention of defect flow-out				Rank	Status of the processes and operations	
	1st	2nd	3rd	4th			
Rank of prevention of defect occurrence	1st	S	S	A	A	1st	A sufficient foolproof mechanism is in place and defects are prevented from being produced or passed to the following process
	2nd	S	A	B	C	2nd	No defect is produced or passed to the following process during normal operations
	3rd	A	B	C	D	3rd	There is a possibility that defects can be produced or passed to the following process
	4th	A	C	D	E	4th	Defects cannot be prevented from being produced or passed to the following process

We will continue to develop these own process quality assurance activities on group-wide and global scales in fiscal 2015.

## 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**

Sumitomo Electric is encouraging all employees to understand the top management's thoughts on quality and thereby raise their own quality awareness. To this end, messages from the President are disseminated through in-house magazines and in-plant broadcasting on the first day of each six-month period, and the top management inspects manufacturing sites of the divisions to check whether or not their intentions are reflected on the operations.

In each site, all workers vow to continue their commitment to the QR-1 campaign to each other by displaying quality-related banners. In November, which is designated as Quality Month in the Sumitomo Electric Group in Japan, flags and posters are additionally displayed to enhance awareness, and each division also selects a subject for short-term intensive activities to improve the quality structure.

Sumitomo Electric also holds a group-wide Quality Management Convention twice every year (on May 29 and November 12, 2014 during fiscal 2014) to report progress in the quality indicator, problems in each division, achievements from the efforts and other issues to the top management and share such information across the Group. At the conventions, we commend divisions implementing activities that set a good practice for other divisions, as well as individual employees who have created excellent posters and slogans that encourage awareness of quality improvement to stimulate quality-related activities.



Quality Management Convention in November 2014

## Enhancement of “Quality Management Education”

Quality management training designed for managers has been launched to give training to those in charge of product development, design, manufacturing and quality assurance

The Sumitomo Electric Group has provided employees with training programs on quality control at the “SEI University” to improve and ensure the quality of products and services at higher levels.

In fiscal 2014, we started a new quality management training course designated for managers as a position-based training program for those of departments, sections and groups related to product development, design, manufacturing and quality assurance, and the course has been taken by 340 persons, which account for about 40% of the managers who are required to take it.

Based on the concept in the Sumitomo Electric Group Quality Management Global Standards, we issued Global Standard of Quality Management for practitioners, which also include information on basic tools for quality control. The standards in English and Chinese versions have been also prepared and distributed.

We work to improve various education programs we have established, such as position-based education for all employees, function-based and administrative-position-based education according to divisions or positions and optional education to learn relevant knowledge, as well as practical education including QR-T\*, MKP\* and GKP\*. Overseas, we use the personnel education activities of the North America Manufacturing Committee, as well as the meetings of Quality Management Work Group of the Human Resource Development Committee in China, as opportunities to organize exchanges of information on model cases and provide training sessions on own process quality assurance activities. In fiscal 2014, a total of 5,034 persons, including overseas employees, completed quality management education programs.

The cumulative number of the persons who completed the programs since fiscal 2010 has reached 17,677. We will continue to develop the culture of “quality first” involving all employees.



Group discussion in a meeting of Quality Management Work Group of the Human Resource Development Committee in China in March 2015

## Global Quality Management System Audits

We conducted audits of 65 Japanese bases and 18 overseas bases by fiscal 2014

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 assurance 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 center function to provide an opportunity to improve its quality assurance system, and support to overcome the weaknesses.

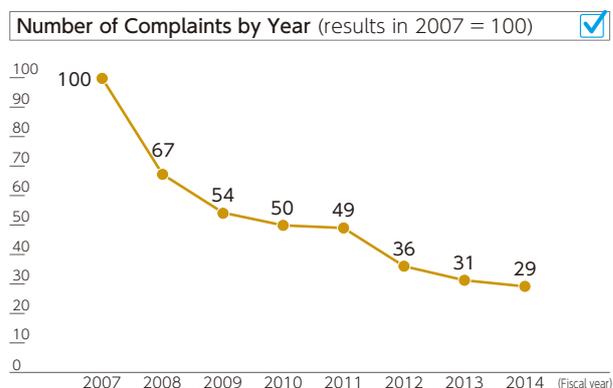
Since the start in fiscal 2010, the global quality management system audits have been conducted at 65 sites in total. Most of our main facilities in Japan have completed the second round of the audits. The audits are repeated with the aim of promoting continuous improvement of the quality assurance system. Overseas, procedures for the auditing activities, such as collaboration with units having center function, were set up, and the audits were conducted in a total of 18 sites in China and Southeast Asia.

To maintain and improve the quality assurance system based on 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)

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

#### \*QR-T

\*Own process quality assurance practitioner training course” to develop key persons for the own process quality assurance activities in each division

#### \*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" (note), which was established to specify the items to be carried out at each stage 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 the "SEI Standards for Chemical Substance Management," which are the standards for the management of chemical substances in products to be managed at each of the stages, and implement the "SEI Guidelines for Green Quality Purchases" (note) 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 four types of phthalates were added to the list of substances banned by the RoHS Directive, we have completed activities aimed at the discontinuance of their use in the products subject to the directive as part of an initiative in the Action ECO-21 (Phase V) Campaign. In the future, we will make efforts to avoid use of the phthalates newly added to the prohibited substances in the purchased

parts used for the products subject to the RoHS Directive.

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 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.

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 are based on 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 such as 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, necessary measures are discussed and implemented autonomously to strengthen the system to promote product safety measures.

### CSR VOICE



## We will thoroughly control substances of environmental concern to respond to the confidence of customers

Suichi Nakayama Senior FPC Expert Engineer, Safety Standards Promotion Section, Quality Assurance Department, Sumitomo Electric Printed Circuits, Inc.

Sumitomo Electric Printed Circuits, Inc. engages in development, design and production of flexible printed circuits (FPC), which are used in a wide range of electronic products. We at Safety Standards Promotion Section are in charge of controlling substances of environmental concern contained in the products. Based on the inspection results on materials and parts procured from suppliers, we check the conformity of our products to the green procurement standards specified by customers and prepare reports on the results. We are experiencing progress in the modulation of our products, increases in the number of the parts and materials used in the products and tightening of various chemical regulations in Asian countries as well as Europe and the United States. Our duties will be more difficult and complicated in the future as we have to control substances of environmental concern in consideration of the supply chain from a global perspective. Still, we are sure that thorough implementation of such control allows us to earn the trust of customers.

### 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

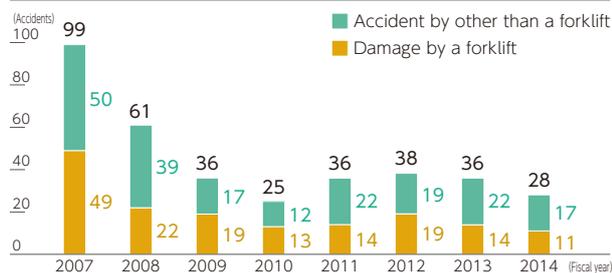
The Sumitomo Electric Group is committed to the elimination of transport accidents and the improvement of logistics quality in concert with transport companies.

In comparison with the figures in fiscal 2013, we reduced accidents caused by a forklift by three and accidents due to other causes by five. The total number of accidents decreased by eight year on year to 28. Sumitomo Electric strives to prevent accidents including those resulting in injury based on Forklift Safety Management Global Standard established by the Safety and Environment Department. The content of the standards includes improvement of maintenance of forklifts, improvement on the skills of the drivers and maintenance and inspection of machines.

We also promote safety measures in the field of logistics, including the installation of a seat belt and an overspeed warning system to all of the forklifts used for loading/unloading of cargo in our sites.

In addition to the conventional forklift basic operation competition, which has been organized in Osaka and Yokkaichi since the previous fiscal year, all Works independently hold a forklift training session. We are also making efforts to improve the logistics quality in cooperation with transport companies.

The Number of Accidents of Products during Transportation by Year



(Note 1) Boundaries of data collection: Osaka Works, Itami Works and Yokohama Works + 10 affiliates and AS Brake Systems, Inc.  
 (Note 2) Accident by other than a forklift mishandling, insufficient fixation to the loading platform, water damage, misdelivery, etc.

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



Performance test for forklift operation



Performance test for check-before-work

## Activities for Improvement of Office Work Quality

We will renew the initiatives to reduce office work mistakes by replacing conventional activities with group-wide ones

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 reduce 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.

As an initiative to reduce office work mistakes, we reorganized the rules for reporting such mistakes and taking measures to address them, and also revised the company-wide rules, to replace the conventional "activities in respective divisions with focus on remedial measures" by "activities to autonomously reduce office work mistakes by using the PDCA cycle on a group-wide scale with focus on preventive measures". We will also establish a framework to share information on the measures for reduction of office work mistakes in an effective and efficient manner.

For Kaizen at the office, we revised the criteria for commendation of Kaizen activities so that initiatives for compliance and other defect prevention measures are valued in addition to office work efficiency improvement that directly contributes to the business results. Through these efforts, we will encourage everyone involved in office work to propose Kaizen solutions.

## 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.

# Supply Chain

## Promotion of CSR Procurement

We are promoting 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 expansion, we set promotion of CSR procurement as a priority theme for VISION 2017 and seek to strengthen the trustful relationships with our suppliers according to the following procedure.

- ① Check efforts to perform CSR activities in the domestic suppliers.
- ② Check efforts to perform CSR activities in overseas suppliers
- ③ Introduce the CSR procurement mechanism established as mentioned above into Group companies.

We aim to perform investigation activities for CSR from the perspective of suppliers.

Jun Miyajima

Planning and Administrative Group, Procurement Division



As an initiative to promote CSR procurement, we conducted a questionnaire survey with the cooperation of our major suppliers in Japan in fiscal 2014 as we did in the previous fiscal year.

I was assigned to this important job, which is conducted to meet social and customer demand, in my first year with Sumitomo Electric although I did not understand CSR sufficiently. The job made me learn many things.

I recognized the diversity of the suppliers of Sumitomo Electric in terms of delivered item, business form and size, as well as differences in their approach to CSR.

In fiscal 2014, we made proposals on how the suppliers should address CSR based on the results of the questionnaire survey, with particular focus on the item of compliance. We will consider the situation of each supplier more closely to make more appropriate proposals in fiscal 2015 and beyond. We also plan to expand the questionnaire survey by seeking cooperation of Group companies from fiscal 2015.

## Supply Chain

### 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 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 of the Procurement Division. Through the liaison committees of procurement staff work, we ensure implementation of the Basic Procurement Policies by developing 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

To promote our commitment to CSR in the procurement activities, we established the Sumitomo Electric Group CSR Procurement Guidelines based on the Sumitomo Electric Group Corporate Principles and Charter of Corporate Behavior in August 2010. The guidelines were revised to respond to the issue of conflict minerals in fiscal 2014. To enhance promotion of the guidelines, we also ask suppliers to take proper action by specifying relevant requirements in the basic transaction agreement.

### 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 (Including Response to the Issue of Conflict Minerals)
8. Disclosure of Information and Promotion of Communication with Society
9. Maintenance of Confidentiality and Information Security

## Monitoring of CSR Procurement

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

For promotion of CSR procurement, in addition to activities to disseminate the guidelines in the supply chain, we need to monitor the dissemination of the guidelines. To this end, we conduct a questionnaire survey of suppliers. While Procurement Division conducted the survey for monitoring of 122 companies among our suppliers in fiscal 2013, the survey was expanded and applied to 830 suppliers in fiscal 2014. The response rate reached 98% thanks to the cooperation of the suppliers, which enabled us to check their commitment to CSR procurement. After collecting the questionnaires, we separately informed the suppliers of the results and asked some of them to take more active measures. As mentioned above in the procedure of promoting the CSR priority theme, we plan to introduce this initiative into the supply chain of our group companies in Japan and overseas.

## 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. In fiscal 2012, the task committee in which Procurement Division also participates revised the guidelines to issue SEI Guidelines for Green Quality Purchases as a new version. We consider the guidelines as part of essential quality standards and use them to maintain green procurement activities.

### CSR VOICE



### "Safety" is a slogan for CSR activities

Mr. Ken Amaoka  
President, Fukuoka Cloth Industry Co., Ltd.

Firstly, I would like to express my gratitude for the continued patronage of Sumitomo Electric. Fukuoka Cloth Industry manufactures and supplies various tapes used for cables with "safety" as a slogan for

CSR activities. Under this slogan, we are committed to not only occupational safety and health but also thorough safety in business management, which we believe allows us to supply safe and secure products in a stable manner and thereby contribute to society and fulfill our social responsibility. Specifically, we select materials based on the following two principles.

#### ① Preference for "Made in Japan"

Although the quality of overseas products has recently been improved, there are still some overseas manufacturers that change raw materials or suspend production without prior notice. We also consider that purchase of domestic products serves the national interest of Japan even though it might be a small contribution. As our products play a role in improving the quality of power and optical fiber cables, we prefer procurement of products manufactured by domestic suppliers that use the electricity and communications networks in Japan, in which such cables are employed.

#### ② Availability of raw materials in inventory

However, even if products are "made in Japan," their raw materials are produced by processing overseas resources in Japan. A problem in the country of origin may affect stable supply of the materials. We therefore identify all of the countries that supply the resources used in the raw materials of the products for which we receive orders regularly. In case of an emergency in any of such countries, we communicate with the Japanese manufacturers of the materials using resources from the country to check whether the materials can be supplied in a stable manner or not.

As our original initiative, we thoroughly forecast risks before selection of raw materials, pick out the safest materials for our customers and maintain an inventory of six months on average for the materials of continuously manufactured products. Needless to say, the selected materials will not be changed without prior approval of the customers.

During the 52 years since our establishment, we faced various human and structural problems ranging from natural disasters such as the Great Hanshin Earthquake and the Great East Japan Earthquake to strikes in overseas mines and plant outage in material manufacturers. We are proud that we have continued to supply our products in a stable manner without any suspension due to our efforts including the initiatives mentioned above. I hope that we can continue to have a good business relationship with Sumitomo Electric.

\* Please see the following page for details.



## 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. 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 2014, we had fears of a supply shortfall when some suppliers suspended their operations due to fire and explosion accidents. 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. 120 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. At the meetings, we also present the CSR Procurement Guidelines, as well as procurement policies, 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 exhibition/negotiation meetings\*.

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



Partners' Meetings



Reverse exhibition/negotiation meeting in Indonesia

### Glossary

#### \* Reverse exhibition/negotiation meeting

A trade fair to exhibit items used in the Sumitomo Electric Group and ask suppliers to propose better alternatives in terms of quality, cost and delivery

## 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, the divisions involved in procurement must pay special attention to complying with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontract Act), as well as relevant laws on internal control, and to making appropriate payment of customs duties on items we import directly from overseas. In fiscal 2014, 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	20 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*	2,551 in total	
Self-examination	21 divisions + 47 affiliates	25 divisions	
Inspection tour	2 divisions + 10 affiliates	25 divisions	

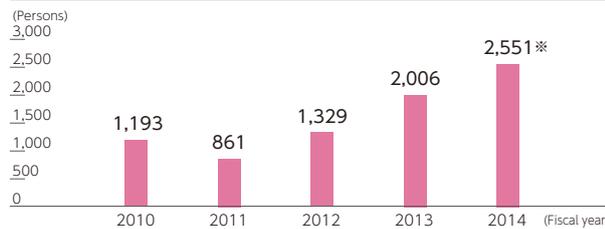
\*Excluding participants in video training

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

With respect to custom-related laws, we underwent a post-entry audit regarding correctness of the amounts in custom reports and storage of confirmation documents by custom inspectors in February 2015.

We will continue to promote proper importing by enhancing our education and inspection activities.

Number of Participants in Procurement Compliance Training Seminars by Year



\*Excluding participants in video training



Procurement compliance training seminar

## Education System

We organize training seminars in Japan and overseas to improve procurement skills

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 2014 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, 263 persons 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 18 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	No. of participants (total)	No. of companies
OFF-JT Education program	1st half of FY2014	7	27	149*	24
	2nd half of FY2014	7	28	114*	20
Key personnel development program	2nd half of FY2014	1	5	20	15
Training seminars at overseas liaison committee meetings of procurement staff	1st half of FY2014	3	3	42	25
	2nd half of FY2014	2	2	34	19

\*Number of those who passed the final exam



Key personnel development 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.

