



Integrated Report **2023**



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Framework for Disclosure of Information



- **Integrated Report (Presenting Value Creation Stories)**
<https://sumitomoelectric.com/sustainability/integrated>

[Mid-long Term Management Policies]

Disclosure based on the Corporate Governance Code



- **Long-term Vision Sumitomo Electric Group 2030 VISION**
<https://sumitomoelectric.com/company/segvision2030>



- **Mid-term Management Plan 2025**
<https://sumitomoelectric.com/company/segmid-term2025>



- **CSR Book (Presenting the Overall Corporate CSR Activities)**
<https://sumitomoelectric.com/csr-reports>

[Other publications]

- **Sumitomo Electric Group e-magazine "id"**
<https://sumitomoelectric.com/id>
- **Technical Papers "Sumitomo Electric Technical Review"**
<https://sumitomoelectric.com/rd/technical-reviews/all>

Editorial Policy

Period covered:

April 1, 2022–March 31, 2023

(Some of the information provided is not applicable to this period)

Scope of coverage:

Sumitomo Electric Industries, Ltd. and Sumitomo Electric Group companies
As of the end of March 2023, 414 companies (Consolidated subsidiaries (383 companies), Equity method affiliates (31 companies))

Date of issue:

October 2023

Reference Guidelines:

IFRS Foundation "International Integrated Reporting Framework"
Ministry of Economy, Trade, and Industry "Guidance for Collaborative Value Creation"



Disclaimer regarding forward-looking statements :

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

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Corporate Philosophy

Honoring both the tradition of “the Sumitomo Spirit” and “the Sumitomo Electric Group Corporate Principles,” the Group has always prioritized its contribution to society. The Group manages based on the spirit of “contributing to the public benefit through business” while striving to ensure mutual prosperity with its stakeholders.

The Sumitomo Spirit

The Sumitomo Spirit originates from the guiding principles of “*Monjuin Shiigaki*” - the Aphorisms of Monjuin, which describe how a merchant should conduct his business - set down by the founding father of the House of Sumitomo, Masatomo Sumitomo (1585–1652). The Sumitomo Spirit has been enriched and elaborated on throughout the history of Sumitomo. The core principals of the spirit can be found in the “Business Principles” codified in 1891. The Sumitomo Spirit also integrates the principles and beliefs of previous generations

Monjuin Shiigaki

Banji-nissei

“Do your sincere best in not only business but also every aspect of your life.”

The preamble admonishes us to pay attention to any matters including business and work wholeheartedly on everything. This precept, “*Banji-nissei*,” has been passed down continuously, by way of hoping that each one of us in Sumitomo does not focus only on making money but also on improving one’s personality and developing one’s character. This lofty document urges us to persist in sincere and careful effort and to cultivate good character. The Group has positioned “*Banji-nissei*” as a keyword that expresses the Sumitomo Business Spirit, along with “*Shinyo-kakujitsu*” and “*Fusu-furi*.”

Principles inherited over generations in Sumitomo

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 features many events that demonstrate the great value the Group attaches to the opinions of those working in its various areas of business. Over the years, Sumitomo has established a corporate culture in which frank discussions are cherished and people are treated with the utmost importance. Sumitomo has always considered that people are the foundation of the enterprise and attached importance to human capital. This tradition has coexisted with the commitment among Sumitomo personnel to character cultivation.

of Sumitomo leadership, passed down the generations in the form of important remarks and thoughts behind critical business decisions.

Business Principles

Shinyo-kakujitsu

“Place importance on integrity and sound management.”

Article 1

Sumitomo shall achieve prosperity based on solid foundations by placing prime importance on integrity and sound management in the conduct of its business.

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

Fusu-furi

“Do not act rashly or carelessly in pursuit of immoral 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.

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

The Sumitomo Electric Group Corporate Principles

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

The Sumitomo Electric Group recognizes that our operations are supported by a range of stakeholders, including “customers,” “employees,” “suppliers,” “regional communities,” and “shareholders/investors,” and that it is mandatory to strive to build appropriate cooperative relationships with our stakeholders while taking their interests into consideration in order to achieve sustainable growth and enhance the corporate value of the Sumitomo Electric Group over the medium to long term, as well as to steadily return the results to all of our stakeholders as a going concern.