# Human Resources

## 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 390 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.

- ① Introduce a new HR system to show career opportunities within the Sumitomo Electric Group beyond individual companies.
- ② Develop an institutional framework to identify executives in group companies as Global Executives.
- ③ Develop common guidelines for both international and inter-firm mobility.

We strive to place the right person for the right position by diverse human resources and aim to further strengthen the global competitiveness.

Mr. Pavee Suvagondha  
Human Resources Manager Sumitomo Electric U.S.A. Holdings, Inc.



I am based in NY and I supervise Human Resources Centers of the North & South America region (U.S., Mexico, Brazil, and Canada).

I am promoting Global HRM policy in United States and we are trying to establish the human resources systems and mechanisms where diverse and talented human resources can be fully exploited.

I continue to hold discussions with group companies' senior managers and human resources managers every year on HR matters and we strive to bring solutions to the challenges faced by the each group company and to enhance their capacity to manage human resources.

In order to attract and retain more talents for our group, I will put my efforts to standardize employees' benefits and to further improve training and development systems across group companies. We aim to place the right person for the right position for our global human resources regardless of nationality, ethnic origin, age and gender, and by so doing, I wish to contribute to strengthen our group's global competitiveness.

## Diversity

### 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, age 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

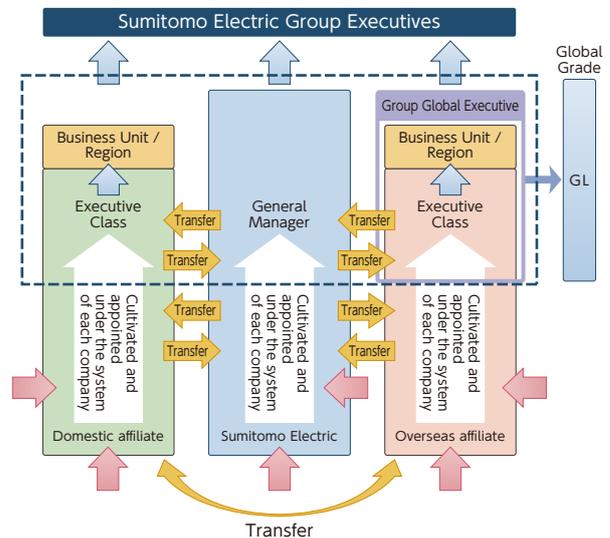
## Global Grade System and Group Global Executive Personnel System

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 has adopted 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 is applied commonly across the Group. As the first step, we introduced a grade called GL (Global Leader) on April 1, 2014, and appointed board members and equivalents from overseas subsidiaries, other than those of listed companies, as the GL grade.
- These executive personnel at the GL grade were then recognized as Group Global Executive Personnel. Sumitomo Electric's Head Office is 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



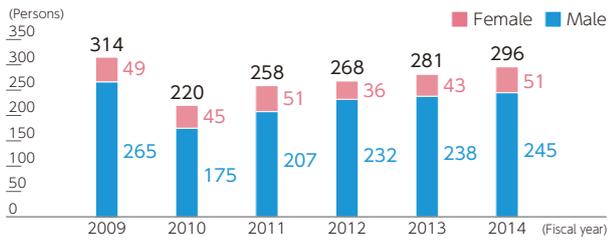
※ Sumitomo Electric and its consolidated subsidiaries

## Diversity in Recruitment

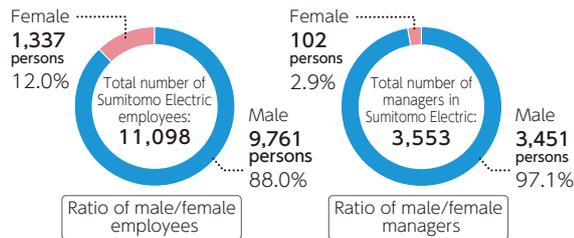
We aim to promote diversity through recruitment of a wide range of personnel

In fiscal 2014, Sumitomo Electric employed 141 new graduates for main career track in Japan, 21 of whom were female and 4 were overseas students. We also hired 62 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.

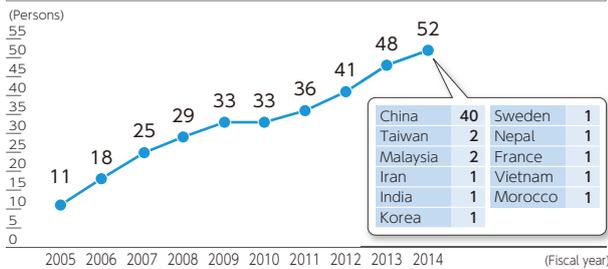
Number of Male/Female Employees Hired by Sumitomo Electric (All Functions)



Ratio of Male/Female Employees and Ratio of Male/Female Managers As of March 31, 2015



Number of Employees Working for Sumitomo Electric Who Were International Students As of March 31 of each fiscal



(Note) Above graphs cover personnel data for Sumitomo Electric employees, including those on loan to Sumitomo Electric affiliates and other organizations.

## Organization of Town Meetings

Employees are provided with opportunities to have direct dialogue with executives

As an initiative to enhance communication inside the company, we organize town meetings, in which a group of employees in specific functions from different divisions directly talk with executives (board members and general managers). The participants have precious opportunities to inform the executives of problems and requests concerning operation of the workplace and human resource development, as well as those specific to their functions, and share such problems to seek clues and solve them. The meetings also help the participants create networks with employees in other divisions.

We organized the town meetings as listed below during fiscal 2014.

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. 9 to 15 persons each time (46 persons in total)
Main Career Track Town Meeting	
Applicable employees	Employees from main career track to assistant managers
No. of meetings	Once in Tokyo Head Office, Osaka, and Itami each (3 times in total)
No. of participants	9 in Tokyo Head Office, 11 in Osaka, and 12 in Itami (32 persons in total)
Employees With Various Nationalities Town Meeting	
Applicable employees	Main career track employees and managers with various nationalities
No. of meetings	Once in Osaka Head Office and Kanto each (2 times in total)
No. of participants	9 in Osaka Head Office, 5 in Kanto (14 persons in total)
General Track Town Meeting	
Applicable employees	Female employees from general staff to assistant managers promoted from general track
No. of meetings	Once in Osaka Head Office and Tokyo Head Office each (2 times in total)
No. of participants	6 in Osaka Head Office, 11 in Tokyo Head Office (17 persons in total)
Manager Town Meeting	
Applicable employees	Administrative members
No. of meetings	Once in Osaka Head Office, Tokyo Head Office, Chubu District Office, Osaka, and Yokohama each (5 times in total)
No. of participants	Approx. 10 to 13 persons each time (60 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.

### CSR VOICE

#### I participated in the town meeting for employees with various nationalities

**Hu Yinda** Automated Production Machine Development Group, 2nd Plant Engineering Department, Plant & Production Systems Engineering Division



After participating in the town meeting, I realized that the scenes of employees of various nationalities working together in the same workplace comfortably, which I used to think were nothing special, actually required a considerable amount of "harmony" in the company and "understanding" of employees.

During the meeting, I was relieved with comments of senior colleagues that job performance or establishment of personal relationships has nothing to do with nationality but tolerance to cultural gaps is required. On the other hand, various problems due to nationality in our work and personal life were also introduced with various comments ranging from simple questions like "why do we have to wear a hat when walking in a production site?" to real-life issues like "it is difficult to find a guarantor for renting a house." I felt that there were still challenges to be solved in order to establish cultural diversity and cooperative environment.

To realize diversity in the future, it will be essential to give support to non-Japanese employees, as well as other employees with various problems. I hope that Sumitomo Electric has a wide range of personnel and an even more harmonic environment.

## 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., on the premises of Sumitomo Electric's Itami Works, 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.

We established Yokohama Branch in 2013, Tokyo Branch in 2014 and Osaka Branch in April 2015. Currently, 55 employees are working at the company, including 33 persons with disabilities.

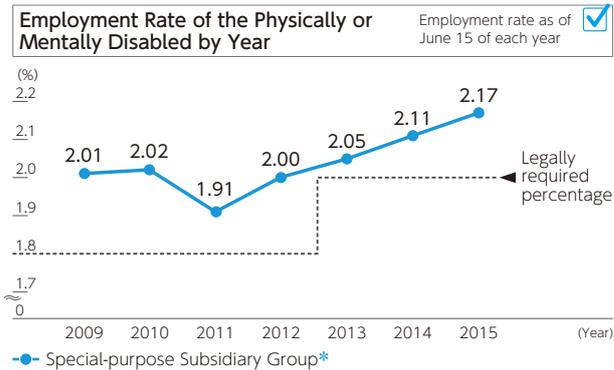


Sumiden Friend (Itami)

	2011	2012	2013	2014	2015
The disabled	12	12	20	28	33

Employment rate as of June 15 of each year

(Persons)



**Glossary** \*Special-purpose Subsidiary Group

Under this system, the percentage of employees with disabilities can be calculated for a corporate group as a whole including the parent company having special subsidiaries as well as related subsidiaries, subject to certain requirements.

## 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”

Self-development  
Instruction by and dialogues with superiors

Specialty training in  
each division

Group-wide training

Training by the Human Resources  
Development Dept. / Training by  
Corporate Staff Group

## 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 380 programs were conducted in fiscal 2014

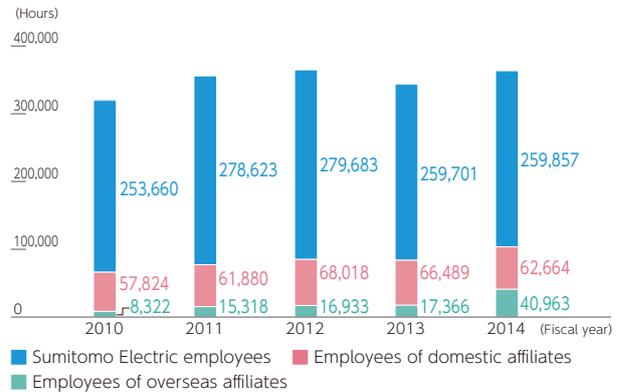
Sumitomo Electric provides various training programs for a wide range of positions from executives to newly hired employees. Including position-based (compulsory) training for the employees in specific positions or involved in specific operations as well as optional training available for applicants depending on their operational needs, approximately 380 training programs were offered in fiscal 2014. 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.

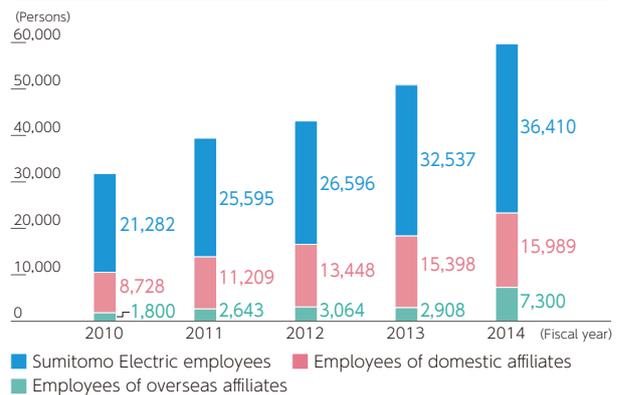
The number of the Sumitomo Electric Group employees who participated in the training programs (sum of participants in each program) in fiscal 2014 was roughly 60,000, and the total length of training was about 360,000 hours.

### Total length of training



(Note) The training seminars provided by Sumitomo Electric or registered in the training management system are counted in the figures for domestic and overseas affiliates.

### Total number of participants



(Note) The training seminars provided by Sumitomo Electric or registered in the training management system are counted in the figures for domestic and overseas affiliates.

### 《Cultivation of Manufacturing Personnel》

The Sumitomo Electric Group provides training programs to cultivate manufacturing personnel based on the basic concept that “manufacturing is human resource development” through the three main initiatives of (1) basic training on manufacturing, (2) practical training and (3) group activities.

#### ① Basic training on manufacturing

The underlying concept is to learn with actual machines and products based on principles through all five of their senses. Designed to deal with the latest technologies, the curriculums are wide ranging from training on subjects essential for manufacturing, such as safety, environment, quality, improvement and shop-floor management, to professional courses on the Group's proprietary technologies and techniques and equipment control and maintenance technologies. These programs are systematically organized under the categories of “position-based training,” “nomination-based training” and “optional training” and provided at the Faculty of Manufacturing Technology of the SEI University in a planned manner. The number of the participants is growing every year, and the target of 13,500 person-days during fiscal 2014 was achieved by accommodating 13,546 person-days.

Overseas, in addition to basic training on safety, quality and other subjects, we started training for facility maintenance with focus on safety in September 2010, which is now organized in China and Southeast Asia on a regular basis. This maintenance training was provided in 17 companies in fiscal 2014 to achieve 623 person-days, which far exceeded the target of 450 person-days.

### ② Practical training

We develop two practical professional training programs aimed at cultivating key personnel who are anticipated to drive manufacturing innovation and reinforce SEQCDD\* improvement, namely MKP (Monozukuri Kakushin Pro Jissen Dojo (Manufacturing Innovation Professionals' Workshop)) and GKP (Genba Kaizen Pro Jissen Dojo (On-site Improvement Professionals' Workshop)).

Since the start in 2009, a total of 385 participants have been trained on 290 themes, performing practical activities to solve problems and achieve objectives related to manufacturing. During fiscal 2014, we organized MKP for two terms and GKP for three terms, and a total of 99 participants were trained on 48 themes. The 23 persons who met given criteria were certified as "professionals."

### ③ Small-Group activities

Sumitomo Electric develops and promotes small-group activities performed to solve problems and achieve objectives voluntarily on a workplace basis with the aims of developing human resources and energizing the workplace. This initiative, which was launched in 1958, is now being introduced into overseas companies, and has been expanded to involve a total of 28,000 participants across the Group in working on 2,200 themes.

In the future, we will set up Monozukuri Training Subcommittee under the Monozukuri Strengthening Committee, which was established in April 2015, to further enhance our manufacturing training programs. Composed of representatives from manufacturing departments of the Group companies, the subcommittee will develop the ideas of the Corporate Staff Group that plans manufacturing training programs, while widely accepting opinions of divisions and cooperating with them, to pursue the ideal state.

## Addressing Globalization

**We actively promote dissemination of the Sumitomo Spirit in our affiliates including overseas ones**

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 Group, as the foundation for their operations.

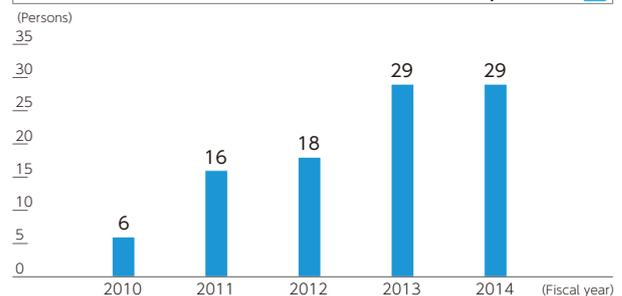
We are encouraging young employees to actively participate in our cross-border trainee program and have opportunities to learn and grow in different cultures across national borders. Twenty nine employees used this program in fiscal 2014. In the business English training course launched in fiscal 2012, 348 persons received lessons to improve their English conversation skills during fiscal 2014.

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 take measures to develop personnel, mainly national staff,

who can meet local needs. The committee is currently operated in each of China, Indonesia, Malaysia, Thailand and the United States. The committee members include local HR managers of the companies and persons in charge of human resource development in the regional companies that provide operational assistance, as well as human resource development staff of Sumitomo Electric. The activities are the preparation of an education system in each company and planning and organization of training sessions for the staff and workers, as well as information exchange activities including collection of information on training needs from local companies and introduction of Sumitomo Electric's training programs into them.

We continue to conduct 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 2014, this training program was provided twice in each of Europe, China, Southeast Asia and the United States. While we developed Initial Training Program (ITP), a common basic training program to be applied throughout the Group, in domestic affiliates, we have also designed its English and Chinese versions and distributed them to overseas sites. We will continue to provide this training to ensure that the basic philosophy is shared throughout the Group even amid rapid globalization.

### Number of the cross-border trainees sent from Japan



(Note) The data cover the employees of Sumitomo Electric and Group companies in Japan who used the cross-border trainee program of Sumitomo Electric.

## Improvement of Management Capabilities

**We are committed to development of leadership and improvement of team management capabilities through a coaching program**

In fiscal 2014, a new training program was established for the employees who have been newly appointed as members of the management. The two-day overnight program was held six times during the fiscal year to train a total of 123 participants, who engaged in active discussions. In addition, an existing pre-assignment coaching program to train the employees scheduled to be assigned overseas has been expanded to coaching sessions for group managers and equivalents in Japan. The program is showing positive results in development of leadership and motivation of subordinates. Based on the idea that members of the management need an understanding about diversity, we adopted a curriculum on diversity in the annual training program for newly promoted personnel. Although there was a time restriction, the understanding was disseminated to a certain extent, which was demonstrated by many positive comments in the questionnaire on the program (e.g. "I was able to clearly recognize the significance and function of diversity"). We will continue to conduct these initiatives.

**Glossary** \*SEQCDD  
SEQCDD stands for safety, environment, quality, cost, delivery and R&D, which are fundamental components in the business activities of the Sumitomo Electric Group.

## 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 2014, 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 8,588.



Training session

As part of the enlightenment activities, we organize an in-house contest for human rights slogans every year. The contest in 2014 received 3,924 slogans.

### 《 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 about 70 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

campaigns with the aim of ensuring that employees can achieve the proper balance between work and life.

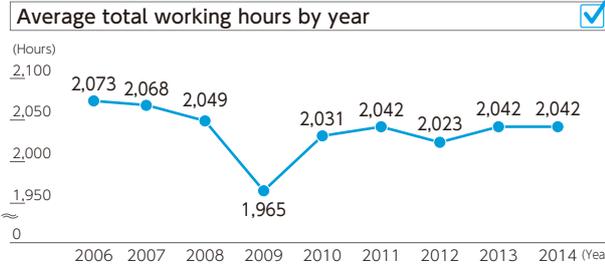
- SWITCH Campaign (3 years from fiscal 2008 to 2010)  
Adjustement of working hours and improvement of work efficiency and productivity
- SWITCH Plus Campaign (3 years from fiscal 2011 to 2013)  
Measures closely related to improvement of the quality of both working and private lives, such as support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

SWITCH 17 Campaign was launched in fiscal 2014. In this 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. Specific activities of the campaign include display of posters and establishment of the website to describe the intent of the campaign and know-how for implementing the activities, as well as appointment of a person in charge of the promotion of SWITCH 17 Campaign as a workplace leader at each division to promote the activities at the individual and workplace levels. Outstanding efforts in the workplace are introduced in in-house magazines.

Through promotion of this campaign, we aim to develop

lively workplaces in order to win the global competition and achieve VISION 2017.

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average overtime hours per month	22.6	22.1	21.0	14.2	19.1	20.5	18.6	19.3	20.4
Average number of paid holidays taken by employees per year	11.5	11.4	12.1	12.4	11.5	12.3	11.7	10.4	12.1



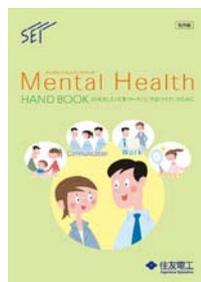
(Note 1) Average among labor union members (those who belong to three Works, Sumitomo (SEI) Electronic Wire, Inc., Osaka Head Office, Tokyo Head Office and Chubu District Office (including those who are dispatched to subsidiaries))  
 (Note 2) The data are based on the calendar year of January to December.

## 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. In addition, we are working to enhance the support system to allow all employees to have their stress levels tested. This initiative is also aimed at responding to the amendment of the Industrial Safety and Health Act, which makes it mandatory to offer stress check from December 2015. 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

Year	2009	2010	2011	2012	2013	2014
(persons)	285	215	767	521	557	580

## Commitment to the Data Health Plan

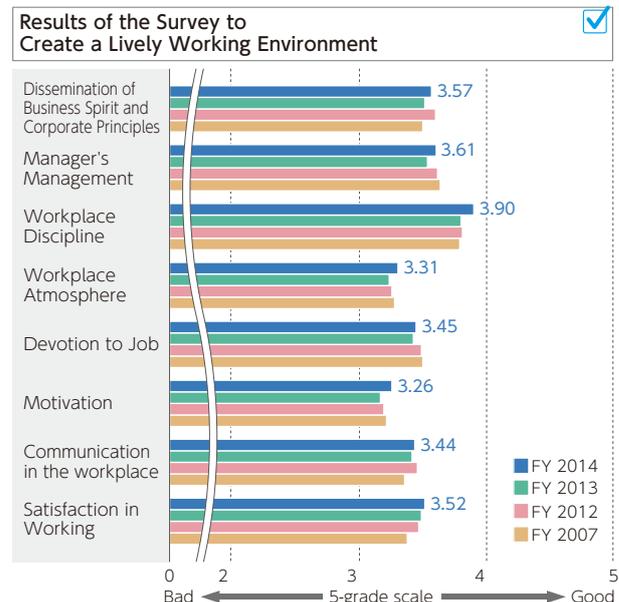
We will strive to improve the health of employees through cooperation with the health insurance society

The Japan Revitalization Strategy adopted by the Cabinet in June 2013 requires all health insurance societies to implement Data Health Plan. In response, Sumitomo Electric Health Insurance Society has established the Sumitomo Electric Data Health Plan with three pillars of 1) development of health awareness by introducing the incentive point system, 2) enhancement of specific health guidance and 3) strengthening of measures to encourage employees to have health checkups and prevent diseases from being more serious, and started the initiatives in fiscal 2015. While collaborating with the society (collabo-health) and working to enhance health awareness of employees (health literacy), Sumitomo Electric also aims to be a corporate group that is highly evaluated and trusted by society and enables employees to stay healthy and work with enthusiasm.

## 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 2014 as well, about 20,000 employees were surveyed in September and October, including those of group companies. The scores are presented in the figure below. In the survey in fiscal 2014, we added questions about SWITCH 17 Campaign and other items. While the survey results show improvement in most items, there are still issues to be addressed in some areas, and we will design and implement personnel measures to respond to them. The survey results are also fed back to the person responsible for each organization, as well as the person and staff in charge of the SWITCH 17 Campaign on a workplace basis. Each workplace specifically identifies possible problems and promotes measures to solve them.



## Support for Balancing Work and Life

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

To support employees in balancing work and life, Sumitomo Electric is committed to promoting the work style that achieves the proper balance between work and life and has also developed child and family-care related systems actively. For these efforts, the Company has been certified by the Ministry of Health, Labor and Welfare as a company that helps its employees balance work and childcare on the basis of the Act on Advancement of Measures to Support Raising Next-Generation Children.

In fiscal 2014, we introduced a welfare system to support employees in finding a child-care center to leave their preschool children. This system aims to help the employees who have taken childcare leave return to work as originally planned and to enhance support for the employees working in the operating sites where no in-house childcare center is available.



Mark Certifying Corporate Support for Parenting, Kurumin\*

## 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, 2015, these three centers take care of 57 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.

### Number of Users of the Employee Support Programs



FY	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 (13)	106 (56)	121 (69)	55	21	245	266	26	62	7
2014	16 (12)	134 (54)	150 (66)	71	19	264	283	30	57	7

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

(Note 1) The data cover Sumitomo Electric.

(Note 2) The number of the employees who took the childcare leave for the first time in fiscal 2013 has been adjusted retroactively to improve the accuracy.

### CSR VOICE



### I used the childcare center in the company “SEI Itami Kids”

Shota Katayama Business Development Department, Sumitomo (SEI) Steel Wire Corp.

When my first daughter was born, I learned the childcare center through an internal notice and became interested in it. The center is closer to the company and costs less than external childcare facilities, and it is also an advantage that children can be left at the center even on weekends or holidays in line with the company's business schedule. It organizes events such as open days, Christmas parties and sports festivals, and also provides dietary and English education. I can leave my kids at the center with a sense of security, and enjoy hearing them talk about news of the day amusingly every day. I also made family friends with other employees using the center and expanded the circle of friends.

# To Make Sumitomo Electric a Company Where Women Can Work at Their Best

While the birthrate is declining steadily in Japan, it is a social challenge to secure quality human resources. Sumitomo Electric also recognizes the significance of supporting women in playing important roles and developing themselves. To this end, it is crucial to establish an environment where they can continue their career through various events in their life. This fifth Stakeholder Dialogue was held for discussions with active female employees to gain an understanding of the current situation and present challenges so that we can further help women play important roles.

## ■ Outline of the Stakeholder Dialogue

Date: June 5, 2015 (Fri.)

Venue: Tokyo Head Office of Sumitomo Electric Industries, Ltd.

## ■ Participants

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

**Miwa Kunii** (Manager, Diversity & Inclusion Promotion Group, Human Resources Department, HR & Administration Division)

**Keiko Iwai** (Group Manager, Quality Control Group 1, Yokohama Production Department, Lightwave Components Division, Sumitomo Electric Device Innovations, Inc.)

**Kokoro Miyake** (Business Legal Group, Legal Department)

**Risa Tachibana** (2nd Sales Group, 2nd Sales Department, Sales Div. (Eastern Japan), Automotive Business Unit)



## ■ After joining the Sumitomo Electric Group

**Kunii:** I am Kunii from the Diversity & Inclusion Promotion Group of Human Resources Department, and will be your moderator today. I have mainly been in charge of supporting women in playing important roles since October 2014. First, please introduce yourselves.



**Nakata:** I am Nakata, General Manager of Human Resources Department. I look forward to hearing you freely exchange ideas today.

**Iwai:** I am in charge of quality control of optical communication devices at Sumitomo Electric Device Innovations, and have been a section manager for almost two years. I have three children.

**Miyake:** I am in charge of legal affairs of the environmental energy team in the Business Legal Group of Legal Department. This is my 11th year in the company.

**Tachibana:** I am a sales staff member in Automotive Business Unit. This is my fifth year.

**Kunii:** Next, please tell us why you joined Sumitomo Electric, as well as your impression of the company after actually joining it.

\* The titles/posts of the participants are those at the time of the stakeholder dialogue.

**Miyake:** When I was looking for a job, I wanted to work for a company in which I can be involved in international projects, which is a manufacturer offering products that contribute to society and which has a sound foundation so that I can work there for a long time, as the three main conditions. Another key to selecting a company was its systems and education programs that would make me grow. After joining Sumitomo Electric, I was assigned to Overseas Contracts & Legal Affairs Department, and also had an opportunity to work overseas. I have never felt discriminated against based on gender but feel that all of my aims have been achieved.

**Tachibana:** I had wanted to be in charge of sales since my college days. During my job hunting, however, I focused more on what people were working in the company than on what job I wanted to do. I remember that the atmosphere in Sumitomo Electric was very good. I am now working in a sales team with the support of senior and junior colleagues. I feel that the environment is better than expected.



**Iwai:** I also joined Sumitomo Electric because the representatives of the company in the company information session made a good impression. While 22 years have passed since then, I have never thought that my choice was wrong.

**Kunii:** Ms. Iwai, you have been a section manager for two years. Do you still feel that the atmosphere of Sumitomo Electric is good?

**Iwai:** I am in charge of management while all of the other four members in the section are older than me. I have support from them in various ways, and feel that the good environment remains unchanged.



## Significance of female workers to play important roles

**Kunii:** Do you think that your presence as a woman in your department has any impact on the workplace?

**Iwai:** I think that what matters is not gender but proper communication.

**Miyake:** I do not think that the presence of women has changed the surroundings either. In the meantime, our department has a working mother, and she is working reduced hours. We help her work efficiently by, for example, trying to hold meetings within her working hours. Her presence may be creating a sense of teamwork.

**Tachibana:** I am working in Utsunomiya Office, and two of the roughly 50 workers in the office, including me, are female employees for main career track. I sometimes take 20 male workers or so with me to give a presentation. My impression

is that people outside the company tend to think that Sumitomo Electric is a company where women are working energetically, rather than those within it. I also hear about women who actually want to join our company.

**Kunii:** While I am the only female manager in the HR groups at present, I think women's perspective can be introduced in a meeting even with only one female participant.

**Nakata:** There is a trend to support the success of women in the workplace throughout the Japanese society. I hope that all female workers are conscious of aiming to be leaders.



## Various challenges are becoming visible

**Miyake:** I am now pregnant and going to be a mother next month. I will need to work reduced hours later. As it inevitably affects my work, I am nervous about whether I can do my job satisfactorily. I hope there is a teleworking system although it is difficult to introduce it shortly. Meanwhile, our department has no female section or group manager like Ms. Iwai, so it is not very clear what career I can develop in the future.



**Tachibana:** I sometimes talk with my boss about my career, but it is about career over the span of one or two years. I cannot envision my career plan from a long-term perspective at present either.

**Kunii:** Flexible ways of working are very important. We plan to start a teleworking system for the employees who need to engage in nursing care or childcare, as well as pregnant employees, on a trial basis in October 2015. As teleworking is allowed once a week in the plan, the system is aimed at expanding job opportunities for those who can work if teleworking is available, rather than supporting workers in balancing work and life.

**Miyake:** I hope that the teleworking system is also used by men, as well as women.

**Iwai:** To support childcare, we also have the reemployment system. I assume their family situation is a key to working women. My personal view is that working at home is difficult to introduce. There is an issue of whether payment should be based on working hours or merit. It will be also unrealistic to introduce the system for factory staff.

**Kunii:** It is not good to give an impression that only women receive attention either.

**Iwai:** What level of responsibility they assume is an issue when women work as members of society. It is difficult to keep balance between work and childcare.

**Tachibana:** Although I cannot imagine me raising a child now, it is likely that I will later consider how I can use the systems to balance work and childcare at the turning points of my life.



## Communication is important

**Kunii:** Motivated women sometimes shift their focus to home life temporarily, but some of them cannot shift it back to work later. It is so wasteful, I think. As I also have children, I have experience that I could not apply for a business trip or interesting project because of childcare. Superiors of employees who are raising children should not determine that such employees cannot work for a new project, for example, on their discretion but ask the employees about their intentions first. Communication is difficult but important.



**Tachibana:** I try to make communication first instead of waiting for it. As I work longer, I feel the importance of this attitude more strongly.

**Miyake:** There are circumstances related to various life events for women. Still, I hope that women are actively invited to join a drinking party or other event that is precious opportunities for communication.



**Iwai:** I cannot join a drinking party often because I have to make adjustment with my family in advance.

**Nakata:** There should be more opportunities for employees, including women, to talk about their career plans and share various situations and feelings.

**Tachibana:** Our department organizes lunch parties because general staff, assistants and dispatched workers cannot attend drinking parties at night.

**Nakata:** That is a good idea also because quite a few men do not like alcohol.

## To make Sumitomo Electric a company where women can take more active roles

**Kunii:** What roles do you want to play in Sumitomo Electric in future?

**Tachibana:** I hope to be a role model for junior colleagues. While steadily dealing with the processes of marriage, childbirth and child rearing, I want to keep working to serve as a guide.

**Miyake:** While I have learned practical skills to work at a satisfactory level, I am now going through the life events of pregnancy and childbirth. I want to consider them positively, and seek a more efficient way of working with focus on quality.

**Iwai:** I have already experienced the life events of marriage, childbirth and child rearing. While the short-time work system was not in place at the time of my childbirth, we now have various systems to help women continue to work. I want to disseminate the fact.



**Nakata:** Gender issues are problems unique to Japan. In the Sumitomo Electric Group, the ratio of female workers is higher overseas, and many women are playing important roles from a global perspective. In the future, we have to solve the challenges related to gender in Japan, and men also have to change the culture and their way of working. I assume that changes in the way of working among white collar workers will allow women and non-Japanese to work more comfortably.



**Kunii:** Sumitomo Electric has arranged systems to welcome motivated persons. We would also like to enhance the support programs continuously.

**Nakata:** I identified many issues that I had not noticed through this exchange of views. I would like to keep working to solve them, and maintain management activities to help employees find their various jobs rewarding. I hope to have your cooperation.