Based on such recognition, as described below, the Sumitomo Electric Group promotes appropriate collaboration with stakeholders to achieve co-creation of values and shared prosperity with the stakeholders.

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 to meet customers' 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 construction 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 | In 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 the personality and individuality of our 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 provide appropriate corporate information to contribute to adequate collaboration with stakeholders.

We will also promote good communication with society through public information and hearings.



Message from Chairman & CEO



Chairman & CEO

Mutual prosperity with all of our stakeholders

Global Situation and Business Environment

The world has entered a period of significant challenges. For some time after the Cold War, a free and open international order brought a degree of stability and economic growth to the international community. In recent years, however, political and geopolitical instability has increased as developed countries have become more internally divided and groups with differing values have grown increasingly confrontational. Despite these uncertain times, I hope we can work together to foster the growth of Japan's economy.

Humanity is also emerging from the unprecedented crisis of the COVID pandemic, which has affected our sense of values and brought major changes in our daily lives. In particular, the evolution of digital technology has been remarkable. Generative AI, which has become the popular topic of recent conversations, has unlimited potential to expand human capabilities and make the world a more comfortable place. But it also has the potential to cause major issues, depending on how it is applied. Ultimately, AI will be utilized by people, and it depends on how we use it.

In this time of rapid change and uncertainty, it is important for companies to have a strong sense of value and to make a difference to society through the development and use of new technologies.

"The Sumitomo Spirit" and our mindset to manage the company

In terms of values, the Sumitomo Electric Group has its foundation as the "Sumitomo Spirit", which has been passed down throughout the 400-year history of Sumitomo. The origin of this spirit is the "Monjuin-Shiigaki" which begins with the word "Banji-nissei", a document left by Sumitomo Masatomo, the first generation of the Sumitomo family. This teaches that you should do your sincere best not only in business but in every aspect of your life. These teachings have been augmented throughout our group history, and in the Meiji era (1868-1912), they were compiled into the "Business Principles", adopting the concepts of "Shinyo-kakujitsu" and "Fusu-furi". Other philosophies and principles such as "Attaching Importance to Technology", "Respect for Human Resources", "Long-Range Planning", and "Mutual Prosperity, Respect for the Public Good" have also been passed down through the generations.

I face many challenges and sometimes need to make difficult decisions to manage the Sumitomo Electric Group, but whenever I am uncertain about where to take the company, I always return to the "The Sumitomo Spirit" and ask myself, "am I really putting the Sumitomo Business Spirit into practice?" After enduring adversity during these recent turbulent times, I am reminded that we have been able to continue and grow our business through the centuries because every top management of the time practiced the "The Sumitomo Spirit"¹, passed down to us by our predecessors.

One of my favorite poems is "Youth" by Samuel Ullman and in this poem, he states "Youth is not a time of life; it is a state of mind". We are living in an increasingly long-lived society, and even in the business world, there are people still working with the



glow of youth at a mature age. I have been reading this poem again and again and believe that to stay young in one's state of mind, "it is a matter of the will, a quality of the imagination, a vigor of the emotions", and "courage over timidity" to embrace the desire for adventure while pushing oneself not to take the easy path. I believe people do not grow old with age — they grow old when they lose their ideals. The management team of Sumitomo Electric Group should keep these four words in mind as they manage their business, and always strive to maintain the "joy of the game of living".

The spirit of "Industrial Morality"

I once had the opportunity to see the manuscript of the congratulatory speech given by Dr. Kotaro Honda in 1938 on the founding of Tohoku Metal Industry Co., Ltd. which was a government-industry-academia joint venture between the Japanese government, Tohoku Imperial University and Sumitomo. In the manuscript, Dr. Honda wrote about the spiritual principles that should be upheld in the world of manufacturing, using the term "Industrial Morality".

"Industrial Morality" is based on traditional Japanese values, and it carries the meaning of understanding the importance of how your industry relates to society; that good affordable products can only be produced by working faithfully; and the importance of working with dedication and strong spirit. "Working conscientiously and altruistically" is exactly what the "The Sumitomo Spirit" states in "*Banji-nissei*".