## Basic Approaches

The Sumitomo Electric Group considers that securing of health and safety of employees is the basis of the business. We promote the establishment of culture to prioritize safety above all else and continuously perform safety and health activities involving all employees to eliminate risk factors from our workplaces 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 2014

- No. of accidents resulting in lost work time: zero
- No. of no lost work time injuries and minor injuries: 20 or less

#### Priority subjects for fiscal 2014

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

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

- **Strong leadership by top management**  
Review of the PDCA cycle of safety activities to use resources
- **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 **Equipment safety measures**
    - Safety measures compliant with the global standard for existing equipment
    - Witnessed safety inspection of new or remodeled equipment
  - ③ **Activities to put into practice the lessons learned in Kiban Kyoka (reinforcement of fundamentals) Training Program (KKP)\***
    - Establishment of work standards (including those for incidental and setup works)
    - Risk assessment on the spot (observation of actual operations)
  - ④ **Activities to prevent unsafe actions**
    - System to provide guidance through managers

#### 《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 and dissemination of safety global standards**
    - Dissemination of Sumitomo Electric's safety standards as global standards
  - **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

To increase the level of safety management on group-wide and global scales, we have set global standards for safety management as mandatory requirements, and promote safety training and safety diagnosis activities

The Sumitomo Electric Group has conducted Group Global Safety & Maintenance Assessment Activities at its production facilities in and outside Japan to improve their weak points. The second series of the inspection was launched in fiscal 2013, and 43 sites in Japan and other countries were evaluated during fiscal 2014. We organize regular follow-up activities and safety training programs to help overcome the weaknesses. In addition, we have set "Safety Management Global Standard" and "Forklift Safety Management Global Standard" as requirements to be followed by Group divisions and affiliates to promote safety and health management in an integrated manner, and started to apply them.



Safety Management Global Standard



Forklift Safety Management Global Standard

## Safety Performance and Future Actions

In fiscal 2014, the number of the accidents involving injury increased from fiscal 2013

During fiscal 2014, we had 46 accidents involving injury in total, which were broken down into 15 injuries resulting in lost work time, 18 no lost work time injuries and 13 minor injuries (excluding employees of the affiliates of the Sumitomo Wiring Systems Group), and thus failed to meet

#### Glossary

##### \* 1-2-3 activities

Activities of leaders in the divisions as well as managers and supervisors to inspect sites in one (1) day twice (2) to make over three (3), indications or warning calls to identify problems

##### \* Kiban Kyoka (reinforcement of fundamentals) Training Program (KKP)

Practical training on health and safety, quality and manufacturing (two- or three-day course)

the target of zero injuries resulting in lost work time and 20 or less no lost work time injuries or minor injuries. In comparison with the results in fiscal 2013, while the total number increased by one, the number of injuries resulting in lost work time grew from three to 15 in fiscal 2014.

Looking at the injuries by situation, we saw a rise in the number of injuries during maintenance and construction works. This was attributed to failure to keep the sufficient level of safety management of construction works with an increase in employees after incorporation of the construction division, as well as with a growth in construction works in the sites in the first half, which was a result of the launch of new products and the rearrangement of production facilities.

As to frequent causes of injuries in the past, we worked to prevent recurrence of injuries due to insertion of a hand without switching off the power source or failure to give sufficient signals to the partners during a multi-person work by involving all divisions in the Safety! Power Off Activity and safety measures for a multi-worker operation during the second half of fiscal 2014. Consequently, we reduced such accidents by 58% from the first half. On the other hand, the accidents involving injury by inserting a hand into rotating/moving parts or injury during use of jigs, tools and dies continued to occur often due to failure to ensure horizontal development of the countermeasures.

In fiscal 2015, we aim to establish the priority activities, which are (1) inspection to prevent serious disasters, (2) Safety! Power Off Activity, (3) Ensure safety in multi-worker operation and (4) Stop similar accidents, under the initiative of top management with involvement of all workers.

### Accidents involving injuries ✔

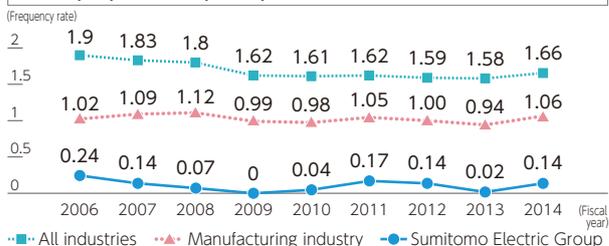
	Sumitomo Electric Group employees		Temporary worker, subcontractor	Sub total	Employees of the affiliates of the SWS Group		Total	
	Japan	Overseas			Japan	Overseas		
Fiscal 2014	Accidents resulting in lost work time	7	3	5	15	0	1	16
	No lost work time injuries	10	6	2	18	0	7	38
	Minor injuries	7	4	2	13	0	8	54
	Total	24	13	9	46	0	8	54
Fiscal 2013	Accidents resulting in lost work time	1	1	1	3	0	5	8
	No lost work time injuries	10	10	4	24	1	12	55
	Minor injuries	6	10	2	18	1	12	55
	Total	17	21	7	45	1	17	63

(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 affiliates (excluding the listed companies), as well as the companies that are not affiliates of Sumitomo Electric but subject to occupational health and safety-related guidance and supervision by Sumitomo Electric. Employees of the affiliates of the SWS Group refer to those in 11 domestic affiliates and 101 overseas ones.

(Note 3) The figures on "Accidents involving minor injury" and "Total" of "Sumitomo Electric Group employees" in "Japan" during fiscal 2013, as well as the figures on "Accidents involving minor injury" and "Total" of "Temporary worker, subcontractor" during fiscal 2013, have been corrected with the improvement of accuracy.

### Lost Time Injuries Frequency Rate\* 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

### Global Safety Activities

Shinya Okuyama General Manager, Global safety department, Sumitomo (SEI) Electronic Wire, Inc.

Everyone, Safety to you all! The Sumitomo (SEI) Electronic Wire, Inc. (SEIW) Group manufactures wiring materials for electronics devices at nine production bases in Japan and other countries (Kanuma, Hachinohe, three bases in China, Vietnam, Malaysia, Hungary and the US) with about 7,000 employees. During fiscal 2013, a total of 13 accidents involving injury occurred in the Group. With recognition that we are in a critical state, we set up Global Safety Promotion Division in March 2014, and have promoted activities for the following four items based on analysis of our weaknesses.

① **Active involvement of the top management**: The global safety meetings, which have been organized conventionally, are now attended by general managers, president and site managers. With presentation of policy and other information by Global Safety Promotion Division, as well as reporting of activities and problems by the bases, the function of the meetings as a platform to solve problems and promote safety activities has been enhanced.

② **Training for local field leaders**: In overseas bases, where a personnel change is made frequently, it is urgently needed to improve the sense of safety of the field leader and enhance their leadership abilities. An initiative has been started for these purposes, in which field leader (teachers) give lessons to general workers (students) with training materials for eradication of unsafe actions (e.g. "Stop, call, wait," "Do not insert your hand into something moving" and "Maintenance operations"). Through this training course, the teachers and students improve their understanding and share a same way of thinking for daily operations. We actively promoted the initiative in the bases, and almost all employees completed the training course in the second half of fiscal 2014.

③ **Improvement of equipment**: Injuries due to defective equipment also occurred in fiscal 2013. We have promoted the improvement of equipment structures to meet our Group's global standard for equipment, which was established for equipment technologies specific to our Group, as well as the Sumitomo Electric's Global Standards for equipment.

④ **Reinforcements of safety patrol**: Global Safety Promotion Division and Plant Engineering Division visited our bases for inspection more frequently to identify any unsafe conditions (equipment, 5S) and give support concerning these organizations and activities.

In fiscal 2014, we successfully reduced the number of accidents involving injuries by half from fiscal 2013 due to great efforts of our bases in Japan and overseas. In fiscal 2015, we will make efforts to eliminate accidents by maintaining and establishing the independent activities of the bases and the group-wide activities mentioned above, as well as the emergency safety measures of Sumitomo Electric launched in the second half of fiscal 2014. **Continuation will be our power!**



#### 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.

# Environmental Preservation

## 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.

- ① Develop the Action ECO-21 (Phase V) campaign based on the ISO 14001 environmental management system
- ② Enhance efforts to introduce energy saving initiatives into overseas establishments
- ③ Strengthen our capacity to propose environmentally conscious products to contribute to reduction of overall environmental impact across society

We will accumulate discovery and improvement of problems to make more contribution to prevention of global warming throughout the Group.

### Masaki Morishita

Supervisor of Energy Saving Engineering Department, Plant Engineering Division, Sumitomo Electric Technical Solutions, Inc.



I am in charge of finding problems through measurement-based evaluation of compressors, which is more advanced than energy saving diagnosis, as well as making proposals for improvement.

Compressors consume one fourth of the total electricity used in a plant in general, and improvement of the consumption efficiency therefore makes great contribution to cost reduction and prevention of global warming. On the other hand, compressors are often operated on a continuous basis, and it is difficult to identify wasteful operation.

I have detected waste in a wide range of factories based on my unique know-how accumulated through past activities and close communication with production sites, and proposed remedial measures along with the waste reduction effect presented in a quantitative manner to help realize the improvement.

As a result, I had evaluated approximately 50 production sites of the Sumitomo Electric Group by fiscal 2014, and the cost reduction was equivalent to 100 million yen in total. It is encouraging that I am often appreciated by people in the sites I visit.

I started to evaluate overseas plants last year, and also conduct an extended version of diagnosis based on measurement of the entire line of a plant.

I will continue to contribute to cost reduction and prevention of global warming through measurement-based evaluation.

## Environmental Management

### 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.

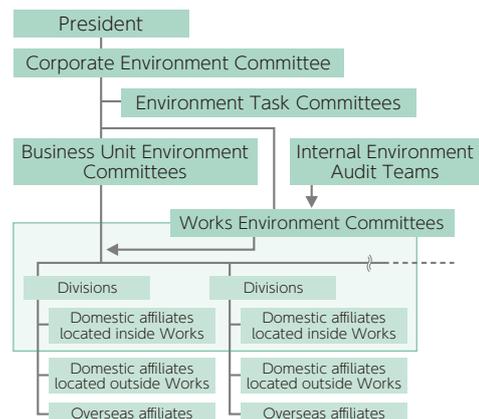
##### Action Guidelines

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.

### 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.



### 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 result in helping 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.

## Action ECO-21 Campaign

The Sumitomo Electric Group has conducted the Action ECO-21 Campaign since April 2003. The 'E' in the Action ECO-21 Campaign stands for environmental engineering, 'C' for environmental communication and 'O' for originality. While the Action ECO-21 (Phase V) Campaign was promoted as a two-year plan from fiscal 2013, we will develop the Action ECO-21 (Phase VI) Campaign from fiscal 2015.

### Targets and Results of the Action ECO-21 (Phase V) Campaign

●Period: Fiscal 2013 - 2014

Item	Descriptions	Targets for fiscal 2014	Fiscal 2014 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	Reduced 25%	◎
Reduction of environmental impacts from business activities	Reduce greenhouse gas emissions (in Japan and overseas)	Reduce 2% from FY 2012	Reduced 0.9%	▼
	①Reduce energy consumption per unit of sales through energy saving (in manufacturing sites) (Consumption in crude oil equivalent / sales)	Reduce 8% from FY 2012 (4% per annum; reduce 20% in 5 years)	Reduced 23%	◎
	②Reduce energy consumption per unit of sales through energy saving (offices)(Consumption in crude oil equivalent / floor area)	Reduce 2% from FY 2012	Reduced 19%	◎
	③Reduce CO <sub>2</sub> in logistics per unit of sales	Reduce 2% from FY 2012	Reduced 3.2%	◎
Promotion of resource conservation and recycling	(1) Reduce the zero emission rate (in Japan)	0.3% or less	0.05%	◎
	(2) Reduce waste (excluding valuable materials) (in Japan)	Reduce 2% from FY 2012	Reduced 4.7%	◎
	(3) Reduce the zero emission rate (overseas)	5% or less	12.3%	△
	(4) Reduce water use per unit of sales [Water use / sales]	Reduce 2% from FY 2012	Reduced 23.2%	◎
Reduction of the harmful chemical substances	(1) Reduce emissions of volatile organic compounds (VOCs) (in Japan and overseas)	Reduce 2% from FY 2012	Increased 8%	▼
	(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	Completed investigation of the use of phthalates	○
Expansion of environmentally conscious product range	(1) Register "Eco Mind" products	100%	100% (128)	○
	(2) Increase the ratio of Eco-products in sales	50%	44%	△
	(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	63 thousand tons/year	△

Legend ◎: 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)

### Targets of the Action ECO-21 (Phase VI) Campaign

●Period: Fiscal 2015 - 2017

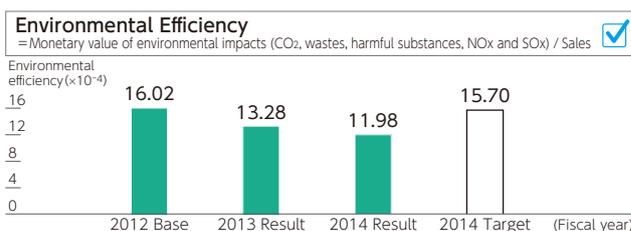
Item	Descriptions	Scope		Targets for fiscal 2017		Base year
		in Japan	over seas			
Environmental efficiency	Environmental impacts/ sales	●	●	Reduced 5%	1%/year	2012
Reduction of environmental impacts from business activities	(1) CO <sub>2</sub> emissions (in Japan and overseas): reduction of the absolute amount	●	●	Reduced 5%	1%/year	2012
	(2) Energy saving (production sites): reduction of energy consumption per unit of sales	●	●	Reduced 20%	4%/year	2012
	(3) Energy saving (offices): reduction of energy consumption per unit of sales	●	●	Reduced 5%	1%/year	2012
	(4) Reduction of CO <sub>2</sub> in logistics: reduction of CO <sub>2</sub> per unit of sales	●	—	Reduced 5%	1%/year	2012
Promotion of resource conservation and recycling	(1) Reduction of the zero emission rate (in Japan)	●	—	0.3% or less	—	—
	(2) Reduction of the zero emission rate (overseas)	—	●	0.5% or less	—	—
	(3) Amount of waste (in Japan): reduction of the absolute amount	●	—	Reduced 5%	1%/year	2012
	(4) Water use: reduction of water use per unit of sales	●	●	Reduced 5%	1%/year	2012
Reduction of substances of environmental concern	(1) Release of chemical substances (in Japan): reduction of the absolute amount of PRT-Designated substances	●	—	Reduced 5%	1%/year	2012
	(2) Management of chemical substances in products	●	●	Ensure compliance with laws in Japan and overseas	—	—
Expansion of environmentally conscious product range	(1) "Eco Mind" products	●	—	Register 100% of new products	—	—
	(2) Eco-products	●	—	60% of the ratio in sales (in Japan)	—	—
	(3) Products with less CO <sub>2</sub> emissions	●	—	Contribute to reducing CO <sub>2</sub> emissions by 100 thousand tons/year	—	—

\*Zero emission rate: Ratio of waste which is not recycled (see P68)

## Monitoring Based on Environmental Efficiency

In fiscal 2014, environmental efficiency was improved by 25% from the fiscal 2012 level

The Sumitomo Electric Group has defined environmental efficiency 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 VI) 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) The environment efficiency for the past fiscal years has been recalculated retroactively as follows:  
1. Data on the three domestic plants of J-Power Systems Corporation, which was incorporated as a consolidated subsidiary in fiscal 2014, for the past fiscal years have been added retroactively.  
2. The amount of waste for the past fiscal years has been adjusted retroactively with the improvement of accuracy.

**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 2014 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 611 employees participated in 35 sessions during the fiscal year.

## Global Environmental Audits

We implement audits of overseas sites, as well as sites in Japan, 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, of four sites in Thailand and four sites in Malaysia in fiscal 2011 and of three sites in China and four sites in Indonesia in fiscal 2012, as well as the audits of three sites in China, two 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 2013 from the boundaries of collection newly added or excluded in fiscal 2014 (no boundaries were newly added or excluded in this fiscal year).

Change due to sales change:  $[\text{Emissions or amount of waste in fiscal 2013 from the boundaries of collection for fiscal 2014}] \times (\text{Sales in fiscal 2014} / \text{Sales in fiscal 2013} - 1)$

Actual change: Calculated by subtraction

(Note 5) In the non-financial items, emissions from the three domestic plants of J-Power Systems Corporation, which was incorporated as a consolidated subsidiary in fiscal 2014, have been added retroactively. In accordance with the revised data, the reduction rate has been recalculated.