Dr. Honda also said that Sumitomo's "traditional spirit of managing business suggests service to the country and being benevolent". In today's words, "service to the country" can be replaced with "social responsibility" and "benevolent" with "mutual prosperity and respect for the public good". These ideas are ones that have been passed down from generation to generation at

Sumitomo and correspond to the Sumitomo Electric Group principal of "Mutual Prosperity, Respect for the Public Good". This is the basis of the Group philosophy of "contributing to the public benefit through business while striving for a shared prosperity with our stakeholders".

The congratulatory address concluded with the following words: "If people of character focus on industrial morality they will be united in the same spirit from top to bottom and will faithfully perform their duties with sincerity and integrity and manufacture good products at a low cost. I sincerely hope that you will continue to pursue Sumitomo's traditional spirit, respect industrial morality, and give your best to the company through your collective efforts".

As a mission for those engaged in the management of our company as a manufacturing company, I was once again reminded of the need to develop human capital with the spirit of "Industrial Morality".

Path to practicing "Multistakeholder Capitalism"

Neo-liberalism, with its emphasis on free competition, started to spread from the 1970s and during the 1980s economic policies based on this concept began to be implemented in developed countries, particularly in the United States and the United Kingdom.

Against this backdrop, the Business Roundtable, whose members are executives from major US companies, made its shareholder-first position clear in its 1997 "Statement on Corporate Governance" emphasizing that "the paramount duty of management and of boards of directors is to the corporation's stockholders".

As a result, distributions to shareholders increased while returns to the middle class became slimmer, weakening the middle class and widening inequality. The subsequent collapse of Lehman Brothers and the rise of populism have led to a growing outcry



against the harmful effects of the shareholder-first position, and the Business Roundtable, in its August 2019 "Statement on the Purpose of a Corporation" shifted from its shareholder-first position to one that focuses on five stakeholders: Customers, Employees, Suppliers, Local Communities, and Shareholders. I believe that the publication of this statement marked a major turn in the tide toward "Multistakeholder Capitalism".

We believe that the essence of "Multistakeholder Capitalism" is the fair and equitable distribution of benefits to stakeholders in proportion to their contributions. Japanese companies, especially those in the Kansai region, have long held this view. At the Sumitomo Electric Group, we have the "Sumitomo Business Spirit" as our corporate philosophy and "Multistakeholder Capitalism" has been the basic management philosophy of the Group for a long time.

Against this background, we reiterated the concept of "Multistakeholder Capitalism" in our long-term vision: "Sumitomo Electric Group 2030 VISION", announced last year, as well as in our "Mid-Term Management Plan 2025", announced in May this year. We have decided to express our goals for each of the five stakeholders as explicitly and quantitatively as possible.

By working to achieve the goals set forth in the "Mid-Term Management Plan 2025", we aim to realize our "2030 VISION" and further out in the future to achieve our corporate vision of becoming a "Glorious Excellent Company", while fulfilling our responsibility to distribute the results of our growth fairly and equitably to our multiple stakeholders.

We would like to ask all of our stakeholders for their continued support.