	Financial items								
	Investment (million yen)			Expense (million yen)			Economic effect (million yen)		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Reduction of greenhouse gas emissions	Investment in energy saving (Note 1)			/			Reduction of energy cost (Note 1)		
	1,303	2,717	1,918				384	534	639
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)		
	49	23	10	1,017	983	1,080	91	107	89
Cost of management activities (Note 5)	/			1,070	1,157	1,049	/		
Cost of social activities	/			9	6	14	/		
Cost of environmental remediation	/			12	8	9	/		

the Philippines, two sites in Vietnam and two sites in Taiwan in fiscal 2013, we conducted audits of three sites in the United States in fiscal 2014. As a result, we have completed 38 of the 46 sites subject to audits as of the end of fiscal 2014. In fiscal 2015, we have scheduled to audit eight sites in Europe and 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, 11 sites in fiscal 2013 and six sites in fiscal 2014. We also started the evaluation of overseas facilities in fiscal 2013, and evaluated seven sites in fiscal 2013 and seven sites in fiscal 2014. The evaluation of facilities in Japan and overseas will be continued in fiscal 2015.

《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 the US

In fiscal 2014, the following two violations of laws and regulations (cases where guidance, recommendation or order to pay fine was issued by the authority) were reported to the Safety & Environment Department of Sumitomo Electric.

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. Another affiliate in Taiwan received an order from the authority to pay a fine for insufficient paperwork for a waste treatment plan in March 2015. We will continue to make efforts to ensure compliance.

Non-financial items		
Performance (in Japan)	Change factors in fiscal 2014 (in Japan)	Strategy/opportunity and risk
<p>GHG emissions (thousand tons-CO<sub>2</sub>e/year) Reduction rate (%)</p> <p>2012 2013 2014 Target (Fiscal year)</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>2013 2014 (Fiscal year)</p> <p>Change due to boundaries change Change due to sales change Actual change</p>	<p>Reduction of 5% from the fiscal 2012 level in fiscal 2017 is set as the target. To achieve it, we aim to reduce energy consumption per unit of sales by 20% from fiscal 2012 level, and have strived for it. We made various energy saving efforts in this fiscal year as well. These activities are also important for the reduction of energy cost, which has been rising steeply in recent years. The knowledge learned through the activities is also introduced into overseas Group companies.</p>
<p>Amount of waste (excluding valuable materials) (thousand tons/year) Reduction rate (%)</p> <p>2012 2013 2014 Target (Fiscal year)</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>2013 2014 (Fiscal year)</p> <p>Change due to boundaries change Change due to sales change Actual change</p>	<p>We set the reduction of 2% from the fiscal 2012 level as the target for fiscal 2014. To reduce the amount of waste, we are promoting conversion of waste into valuable materials. The main investment during this fiscal year was waste liquid treatment facilities, enabling us to concentrate waste plating solution and thereby sell the metal content. We will continue our commitment to concentration of waste liquid as a method to reduce the amount of waste.</p>
<p>Cost of environmental organization, ISO 14001 registration and maintenance, etc.</p>		<p>ISO 14001 is the core of our environmental management activities, and the certification is requested by customers.</p>
<p>Cleanup of areas outside company sites, external environmental education, etc.</p>		<p>We consider cleanup of the neighboring areas as a basic social activity, and will continue our commitment to communication with local communities through this initiative.</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)

## INPUT

Materials	
Copper*	271 thousand tons
Iron	302 thousand tons
Aluminum	23 thousand tons
Resin	98 thousand tons
Chemical substances	15 thousand tons

Energy	
Electricity	2,165 million kWh
LPG	8 thousand tons
City gas	47 million m <sup>3</sup>
Other fuels (converted into crude oil equivalent)	11 thousand kl

Water	12,381 thousand m <sup>3</sup>
Product packaging materials	60 thousand tons

Transportation fuel (converted into crude oil equivalent)*	14 thousand kl
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- **Materials (copper, iron, aluminum and resin):** Total quantity of the product materials managed on a weight basis (those used by a business unit in the amount of 100 tons or more in total)
- **Product shipments:** Total shipments of the product materials managed on a weight basis (those shipped by a business unit in the amount of 100 tons or more in total)
- **Chemical substances:** Substances specified in the PRTR Law and equivalent laws in other countries
- **Electricity:** Purchased from electric power companies
- **Other fuels:** Heavy oil, kerosene, gas oil and natural gas
- **Water:** City water, industrial water and well water (groundwater)
- **Product packaging materials:** Corrugated cardboard, paper, resin and wood
- **Transportation fuel:** Gasoline, gas oil etc.



## OUTPUT

Greenhouse gas emissions	
CO <sub>2</sub>	1,419 thousand tons
Other gases (converted into CO <sub>2</sub> )	37 thousand tons

Air pollutant emissions	
NO <sub>x</sub> *	199 tons
SO <sub>x</sub> *	12 tons

Chemical substance emissions	
Into the air	80 tons
Into the water	2 tons
As industrial waste	180 tons

Wastes (excluding valuable materials)	
General wastes	15 thousand tons
Industrial wastes	56 thousand tons
Recyclable materials	62 thousand tons
Wastewater	10,590 thousand m <sup>3</sup>

Product shipments	461 thousand tons
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CO <sub>2</sub> emissions*	36 thousand tons
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- **CO<sub>2</sub>:** CO<sub>2</sub> emitted from the use of electricity, gas and fuels
- **Greenhouse gases other than CO<sub>2</sub>:** SF<sub>6</sub>, HFC, PFC and other greenhouse gases converted to CO<sub>2</sub> equivalent
- **NO<sub>x</sub>:** Nitrogen oxides emitted from the use of gas and liquid fuels
- **SO<sub>x</sub>:** Sulfur oxides emitted from the use of liquid fuels
- **General wastes:** Non-industrial wastes (including paper, wood, fibers and other trash) generated through business activities
- **Industrial wastes:** Wastes specified in the "Waste Management and Public Cleansing Law," including sludge, waste oils, waste acids/alkalis, waste plastics, metals, glass, ceramics, cinders and other substances generated through business activities
- **Wastewater:** Wastewater discharged from plant production processes, and household wastewater

Boundaries of data integration Items with \*: Sumitomo Electric + domestic affiliates; Items without \*: Sumitomo Electric + domestic and overseas affiliates  
 ※In the Environment and Energy Group, which is included in the scope of data collection, only data on the amount of the materials purchased by the Procurement Division of Sumitomo Electric alone are covered.

### Explanation of the Boundary

In promotion of environmental management, Sumitomo Riko Company Limited, 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, 1,456 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 2014. In the meantime, out of the 242 consolidated subsidiaries excluding the 3 listed companies mentioned above, the environmental management of our Group covers 145 companies in production units (46 in Japan, 31 in China, 32 in Asia (except China), 14 in the Americas and 22 in Europe and other in fiscal 2014). Our trial calculation indicates that environmental impact, such as greenhouse gas emissions, of the 145 companies is estimated to occupy 99% of that of the 242 subsidiaries.

## Reduction of Greenhouse Gas Emissions

### Our CO<sub>2</sub> emissions decreased in Japan but grew overseas

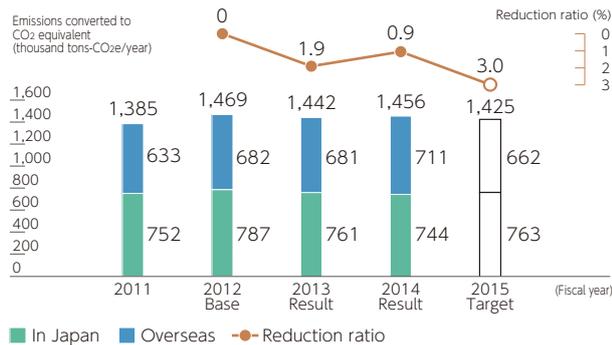
The Sumitomo Electric Group sets the targets of reducing GHG emissions by 2% from the fiscal 2012 level in fiscal 2014 in the Action ECO-21 (Phase V) Campaign. Various energy saving activities were promoted in the fiscal year to meet the target and prevent global warming. As a result, we reduced GHG emissions in Japan in fiscal 2014 from the previous fiscal year. While GHG emissions from our overseas companies recorded a year-on-year increase, the emissions in the whole Group were reduced by 0.9% from the fiscal 2012 level. This is an outcome of the energy saving efforts promoted actively throughout the Group under the initiative of the Energy Saving Office. Ongoing improvement of the energy efficiency in our overseas companies has also contributed to the reduction while we are shifting our production facilities to overseas sites.

The Action ECO-21 (Phase VI) Campaign, which is developed from fiscal 2015 to fiscal 2017, sets an aggressive target of reducing GHG emissions by 5% from the fiscal 2012 level by fiscal 2017. To achieve the target, we will promote energy saving activities by sorting out the conventional measures in an organized and systematic manner and dividing them into those which can be taken on a division basis as before and initiatives to be developed by the entire Group including the Energy Saving Office in a cross-departmental manner.

We will also introduce the knowledge on energy saving accumulated in Japan into overseas bases in collaboration with their mother factories. It is not only used to promote energy saving but also to reinforce the corporate structure.

We adopted a revised CO<sub>2</sub> emission factor in fiscal 2014, and applied it to the values in and after fiscal 2011 retroactively. The corrected data are now disclosed, which accordingly reflect the impact of the increases in GHG emissions in Japan as a result of shutdown of nuclear power plants.

### 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.

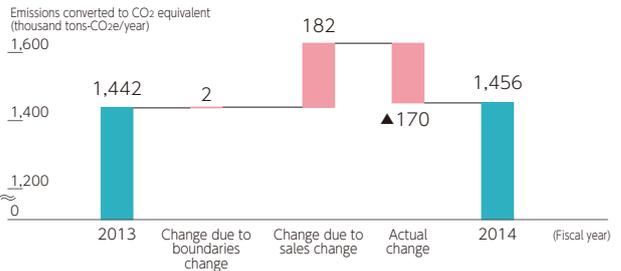
CO<sub>2</sub> emission factor for purchased electricity  
 [In Japan] Actual emission factor of each electricity power supplier published in the "Disclosure of actual emission factor, adjusted emission factor, etc. of each electricity power supplier for fiscal 2012" (2013) by the Japanese Ministry of 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

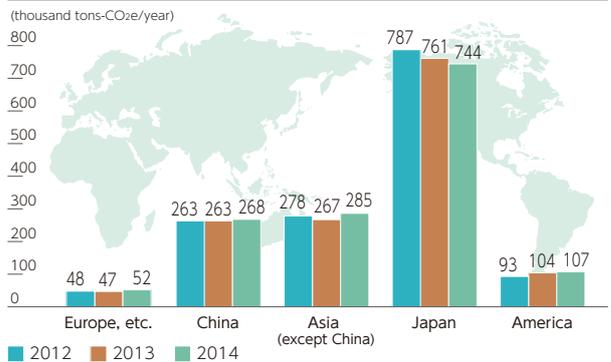
(Note 2) Emissions from the three domestic plants of J-Power Systems Corporation, which was incorporated as a consolidated subsidiary in fiscal 2014, for fiscal 2012 and 2013 have been added retroactively. In accordance with the revised data, the reduction rate has been recalculated.

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



(Note) Change due to boundaries change: Emissions in fiscal 2013 from the boundaries of collection newly added or excluded in fiscal 2014.  
 Change due to sales change: [Emissions in fiscal 2013 from the boundaries of collection for fiscal 2014] x (Sales in fiscal 2014 / Sales in fiscal 2013 - 1)  
 Actual change: Calculated by subtraction

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

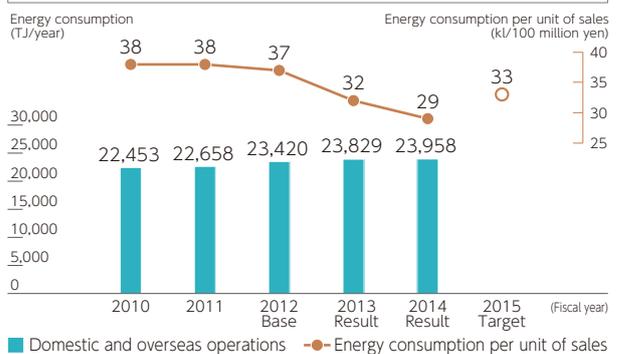


## Reduction of Energy Consumption

### 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 23% from the fiscal 2012 level in fiscal 2014. This significant improvement was attributed to sales growth supported by the depreciation of the yen, along with improvement of energy efficiency. While we have focused more on energy saving efforts in Japan to address the skyrocketing electricity prices since the Great East Japan Earthquake, we will introduce the measures conventionally developed in Japan into overseas sites through collaboration with their mother factories to promote energy saving efforts strongly on a global scale.

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



(Note 1) Energy consumption per unit of sales: Crude oil equivalent of energy consumption divided by sales  
 (Note 2) Energy consumption in the three domestic plants of J-Power Systems Corporation, which was incorporated as a consolidated subsidiary in fiscal 2014, for fiscal 2012 and 2013 has been added retroactively. In accordance with the revised data, the energy consumption per unit of sales has been recalculated.

## Disclosure of Environmental Information

### We are actively promoting disclosure of environmental information

We also respond to requests from external organizations for supply of information.

In fiscal 2014, we started to publish emission data by category for Scope 3 of CDP\*.

Greenhouse Gas Emissions in FY2014 (thousand tons-CO <sub>2</sub> e/year)		
Scope 1		184 <input checked="" type="checkbox"/>
Scope 2		1,272 <input checked="" type="checkbox"/>
Scope 3		2,732
Category	Description	
1	Purchased goods and services	1,812
2	Capital goods	441
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	223
4	Upstream transportation and distribution	36 <input checked="" type="checkbox"/>
5	Waste generated in operations	45
6	Business travel	31
7	Employee commuting	69
15	Investments	75

(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: Sum of Categories 1 to 7 and 15

(Note 2) The data for Category 4 in the table above cover logistics data in Japan only.

(Note 3) Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain, Ver. 2.2 of the Japanese Ministry of the Environment were referred to for the calculation.

## Energy Saving Activities in Production Units

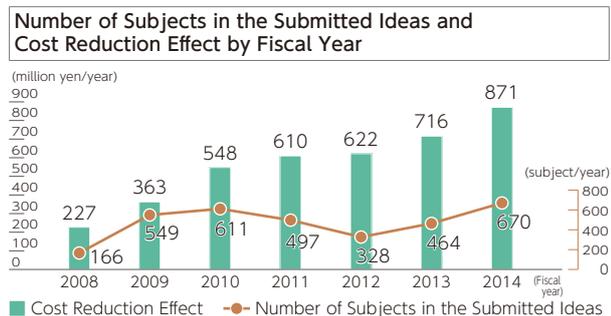
### We are working to reduce wasteful use and improve efficiency with the effects of ideas for energy efficiency improvement

#### 《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. Group companies and divisions also strive to accumulate energy saving effects to meet the target of reducing the absolute energy consumption by 4% from the fiscal 2012 level.

In fiscal 2014, while the target was reduction of 8% from the fiscal 2012 level, we reduced energy consumption by 7.6%.

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



#### 《Specific Measures》

To promote energy saving activities of Group companies and divisions, we have taken such measures as energy saving evaluation, measurement-based evaluation, adoption of relevant technologies and use of external engineering companies, and proposed new ideas. In fiscal 2014, in addition to proposal of ideas, we engaged in cooperation in priority areas, which was conducted with divisions to promote the activities until remedial measures were actually taken, and enhanced other initiatives by conducting the PDCA cycle to ensure improvement of the effectiveness.

The specific measures are described below.

- Measurement-based evaluation**: We determine the number of steam and air leaks, the amount of energy loss in steam traps, compressors' power consumption, etc. with measuring instruments. The measurement results show the expected effects of improvement efforts in a quantitative manner, and help make actual improvements. In fiscal 2014, we also 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 also promoted through close cooperation with divisions, business units and Sumitomo Electric Technical Solutions, Inc.
- Adoption of relevant technologies and use of external engineering companies**: We are introducing common technologies such as the operation of high-efficiency pumps and improvement of heat insulation in steam pipes into relevant divisions. When special technologies are required, we use external engineering companies for the introduction.

We will continuously work to meet the target of reducing both energy consumption per unit of sales and the absolute amount by 4% in fiscal 2015 and beyond by using the PDCA cycle to achieve the target of reduction of 20% from the fiscal 2012 level in fiscal 2017.

## Energy Saving Activities in Offices

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

We reduced greenhouse gas emissions per floor area in offices by 19% from the fiscal 2012 level in fiscal 2014 while the target was set to be reduction of 2%.

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 offices, district offices and branch offices. The committee members have taken energy saving initiatives and formulated rules to promote and establish the following activities:

- Dressing cool in summer and warm in winter, to keep air conditioning moderate
- Turning off all office lights during lunch break
- Turning off lights and air conditioners in meeting rooms and toilets when not in use
- Introducing economy mode for PCs
- 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 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, Ltd. to the participants based on the points obtained from the use of the website.

#### Glossary

\* CDP (former name: Carbon Disclosure Project)

In CDP, an international NPO, institutional investors collaborate to implement a project that requests companies to establish strategies against climate change and publish data on greenhouse gas emissions.

## Researchers in the WinD Lab made concerted efforts to save energy in a cross-departmental way



**Akira Sato**  
Deputy Section Chief,  
1st Section,  
Osaka Support Group,  
Support Department,  
R&D Planning &  
Administration Division



**Yasuhiro Nagatani**  
Section Chief,  
Osaka Support Group,  
Support Department,  
R&D Planning &  
Administration Division



**Masashi Yoshimura**  
General Manager of  
Support Department and  
Manager of  
Osaka Support Group,  
R&D Planning &  
Administration Division



**Toshinobu Takeda**  
Leader, R&D Maintenance Group,  
3rd Technology Section,  
Osaka Plant Department,  
Plant Division, Sumitomo Electric  
Technical Solutions, Inc.



WinD Lab



Intermittent stop of the outside  
air treating air conditioner



Thermal insulation of  
steam pipes

This report introduces energy saving activities performed in fiscal 2014 in the WinD Lab, a laboratory building at Osaka Works. The WinD Lab accommodates research centers and institutes of 10 divisions, as well as intellectual property departments, with roughly 700 workers. While energy saving systems were already in place in the building at the time of its construction in 2010, an energy saving diagnosis conducted on holidays in April 2014 revealed an issue that energy consumption dropped by only 30% on holidays in comparison with weekdays.

It was difficult to promote energy saving in the R&D units as they are composed of various organizations. Urged by the wasteful use presented in a numerical form, however, energy saving activities involving all divisions were launched on a cross-sectoral basis.

We saved energy mainly through three initiatives. Firstly, we examined the operating hours of the outside air treating air conditioner. It used to be operated at full capacity except long holiday seasons for a reason related to temperature, humidity, and CO<sub>2</sub> concentration. Based on measurement tests over about one and a half months, we achieved the intermittent stop of the device at night and on holidays. The measurement was conducted with a wireless temperature sensor, a proprietary

energy saving technology of Sumitomo Electric.

The second initiative was reduction of power consumption in the clean room. While power used in the clean room represents approximately 30% of the total power consumption in the WinD Lab, air conditioning is essential in the room, where dust has to be removed. It was a difficult challenge but we tried to solve it with a sense of responsibility. We actually stopped operation of the clean room to verify the result because it has direct impact on the quality of products. We steadily repeated the process of collecting micron-size dust and analyzing it and acquired know-how for energy-saving operation of the room.

As the third measure, we installed thermal insulation materials to steam pipes, which was performed with the energy and power saving funds prepared in Sumitomo Electric.

As a result, while the target was reduction of 133 MWh/year or 1.0% from the fiscal 2013 level, we reduced energy consumption by 173 MWh/year or 1.3% from the fiscal 2013 level in fiscal 2014.

In addition to the teamwork of the Osaka Works Environment Committee, enthusiasm of the researchers to pursue energy saving also contributed to the success. We will keep working together to save energy so that we can accelerate development activities and improve energy efficiency at the same time.



(Front row,  
from left)

**Hiroyuki Watanabe** Section Chief, Osaka Support Group,  
Support Department, R&D Planning & Administration Division  
**Shigeru Masuda** Assistant General Manager, Power System R&D Center  
**Yasuhiro Shimizu** Assistant Manager, Sumitomo Electric Intellectual Property & Technology Center, Ltd.  
**Hiroyuki Fujikawa** General Manager, Unit R&D Division, Advanced Automotive Systems R&D Center  
**Kenichi Hirotsu** Assistant Manager, Power System R&D Center

(Rear row,  
from left)

**Masashi Yoshimura** General Manager of Support Department and Manager of  
Osaka Support Group, R&D Planning & Administration Division  
**Yasuhiro Nagatani** Section Chief      **Akira Sato** Deputy Section Chief  
**Eiji Ishida** Deputy Section Chief      **Kenji Kiire** Assistant Manager  
Osaka Support Group, Support Department, R&D Planning & Administration Division  
**Toshinobu Takeda** Leader, R&D Maintenance Group  
Osaka Plant Department, Plant Division, Sumitomo Electric Technical Solutions, Inc.

## CSR VOICE



### 〈Energy saving in households〉 Let's continue the Eco-Life Activities

**Keiji Handa** Assistant Manager, Itami Tool Engineering Center, Application Development Department, Sumitomo Electric Hardmetal Corp.

I completely electrified my house at the proposal of my wife in 2007, and also introduced photovoltaic power generation. Thanks to the effect of the solar panels and other energy saving efforts in our daily life, my family has reduced CO<sub>2</sub> emissions by 3,100kg per year. I make it a habit to keep an eco-account book and post comments on Everyone's Ecology of the Sumitomo Electric Version of My family's Minister of the Environment every month. By posting comments on the website, I think I can develop myself and also help encourage others to promote environmental activities. The comments describe my efforts, especially what we can do specifically in each of the seasons, with humor, including how to save water for bathing and other ideas on bathing, as well as green curtains and home garden with planters, and ideas on the time of using heaters and air conditioners to improve efficiency. I will continue Eco-Life Activities.

## Reduction of CO2 Emissions in Logistics

We are committed to reduction of transportation distance and promotion of modal shift

Per unit CO2 emissions in the Sumitomo Electric Group as a whole in Japan (Note1) in fiscal 2014 were reduced by about 3.2% from the fiscal 2013 level.

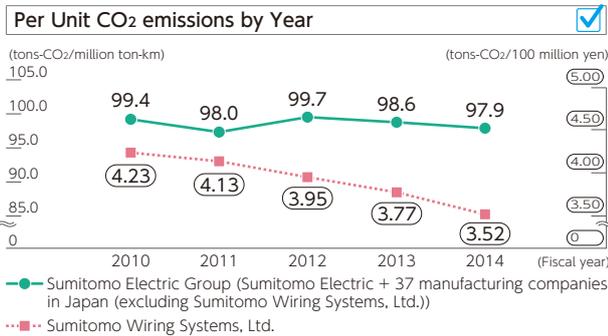
Sumitomo Electric reduced CO2 emissions in logistics through various measures. For example, trucks were replaced by trailers in the transportation of copper wire rod for export to the port of shipment, which improved the efficiency of our truck transportation as a whole. An affiliate in Itami relocated processes for processing high-strength steel wire, which used to be performed in Amagasaki, to Itami in order to reduce transportation between the processes. An affiliate in Toyama started to use Fushiki-Toyama port in the Shinminato area as the port of shipment for export, instead of ports in the Hanshin area (Note2), to shorten the distance of domestic transportation.

In the meantime, Sumitomo Wiring Systems, Ltd. improved transportation efficiency by using railroad transportation for delivering products from plants in Kyushu to their destinations in the Tohoku region, which used to be transported by ferry, as well as for supply of parts from the logistic center in the Kanto region to plants in the Tohoku region, which used to be delivered by truck.

We will continue the group-wide efforts to reduce CO2 emissions from transportation.

(Note1) Group-wide per unit CO2 emissions in Japan  
Sumitomo Wiring Systems, Ltd. adopts CO2 emissions per sales amount as the basis for the calculation while other group companies use CO2 emissions per cargo transport (t-km). Therefore, the weighted average of each year-on-year CO2 emission rate is calculated based on the CO2 emissions.

(Note2) Hanshin area  
Area around Osaka and Kobe



**CO2 Emissions from the Sumitomo Electric Group (Excluding Sumitomo Wiring Systems, Ltd.) by Year**

Fiscal year	Total cargo transport (million ton-km)	CO2 emissions (tons-CO2)	CO2 emissions per cargo transport (tons-CO2/million ton-km)
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
2014	210.6	20,622	97.9

(Note 1) Boundaries of data collection: Sumitomo Electric + 37 manufacturing companies in Japan (excluding Sumitomo Wiring Systems, Ltd.)  
(Note 2) CO2 emissions are calculated on an improved ton-kilometer basis + a fuel-efficiency basis.

**CO2 Emissions from Sumitomo Wiring Systems, Ltd. by Year**

Fiscal year	Sales amount (100 million yen)	CO2 emissions (tons-CO2)	CO2 emissions per sales (tons-CO2/100 million yen)
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
2014	4,419	15,570	3.52

(Note 1) CO2 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.

## Promotion of Modal Shift

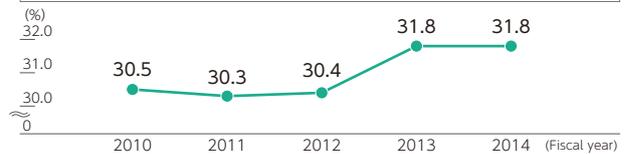
We increased the use of railroad transportation through coordination with our customers

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 2014, the modal shift rate remained almost the same as the previous fiscal year.

There are some reasons for these situation. One reason is decrease of truck transportation by the reduction of transportation between manufacturing processes of Sumitomo (SEI) Steel Wire Corp. and another one is the obtain of new customers which is sending our products by train from affiliate (a group company) in Muroran of Sumitomo (SEI) Steel Wire Corp. and other one is we could not take the new transportation of modal shift for railroad.

**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.)

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

Sumitomo Electric has acquired certification as a company engaged in the initiatives of Eco Rail Mark\* from the Railway Freight Association.



## Improvement of Transportation Efficiency by Affiliates in China

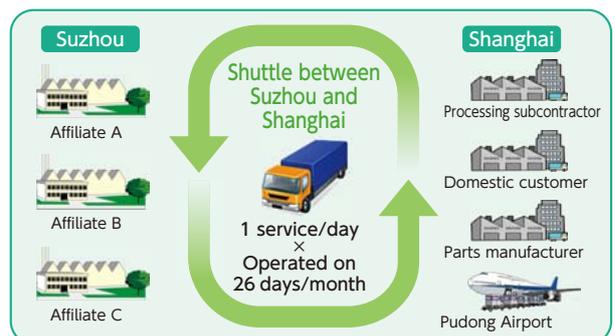
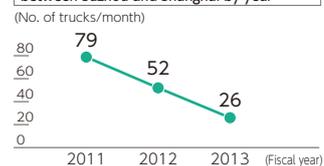
A shuttle service was introduced to improve transportation efficiency in eastern area of China

Sumitomo Electric Management (Shanghai) Co., Ltd. operates a shuttle between our affiliate in Suzhou, Jiangsu Province and Shanghai once a day to transport freight of different companies with same trucks, which had conventionally been carried separately by each company, to reduce the number of the trucks operated for transportation.

While the service was started with transportation of freight of one affiliate in 2011, the number of the affiliates using the service grew to three in fiscal 2013, which reduced the number of trucks operated by the companies by about 70%.

As a result, CO2 emissions decreased by 0.7 tons of per month (approximately 24%).

**Number of the trucks used for transportation between Suzhou and Shanghai by year**



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

We are promoting resource saving and recycling

### 《Promotion of Zero Emissions》

In our efforts for the zero emission rate, we achieved the target of maximum 1% zero emission rate in the domestic group companies 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 2014 was 0.05%, which met the target as in the previous fiscal year. 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.

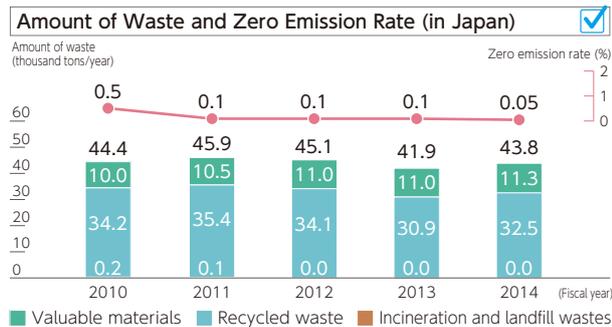
$$\text{Zero emission rate (\%)} = \frac{\text{Amount of waste incinerated without heat recovery} + \text{Amount of landfill waste}}{\text{Amount of industrial waste} + \text{Amount of general waste}} \times 100$$

(Note) The amount of waste includes that of what used to be waste but was converted into valuable materials through internal efforts after fiscal 2001.

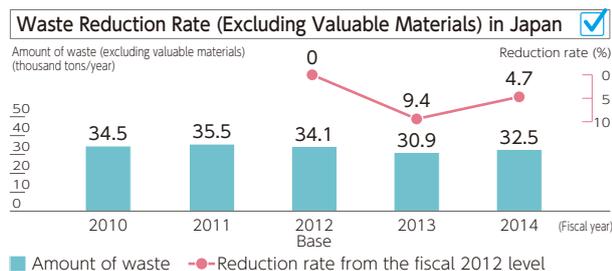
### 《Reduction of the Amount of Waste》

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 4.7% from the fiscal 2012 level in fiscal 2014, which exceeded the target.

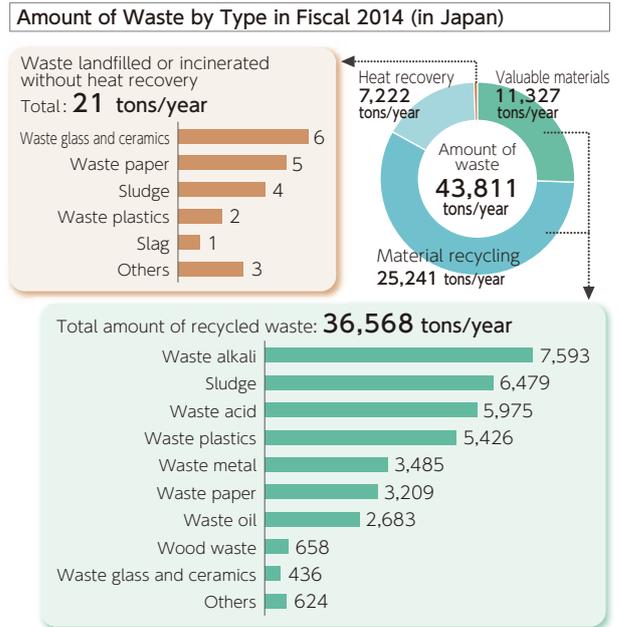
To reduce the amount of waste, we promote conversion of the waste into valuable materials through separation and search of uses, and also focus on reduction of defects and review of the process that caused defects in production sites, which are fundamental activities for manufacturing, as well as reuse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



(Note 1) The amounts of valuable materials, recycled waste and incineration and landfill wastes from the three domestic plants of J-Power Systems Corporation, which was incorporated as a consolidated subsidiary in fiscal 2014, for fiscal 2012 and 2013 have been added retroactively. In accordance with the revised data, the zero emission rate has been recalculated.



(Note 1) The amount of waste from the three domestic plants of J-Power Systems Corporation, which was incorporated as a consolidated subsidiary in fiscal 2014, has been added retroactively. In accordance with the revised data, the reduction rate has been recalculated.

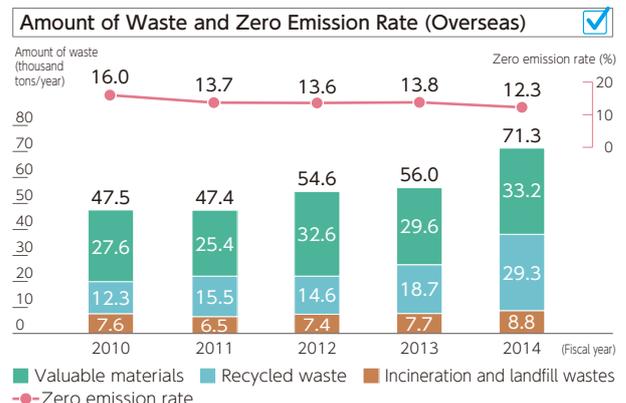


## Reduction of the Waste to Be Incinerated Without Heat Recovery or Landfilled (Overseas)

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.