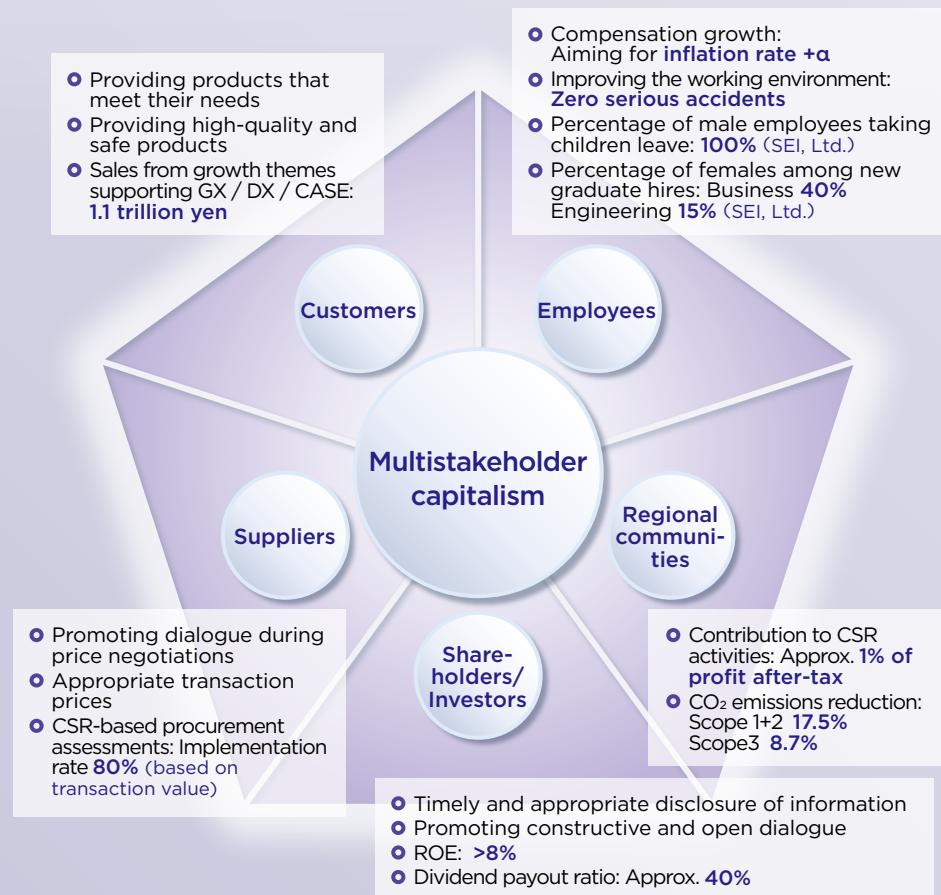
Multistakeholder Capitalism

The unchanging basic policy of SEG is to contribute to society through fair business activities based on “the Sumitomo Spirit” and “the Sumitomo Electric Group Corporate Principles.”

Adhering to this basic philosophy, we aim to achieve sustainable growth and enhance corporate value of SEG over the medium to long term as well as to steadily return the results to all of its stakeholders as a going concern based on the concept of “Multistakeholder Capitalism” which focusing on contributing to the public benefit and mutual prosperity with all of our stakeholders. We thus work to ensure and enhance the transparency and fairness of management based on proper corporate governance.

Key indicators and targets (Mid-term Management Plan 2025)

| | | | | |
|-------------------------------|-------------------------------------|--------------------------|--------------------------------|--|
| Net Sales 4.4 trillion yen | Operating profit 250 billion yen | Before tax ROIC > 8 % | R&D 360 billion yen/3 years | Capital Investments 720 billion yen/3 years |
|-------------------------------|-------------------------------------|--------------------------|--------------------------------|--|



Overview of Key Tools and Activities for Engaging with our Stakeholders

SEG recognizes that our operations are supported by a range of stakeholders including “customers,” “employees,” “suppliers,” “regional communities,” and “shareholders/investors,” and that it is mandatory to strive to build appropriate cooperative relationships with stakeholders while taking their interests into consideration in order to achieve sustainable growth and enhance corporate value of SEG over the medium to long term as well as to steadily return the results to all of our stakeholders as a going concern.

Customers

- Daily sales activities, sales force surveys
- Exhibitions
- Sumitomo Electric Group e-magazine “id”, president’s blog, product catalogs, websites



DISTRIBUTECH
International 2023



Townhall
meeting
with female
sales staff



Annual Meeting
with Important
Business Partner



Factory
tours



Cleanups



Planting
trees



“Mid-term Management
Plan 2025” press conference

Employees

- Townhall meetings (discussions between executives and employees), labor-management consultations, career dialogue, engagement surveys
- Training and education by SEI University, seminars
- Internal and external consultation services
- Corporate newsletters and intranet



Townhall
meeting
with female
sales staff

Suppliers

- Daily procurement activities
- Partners Meetings and Meetings with Important Business Partners
- Review and examine results of CSR Procurement Self-Assessment Form
- Compliance consulting and reporting desk



Factory
tours

Regional communities

- Social contribution through donations and volunteer activities, collaboration with NPOs
- Contribution to regional communities through business activities, exchanges with regional communities
- Support for education and training, contribution to sports and cultural promotion
- Dialogue through economic and industry associations



Cleanups



Planting
trees

Shareholders / Investors

- General Meeting of Shareholders’, IR briefings, and individual dialogues
- IR website, various reports (Integrated Report, Consolidated Financial Statements, Corporate Governance Report, etc.)