The zero emission rate in fiscal 2014 was 12.3%. While the target was not achieved, the rate was reduced by 1.5 points from the previous fiscal year. This improvement was a result of promotion of screening general waste in some of the overseas Group companies to recycle the waste incinerated without heat recovery or landfilled or convert such waste into valuable materials. We will continue to encourage the overseas Group companies that have not met the target zero emission rate to reduce the amount of waste incinerated without heat recovery or landfilled in cooperation with staff in their parent divisions. 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.



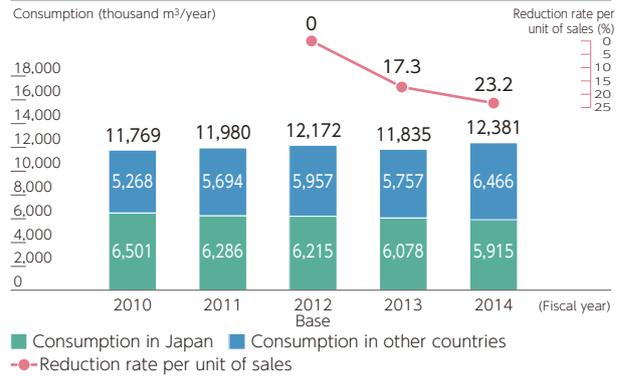
(Note 1) The amount of incineration and landfill wastes and zero emission rate for fiscal 2012 and 2013 have been corrected with the improvement of accuracy.

## Water Use Reduction

We increased absolute water consumption but reduced the volume per unit of sales

We have been actively committed to reducing water consumption as an action item since fiscal 2008. In fiscal 2014, while water consumption increased in association with the growth of our overseas production, we reduced the volume per unit of sales by 23.2% 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. We are also committed to reduction of water consumption through collective use of gas washing columns, improvement of efficiency of water-cooled air conditioners and installation of electrolytic scale removal systems, in parallel with efforts to reduce energy consumption in these facilities, as well as the reuse of the wastewater that used to be discharged.

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



(Note) Reduction rate per unit of sales for fiscal 2013 has been adjusted retroactively to improve the accuracy. Water consumption is calculated as the sum of the consumption of city water, industrial water and groundwater.

## We 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 Electric received the METI Minister's Prize for fiscal 2014.

The prize was awarded in recognition of our group-wide global 3R promotion activities carried out under the Action ECO-21 Campaign. This initiative has been developed since fiscal 2003 throughout the Sumitomo Electric Group, which is expanding its business locations through division of business activities into branch companies, as well as overseas development.

We are committed to activities to reduce the zero emission rate in Japan and overseas, lower the use of product packaging materials, reduce the amount of waste through using it as valuable materials, reuse waste liquid and solvent and reduce unneeded materials by decreasing loss of raw materials and half-finished products.

The targets are revised every two or three years in consideration of the progress in the achievement, social circumstances and other factors to vitalize the activities.



Main items converted into valuable materials

Type	Use
Waste acid (waste plating solution)	Recovery of metal
Sludge (containing metal)	Recovery of metal
Waste plastic (waste from dismantling of cables)	Recycled material
Confidential documents	Papermaking material
Waste paraffin	Fuel
Waste oil and solvent	Recycled solvent
Waste glass	Material of fire-resistant materials
Waste bricks generated at the time of repairing furnaces	Recovery of metal



Waste plastic



Waste glass



Nickel sludge



Waste acid

## Waste Segregation in Overseas Affiliates (Municipal Solid Waste in Malaysia)

Sumitomo Electric Sintered Components (M) Sdn, Bhd. (SESC)

SESC, which manufactures sintered products in Malaysia, used to send general waste into landfill.

The general waste storage of the company was receiving empty cans and waste paper as well, as of fiscal 2009. In fiscal 2012, boxes for waste segregation were installed in the plants and offices to thoroughly sort waste paper, waste cardboard, empty cans, plastic, waste cloths, fabric gloves, plastic gloves and general waste. While 12 tons per month of waste was sent to landfill in fiscal 2012, the amount was reduced to 4 tons per month in fiscal 2014.



As of November 2009

## Thorough segregation of waste in plants and offices



Waste to be sold



Waste to be sold



Waste to be recycled



Waste to be landfilled

## 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 these 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 2014, we set the target of reducing VOC emissions by 2% 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 2014 increased by 8.0% from the fiscal 2012 level to 297 tons.

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

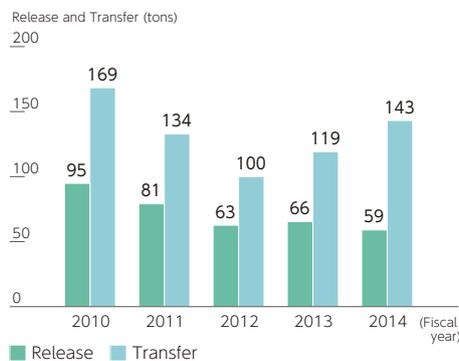
## Release and Transfer of Chemical Substances Specified in the PRTR Law

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 amount 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 44 plants of Sumitomo Electric's Osaka and Yokohama Works and 27 group companies submitted such reports for fiscal 2014. Sumitomo Electric Group's total release and transfer of PRTR-designated substances in Japan were 59 tons and 143 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 2014 (calendar year) were 14 tons and 28 tons, respectively.

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



\* 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.

At present, the Sumitomo Electric Group produces no products using asbestos.

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

Chemical substance	Release					Transfer			Total amount
	Into air	Into water	Into soil	Into landfill	Total release	By sewage	By disposal	Total transfer	
Toluene	23.0	0.0	0.0	0.0	23.0	0.0	9.0	9.0	32.0
Phenol	6.6	0.0	0.0	0.0	6.6	0.0	15.2	15.2	21.8
Nickel compounds	0.0	0.2	0.0	0.0	0.2	0.0	20.4	20.4	20.6
Cresol	5.5	0.0	0.0	0.0	5.5	0.0	12.4	12.4	17.9
Dichlorobenzene	3.8	0.0	0.0	0.0	3.8	0.0	11.0	11.0	14.8
Zinc compounds (water-soluble)	0.0	0.0	0.0	0.0	0.0	0.1	13.0	13.1	13.1
Lead	0.0	0.0	0.0	0.0	0.0	0.0	12.0	12.0	12.0
Xylene	3.0	0.0	0.0	0.0	3.0	0.0	7.3	7.3	10.3
1-bromopropane	7.2	0.0	0.0	0.0	7.2	0.0	0.9	0.9	8.1
Molybdenum and its compounds	0.0	0.8	0.0	0.0	0.8	0.0	5.8	5.8	6.6
33 other substances	8.7	0.2	0.0	0.0	8.9	0.5	35.9	36.3	45.2
<b>Total</b>	<b>57.8</b>	<b>1.2</b>	<b>0.0</b>	<b>0.0</b>	<b>59.0</b>	<b>0.6</b>	<b>142.9</b>	<b>143.4</b>	<b>202.4</b>

(Unit: tons)

Chemical substance	Release					Transfer			Total amount
	Into air	Into water	Into soil	Into landfill	Total release	By sewage	By disposal	Total transfer	
Dioxins	1.2	0.95	0	0	2.15	0	2	2	4.15

(Unit: mg-TEQ)

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

## 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 2014, a total of 654 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.

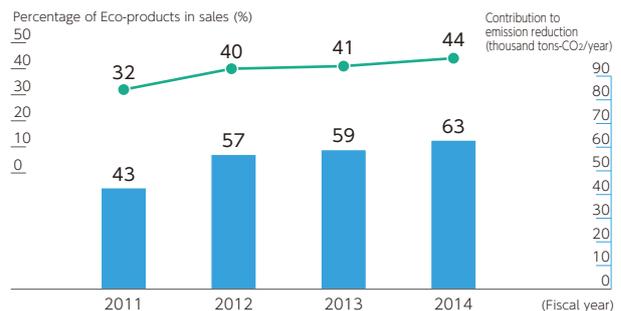
By the end of fiscal 2014, a total of 213 items have been registered as Eco-products. The sales ratio in fiscal 2014 was 44%.

### « 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 63 thousand tons in fiscal 2014.

### 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 P72.

## Eco-Products Report

We will further extend the tool life of CBN\* cutting grades, which contain rare metals, to save natural resources on the earth



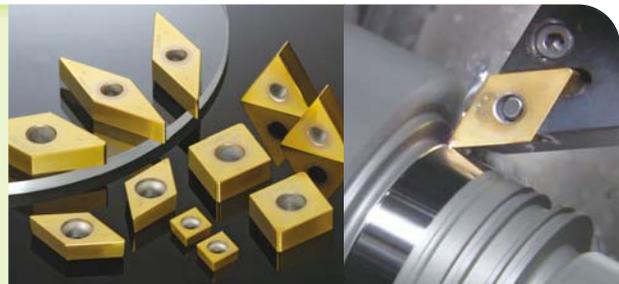
**Katsumi Okamura**  
Manager  
CBN/PCD Materials Development Group  
Super Hard Materials Development  
Department



**Yusuke Matsuda**  
CBN/PCD Materials Development Group  
Super Hard Materials Development  
Department

This report introduces BNC2010 and BNC2020. We have developed these CBN grades for the machining of hardened steel to achieve higher machining accuracy and longer life than conventional grades. They were registered as Eco-products in the Sumitomo Electric Group, and also certified as environmentally conscious products by Japan Cutting & Wear-resistant Tool Association in 2015.

CBN grades, which are used for the machining hardened steel, contain tungsten and other rare metals in their substrates. Extension of the life reduces the consumption of such precious



CBN grades for the machining of hardened steel (BNC2010 and BNC2020)

The grades have high wear resistance and realize better surface finish

resources of the earth. We have successfully extended the life of both BNC2010 and BNC2020 by 80% in comparison with existing products. In addition, BNC2010 is so environmentally friendly that it can avoid the generation of waste fluid by achieving better surface roughness\* enables change from grinding, which generates waste fluid, to cutting. BNC2020, which is designed for high efficiency machining, can dramatically reduce the machining time and thereby contribute to reduction of power consumption and CO<sub>2</sub> emissions in the entire machining operation.

With the extended life of the CBN grades, which are essential tools for manufacturing, we contribute to environmental conservation through lower use of precious resources as well as energy saving and reduction of CO<sub>2</sub> emissions. As pioneers of the machining of hardened steel, we would like to make continuous contributions to the development of CBN grades with even longer life, higher efficiency and achieving better surface roughness.

### Glossary

#### \* CBN

CBN is a cubic structure of boron (B) and nitrogen (N), which are next to carbon in the periodic table of the elements. CBN grades are machining tools that are even harder than cemented carbide tools and can be used to machine hardened steel with high accuracy.

#### \* Surface roughness

Finishing precision of machined surfaces. Surface roughness is expressed in μm.

## 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 energy saving in base stations with compound semiconductor power amplifying elements



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

The contribution is calculated by estimating the reduction of CO<sub>2</sub> emissions achieved with the effect of the device in the improvement of efficiency at a 2.6 GHz base station based on the criteria set 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

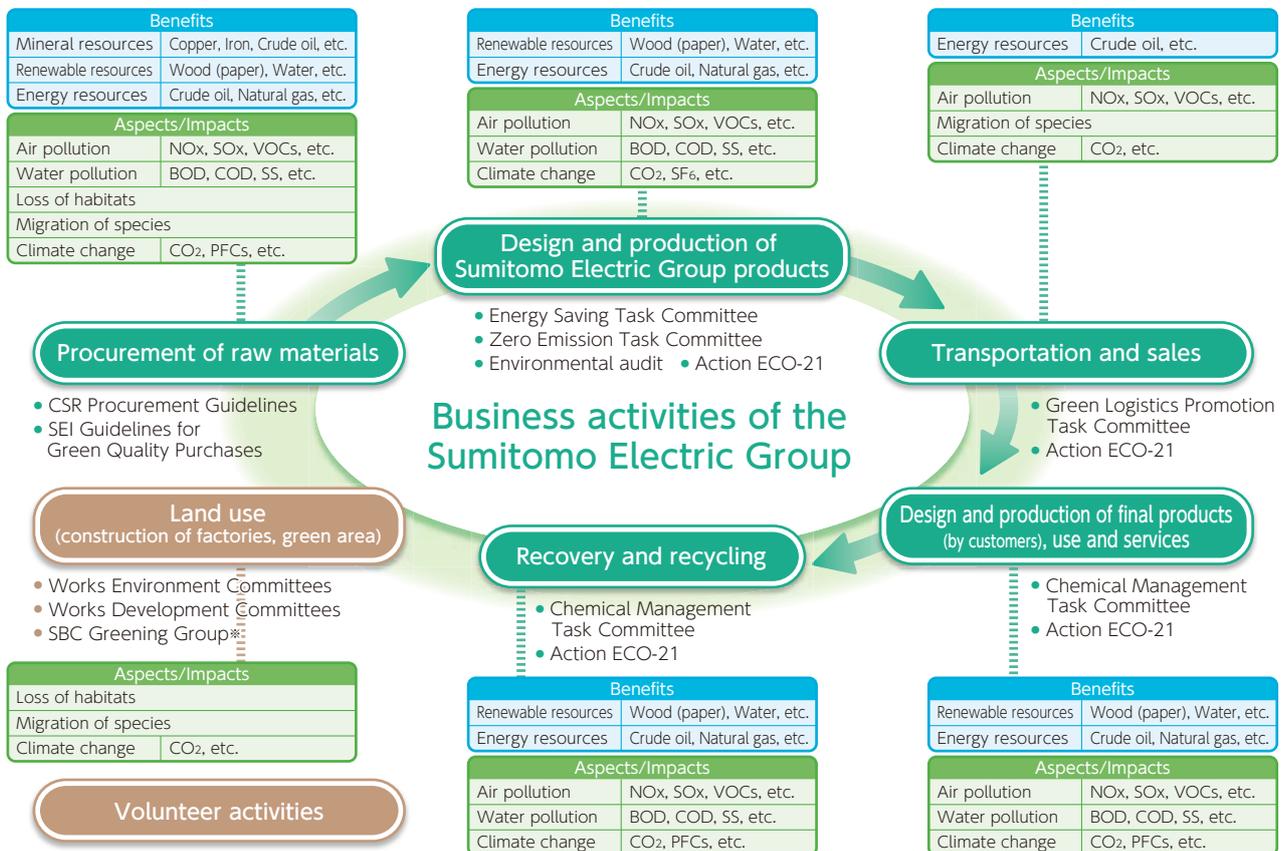
The Action ECO-21 Campaign is linked to biodiversity via activities to conserve the ecosystem

### 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.



\* SEI Business Creates, Inc. (SBC) has this permanent organization dedicated to greening activities in Osaka, Itami, Yokohama Works, and in manufacturing site in Kanto and Kumatori.

# Social Contribution

## 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.

- ① Develop social contribution activities that meet local needs
- ② Establish partnerships with community-based organizations
- ③ Continue long-term social contribution initiatives

### To promote a more active use of the SEI Group CSR Foundation.

Seigo Kawasaki  
Administration Group, Administration Division



I am working for the operation of donation and support programs at the secretariat of the SEI Group CSR Foundation.

My jobs are wide ranging from communication with students, universities and research institutes to collection of information used for the selection of candidates for financial support.

In fiscal 2014, we organized a ceremony to provide financial support for academic and research activities, as well as a

meeting for students to present their research activities. Through these events, I learned how the foundation is utilized and how each of the research activities contributes to society. The sincere attitude of the students and scholars to research renewed my awareness of the significance of the CSR Foundation, and made me proud of playing a part in it.

I will continue to convey the significance and role of the SEI Group CSR Foundation to even more people in order to help the foundation cultivate human resources that can make social contribution and promote technical development both in Japan and abroad.

## Social Contribution

### 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 2014, the SEI Group CSR Foundation received contributions of a little over 131,770 thousand yen in total from Sumitomo Electric (with the whole amount, including a little over 770 thousand yen donated through the cafeteria plan, appropriated for operation) and (1) donated 92 million yen in total to university courses, (2) supplied subsidies of 21.8 million yen in total to academic and research activities, and (3) provided scholarships of approximately a little over 24.9 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 three new courses along with the six 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
- "Research course on tsunami marine hazards" at Kobe University
- "Research on terminal care for elderly patients with chronic heart disease" at Saga University
- "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

- "Endowed lab, Innovation Management Science" at Kyoto University (new)
- "Data Entrepreneur Program (IT innovation human resource development programs for data science and new business)" at the University of Electro-Communications (new)
- "Hands-on training program for the development of young entrepreneurs" at the University of Tokyo (new)

We also invited applicants to the program to support academic and research activities, and received 101 applications. Out of them, we have selected 19 research programs including basic science research that needs research funds and exploratory research by young researchers, and offered subsidies to them.