Management Policies

Message from the President and COO



President & COO

Achieving the “Mid-term Management Plan 2025”

Accumulated skills and culture

For more than 120 years since its foundation in 1897, the Sumitomo Electric Group has grown by diligently working on technological development and expanding its product tree, valuing the philosophy of “Attaching Importance to Technology” that has been passed down through the generations throughout Sumitomo’s 400-year history. We will continue to provide products that support society across a wide range of areas using our cumulative business experience and technological development to meet the needs of the world.

I also believe the Group is a good place to work for our employees. With the support of those around them, young employees, in particular, can grow and develop their experience and achievements. As a manufacturer, we have a well-established culture where everyone works as a team to develop, manufacture and sell our products to grow the business.

The Group is now comprised of more than 400 companies in various countries and regions around the world. There are opportunities for employees to interact with each other beyond their workplaces through various training and education programs. These initiatives also play a role in building teamwork within the Group.

Reflecting on six years of managing the company

2023 marked the six-year anniversary since I became President. When I took this position in 2017, it was the year we began to work on our five-year Mid-term Management Plan, the Mid-term Management Plan “VISION 2022” that started in FY2018. One of our targets was to increase the contribution of the four non-automotive segments - Environment & Energy, Info-Communications, Electronics and Industrial Materials - to more than 50% of the operating profit. With the COVID pandemic and instability in the international community, the world changed at a dizzying pace during the period of Mid-term Management Plan “VISION 2022”. Disruptions in logistics and the semiconductor shortage caused major difficulties in the Automotive segment, but by seizing new business opportunities in areas such as “the growing use of renewable energy” and “further advances in digitalization”, the Group was able to exceed its sales target and achieve sales of JPY 4 trillion. Although operating profits did not reach the target, the Group’s business performance in the segments of Environment & Energy, Info-Communication s and Electronics recorded their highest profits during the period, and progress was made in building a balanced portfolio as set out in Mid-term Management Plan “VISION 2022”.

On the other hand, when I look back on the six years of my management, I also think that we could have grown more if we had invested more aggressively. It is challenging to make decisions in a time of rapid change, but I will gather as much information as possible, make timely go / no-go decisions, and act on my managerial responsibilities.



“Mid-term Management Plan 2025”

In May this year, the Group announced its new “Mid-Term Management Plan 2025”. Last year, the Group announced the “Sumitomo Electric Group 2030 VISION”, which outlined our Key Areas of focus, broad business structure, and how the Group will contribute to realize our vision of an ideal society looking out to 2030. The new “Mid-term Management Plan 2025” is positioned as the first milestone towards realizing this “2030 VISION”.

Under the slogan “Creating a Green Society through our Connecting and Supporting Technologies”, the Mid-term Management Plan 2025 sets out how we will contribute to society by capturing business opportunities in the “Development of a Decarbonized Society” and “Evolution of the Information

energy, and we will be actively developing our business in those areas. In the area of “Info-Communications networking / interconnected”, the worldwide volume of communications data is increasing dramatically, and growth is expected in product groups for high-speed, large-capacity and low-latency communication networks and data centers, as well as next-generation telecommunication devices. The Group will propose solutions in these areas by offering a wide range of products and services, including devices and equipment. In the field related to “Mobility Systems”, the Group sees opportunities in materials for electrified automobiles and weight-reduced materials, as well as products related to driver-assistance and autonomous driving systems. We believe that social and industrial transformations, such as GX, DX

Society” while pursuing the growth of the Group.

Specifically, in the three key areas of “Energy”, “Info-Communications” and “Mobility”, the Group has clearly stated that it will concentrate on nine product and service groups as “Growth Themes”. In the midst of large-scale energy investments that are expanding with the growth of renewable energy, the Group has decided to establish a new power cable factory in Scotland, UK in the area of “Energy Infrastructure.” Growth is also expected in areas related to interconnectors linking different regions, battery storage for power grids and upgrading power grids to transmit more renewable

and CASE will be a major tailwind for the Group. We aim to ride the wind and increase sales related to these nine “Growth Themes” by JPY 400 billion over the next three years to reach a scale of approximately JPY 1.1 trillion in FY2025.