 Group CSR Foundation page of our website <http://www.sei-group-csr.or.jp/e/index.html>

**CSR VOICE**

**I hope that Japanese companies serve as an engine for the Thai economy**

**Mr. Harit Chanoktvakul**  
2nd year student, Information Technology Course, Faculty of Information Technology, Thai-Nichi Institute of Technology

I am Harit Chanoktvakul, a second year student of Thai-Nichi Institute of Technology (TNI), and am a third year student in June this year. I belong to Department of Information Technology, Faculty of Information Technology, and study IT in general. In consideration of my family's tight budget, I had to carefully decide whether to choose a national or private university. As no national universities had a course of my choice, I decided to go to TNI, the tuition fee of which was the most reasonable among the private universities.

While I have got a student loan from Thai government in addition to a scholarship from Sumitomo Electric, the scholarship is very helpful because I do not have to repay it.

My favorite subject at the university is programming, and I am especially interested in "Android Development." I hope to find a job related to it after graduation, and in the internship program for fourth year students, I want to select a company where I can work as a programmer. It is a pity that there are few Japanese companies in the Thai IT industry.

In the future, I want to pursue a career as both a programmer and a business owner. I am also interested in running restaurants, and actually making extra money from selling fruits at the university cafeteria now. I hope to spend my time wisely to study at the university and secure my livelihood at the same time.

The Thai economy is currently stagnant. While many Japanese companies are developing their businesses in the country, I expect them to expand their economic activities here.

I would like to thank the SEI Group CSR Foundation for its contribution to the Thai society, and hope that the Sumitomo Electric Group plays a more active role in Thailand in the future.

## 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, as well as activities to provide vaccines to children around the world

We have promoted TABLE FOR TWO, 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. In addition, we develop activities to donate profit on sale of PET bottle caps as prices for vaccines to be provided to children across the world through Japan Committee Vaccines for the World's Children, an authorized NPO.

## Social Contribution through Donations

We are making social contribution through donations from a global perspective

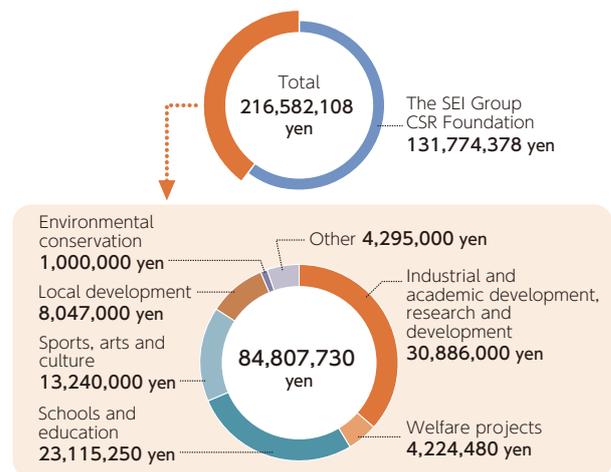
In fiscal 2014, we made donations in various areas including schools and education, industrial and academic development, R&D, art and culture, welfare, local development, environmental conservation and sports. For example, we gave financial support to symphony orchestras and opera performance as part 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 also collected matching gifts\* from employees to donate a total of a little over 3,630,000 yen to the Japan Committee for UNICEF, Japanese Red Cross Society, World Wide Fund for Nature (WWF) Japan, etc.

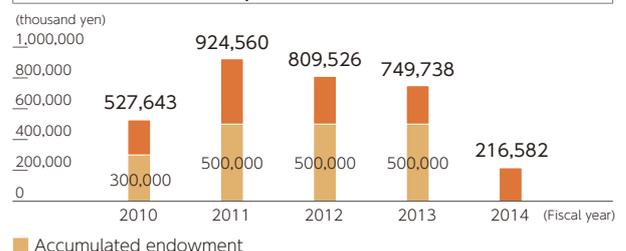
In addition to initiatives in Japan, we developed social contribution activities on a global scale, including the donation of sponsorship money to EXPO Milano 2015.

Sumitomo Electric made donations for the endowment of the SEI Group CSR Foundation from fiscal 2009 to 2013. As the accumulated endowment reached the initial target of 2 billion yen, we have donated fund for operation only since fiscal 2014.

Amount of Donations by Category (Sumitomo Electric alone)



Amount of Donations by Year



**Glossary** \*Matching gift system  
The company concurrently donates an amount equal to the donation made by an employee in this system.

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 55 companies of Sumitomo Electric and its group companies are covered. They include Sumitomo Riko Company Limited, 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 55 companies including the companies mentioned above.

- **Supporting local disaster-prevention and safety activities**

Sumitomo Electric Sintered Alloy, Ltd.: Activities to watch for the safety of elementary school students on their way to school

- Performed in 28 of the 55 companies including the company mentioned above.

- **Opening corporate facilities (sports grounds, gyms, etc.) to the public**

- Performed in 4 of the 55 companies including A.L.M.T. Corp.

- **Inviting local residents and students (from elementary, junior high and high schools) to plant tours**

Sumitomo Electric Device Innovations, Inc. received 63 local high school students in February 2015

- Performed in 10 of the 55 companies including the company mentioned above.

- **Opening company sites to the public to organize events**

Sumitomo Electric: In Itami Works, organizing Greenery-Floral Festival in November

- Performed in 4 of the 55 companies including the companies mentioned above.

- **Publishing local community magazines**

Sumitomo Electric: Osaka Works in July 2014 and January 2015, Itami Works in May and December 2014, Yokohama Works in May and November 2014



● Activities to exchange greetings with and watch for the safety of elementary school students on their way to school



● Greenery-Floral Festival



● Mural art created by elementary school students

#### Contributing to sports and cultural activities

- **Contributing to sports activities**

Sumitomo Electric: Sponsoring the 70th Lake Biwa Mainichi Marathon in March 2015

In Itami Works, jointly organizing athletic practice sessions for elementary school and junior high school students in Itami City (16 sessions a year)

- Performed in 10 of the 55 companies including the company mentioned above.

- **Contributing to arts and cultural activities**

Sumitomo Electric: In Osaka Works, participating in the Konohana Art Project of Konohana Ward, Osaka to offer a wall in its site as a canvas for the creation of mural art by students of Shimaya Elementary School in November



● Accepting elementary school students for a work participation program

#### Supporting education and training

- **Offering hands-on training programs and off-campus classes to students and teachers**

Tokai Sumiden Precision Co., Ltd.: Accepting elementary school students for a work participation program in November

- Performed in 24 of the 55 companies including the company mentioned above.

- **Holding on-site seminars**

STARNET Co., Ltd.: Jointly organizing Information Security & Crisis Management Seminar in January 2015

- Performed in 6 of the 55 companies including the company mentioned above.



● Blood donation in Malaysia

#### Activities in other countries

- **Employee volunteerism in local communities**

Sumitomo Electric Interconnect Products (M) Sdn. Bhd.: Blood donations and support of persons with disabilities in Malaysia



● Support of persons with disabilities in Malaysia

## Creating a way to overcome Alzheimer's disease through the research and development of probes useful for its early diagnosis

The SEI Group CSR Foundation makes donations to excellent university courses that contribute to social development. One of them is "Research on neuroimaging" at Institute of Development, Aging and Cancer, Tohoku University, which has made achievements in the development of probes that enable early diagnosis of Alzheimer's disease. This course is introduced below.

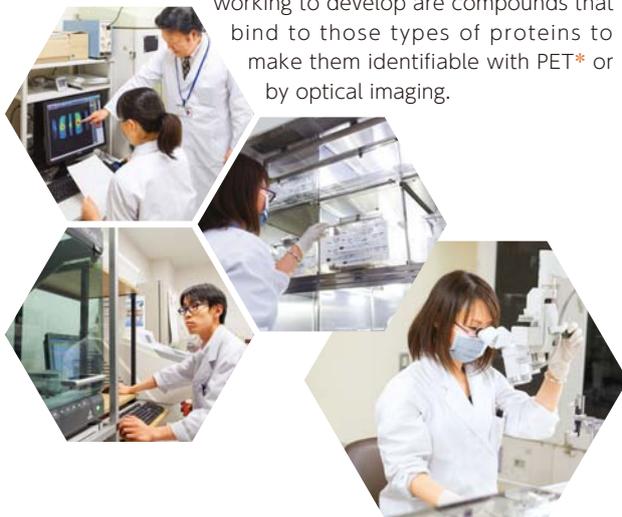


Professor Yukitsuka Kudo  
Institute of Development, Aging and Cancer, Tohoku University

### Early diagnosis of Alzheimer's disease will become possible

Our course is aimed at the research and development of probes useful for early diagnosis of Alzheimer's disease. It has been identified that Alzheimer's disease develops with the accumulation of two types of proteins, namely amyloid beta and tau, in the brain. For those who have not developed Alzheimer's disease, determination of the accumulation of those disease-causing proteins in the brain will enable early diagnosis of Alzheimer's disease, and the onset can be prevented. The probes we are

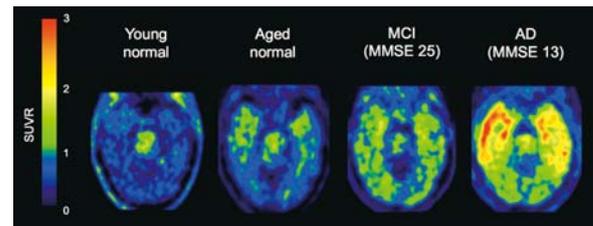
working to develop are compounds that bind to those types of proteins to make them identifiable with PET\* or by optical imaging.



### Overcoming Alzheimer's disease is a common challenge worldwide

Japan's population aged 65 or older is approximately 34 million as of 2015. According to the United Nations, it is estimated that about 200 million people at or above 65 years old in total live in developed areas around the world. Allegedly, 20 to 50% of them are likely to suffer Alzheimer's disease, and overcoming the disease is now a major common challenge worldwide. We have developed a "PET probe for tau imaging" for early diagnosis of Alzheimer's disease. In addition, the probe is expected to serve as a monitor to examine the effect of therapeutic agents, and thereby contribute to development of new therapeutic

agents. In recognition of the achievement, we received 2014 Image of the Year award, which is given to the best research presentation of the year, from the Society of Nuclear Medicine and Molecular Imaging. It was a great honor to earn the award, and the probe is now undergoing clinical research by a company that has concluded patent license agreements with more than 40 research institutes around the world in order to put the probe to practical use.



From left, tau probe (THK-5351) PET images of a normal young person, a normal aged person, a person with mild cognitive impairment and a patient with Alzheimer's disease. The accumulation of tau is clearly visible.

### For early diagnosis in an easier and more convenient way

We now engage in the research of a probe for optical imaging to develop an advanced probe that reduces the burden associated with examination and diagnosis, as well as the examination cost. If it becomes available for clinical use, Alzheimer's disease can be detected at an early stage safely in an extremely short time. Although the research is still at a very early stage, the probe will also allow people to be examined casually in a group medical checkup or a complete medical checkup.

Development of the probes is very expensive due to personnel cost, purchase of specimens, application for patents, etc. We greatly thank the SEI Group CSR Foundation for supporting us for three terms, roughly nine years. We would like to keep contributing to overcoming Alzheimer's disease through the research and development of probes.



One of the largest compound libraries in Japan with more than 4,000 compounds



## 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, 2014 to March 31, 2015 (the "Indicators") included in its CSR Report 2015 (the "Report") for the fiscal year ended March 31, 2015, 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 Sustainability Reporting Guidelines (G4) 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 three of the Company's subsidiaries 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

October 29, 2015

## Comments from an External Expert

My findings on the CSR activities and information disclosure by the Sumitomo Electric Group are as follows:

### Commendable points

#### ■ Revision of VISION 2017 targets

The mid-term management plan "VISION 2017" is a growth strategy that focuses on conversion to an appropriate business model for a sustainable society, and is also closely related to energy and resource issues. The plan is therefore an important tool to promote the integration of business activities with CSR management. While VISION 2017 set the targets to be achieved by 2017 on various aspects, Sumitomo Electric made an intermediate revision of the targets this fiscal year based on its strong performance and other factors. As a result, with the upwardly revised targets, as well as newly set indicators, the Company has established a system to support its shift to a sustainable society at a higher level than the initial plan. Such flexible adjustments of targets demonstrate that the PDCA cycle is working properly, which should be recognized as a commendable point.

#### ■ Widespread use of the systems to support work life balance

While Sumitomo Electric has conventionally had well-developed systems to support its employees, there has been a conspicuous trend in the use of the systems in recent years that an increasing number of men have been using the childcare leave system and the short-time work system. In general, programs to support work life balance are mostly used by female workers, and male workers often face difficulties in using them. This, however, means that only women bear the burden of child rearing, which should not be a favorable situation in consideration of the purpose of the systems. The increase in male users in Sumitomo Electric indicates that the Company has a healthy corporate culture that accepts it. I hope that the systems will be used even more widely.

#### ■ Activities for the value chain

Sumitomo Electric had progress in its activities related to the value chain this fiscal year. For example, while the Company conducted monitoring of 122 suppliers to promote CSR procurement on a trial basis in fiscal 2013, the number of the monitored suppliers increased to 830 in fiscal 2014. In addition, emission data for Scope 3 in CDP started to be collected in eight categories in fiscal 2014, and greenhouse gas emission data by Scope are now disclosed in a near-complete manner. The contribution of anti-global warming products to emission reduction is also growing steadily over time. However, as the target for fiscal 2014 was not met, improvement should be made in this respect in the future.

#### ■ Expansion of the reporting boundary

Expansion of the reporting boundary to provide information on a consolidated basis, which was a continuous challenge for the Company, has also seen steady progress. While the Sumitomo Electric Group estimates that 99% of its environmental impact is subject to the environmental management of the Group, the comprehensiveness calculated as the ratio of greenhouse gas emissions covered by the disclosed data also grew from 88% in fiscal 2013 to 91% in fiscal 2014. Sumitomo Electric is thus on its way to virtually providing information on a consolidated basis.

### Aspects needing improvement

#### ■ Management of KPI in the Action ECO-21 Campaign

Achievement of the targets in all items in the Action ECO-21 Campaign is a main target for the CSR core category of environmental preservation. This is an ambitious goal, and the achievement of the targets in most of the items clearly shows the effectiveness of the functions of the environmental management. However, it is also a fact that the achievement of the targets in all items is hard to realize. The attitude of continuously trying to pursue the difficult goal deserves respect, but I hope that the Company goes back to basics of KPI management and enhance its activities so that the target can be reached.

#### ■ Elimination of occupational accidents

Reduction of occupational accidents to zero is another target that is hard to reach. While elimination of serious accidents and accidents resulting in lost time work is a main target in the CSR priority category of human resources, there were regrettably 15 injuries resulting in lost time work during fiscal 2014. Although it is commendable that the causes are analyzed properly and necessary countermeasures are mentioned, workplace safety is a crucial issue and I hope that safety measures are fully taken to promote establishment of safer workplaces.



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 revision of VISION 2017 targets. We will strive to achieve the new targets and further promote CSR activities through business activities. For widespread use of the systems to support work life balance, we will make continuous efforts to enhance the systems and also develop a corporate culture that encourages employees to use them. The expansion of our business activities enhances the importance of the Group's global management. We therefore consider that activities for the value chain are one of the social challenges for the Sumitomo Electric Group, which is developing business activities on a global scale, and continue the activities along with expansion of the reporting boundary. As to the items identified as aspects needing improvement, we will intensify our efforts for management of KPI in the Action ECO-21 Campaign and elimination of occupational accidents. We will further develop our CSR activities so that our stakeholders enhance their understanding of our activities and attach a higher value to them.

The Findings by an External Expert in this English version are a translation of the original text in the Japanese version.

# SUMITOMO ELECTRIC INDUSTRIES, LTD.

Administration Division (CSR Promotion Office)

1-3-13, Motoakasaka, Minato-ku, Tokyo, 107-8468 JAPAN Phone: +81-3-6406-2611 Fax: +81-3-6406-2700

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