Furthermore, the “Mid-Term Management Plan 2025” sets explicit and quantitative indicators and targets for distribution to each of our five stakeholders - Customers, Employees, Suppliers, Regional Communities and Shareholders / Investors - as part of our “Multistakeholder Capitalism” approach, to which the Group has been able to demonstrate its commitment.

To achieve these indicators and targets, we must continue to improve our profitability. Having said this, the Group also has important businesses that support society, such as copper-related and infrastructure businesses, which cannot be evaluated by profit margins alone. In order to increase the profitability of the Group as a whole, including the businesses supporting society, we need to create high value-added products and services in new areas and deliver them to society.

In this effort, the proactive contribution of employees who support the business is essential. I would like each and every one of them to work on their respective responsibilities with a firm determination to achieve the dreams and goals they have, and not to be satisfied with the status quo.

Sustainability Management

The Group believes that there are three pillars of sustainability management.

The first is to continue producing a wide range of products and services that contribute to a green society. As products that contribute to a green planet, the Group offers a wide variety of products, including extra-high-voltage DC cables and large-scale

storage batteries that facilitate the spread of renewable energy, GaN devices that contribute to low power consumption in wireless base stations, and automotive products for the era of CASE. The Group aims to achieve JPY 700 billion of “Green Contribution Sales” in 2025 from products and services that support the green society.

The second is to minimize the environmental impact of the Group’s own production activities and to promote initiatives to improve the sustainability of society. Regarding reducing CO₂ emissions, we have set quantitative targets to achieve carbon neutrality by 2050 and are promoting initiatives such as “Saving Energy” and “Creating Energy”. For resource recycling, we recycle tungsten, which is used as a material for cutting tools, as well as copper using refining furnaces. We are also promoting product design and material development that facilitates recycling in various other business units. Going forward, we plan to add products that contribute to the recycling of water resources and will actively promote our recycling efforts.

Third, we will work to further improve the working environment, including promoting health management and improving safe and secure workplaces, so that our approximately 290,000 employees and their families can live fulfilling lives every day. We will also create an environment where each and every employee can thrive by increasing engagement and promoting Diversity & Inclusion.

We would like to thank our stakeholders for their continued support and cooperation.



Promotion of Sustainability Management

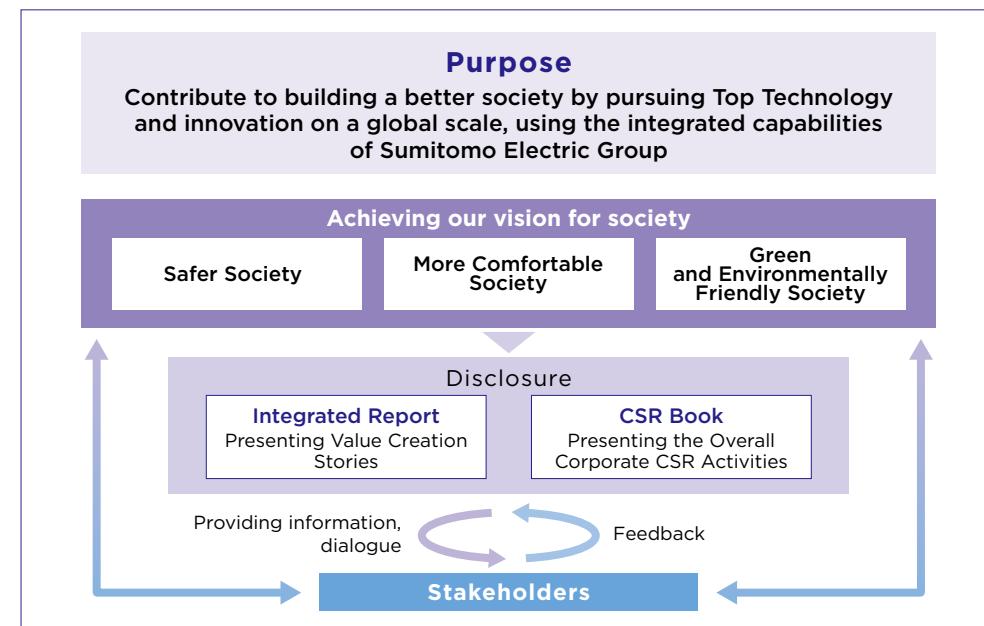
Fundamental Policy

Challenges surrounding Sustainability, including consideration for climate change and other global environmental issues, respect for human rights, fair and appropriate treatment of employees and their health and working environment, fair and impartial trade with business partners, and risk management for natural disasters, are essential for the Company's sustainable growth and medium-to long-term enhancement of corporate value, as well as for the steady return of results to all stakeholders as a going concern, and SEG will work tirelessly to address these challenges.



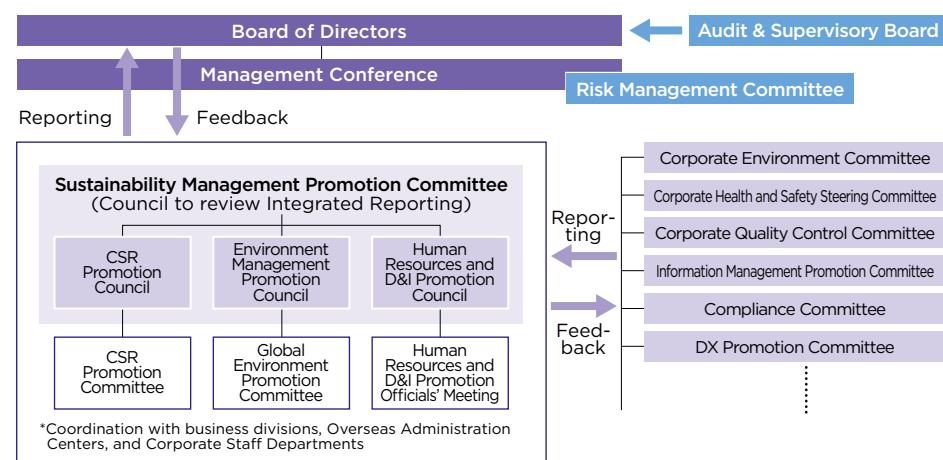
More specifically, we established our value and purpose as continuing to “Pursue Top Technology that connects and supports society; and use the Group’s integrated power and innovation to contribute on a global scale” and we are committed to achieving a Safer, more Comfortable society that is also Green and Environmentally Friendly.

In addition, we will communicate our efforts both internally and externally through “Integrated Reports,” which summarize our value creation story, and our “CSR Book” which summarizes the achievements of our CSR activities. We encourage feedback from our stakeholders and reflect their thoughts in our future activities.



System / Structures to promote initiatives and ideas

The “Sustainability Management Promotion Committee” chaired by the President receives reports from each committee on related initiatives, and a structure is in place to discuss policies, to provide feedback and to have initiatives be consistently promoted.

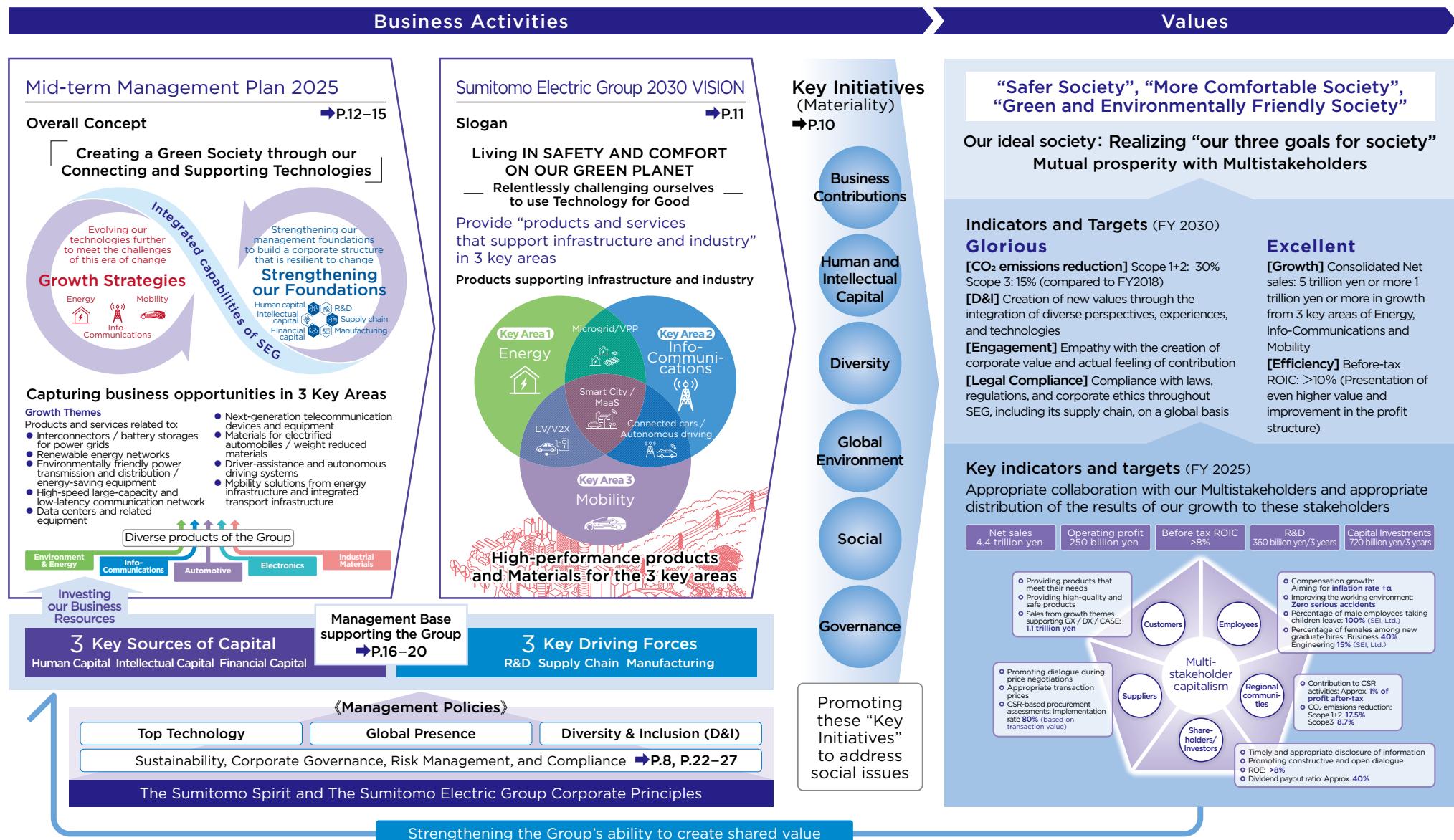




Value Creation Process for 2030

SEG has been evolving its technology for more than 120 years, beginning with the copper wire and cable business, and now operating in five business areas: "Environment & Energy," "Info-Communications," "Automotive," "Electronics," and "Industrial Materials." We will continue to make efforts in accordance with SEG's "2030

VISION" and "Mid-Term Management Plan 2025" to realize our vision of society that is "Safe", "More Comfortable", "Green and Environmentally-Friendly" and strive to continuously enhance our Group value through providing a broad range of value to the society.





Materiality

SEG has defined “materiality” as efforts to solve social issues that the Group believes are important for achieving its three goals for society.

Summary of the Materiality Process



| | | |
|--------------------------------|---|--|
| Important Social Issues | <ul style="list-style-type: none"> [1] Addressing social issues and revitalizing industry with new technologies [2] Increasing environmental risks and intensification of global warming [3] Frequent natural disasters, increasing information security risks, underdeveloped and aging social infrastructure | <ul style="list-style-type: none"> [4] Growing importance of diversity and inclusion (D&I) in the work environment [5] Emerging risks in supply chains (protection of human rights, strengthened business continuity planning) |
|--------------------------------|---|--|

Achieving our ideal society

“Safer Society”, “More Comfortable Society”, “Green and Environmentally Friendly Society”

The Materiality Process in Detail

| Category | Key Initiatives | Key indicators and targets (FY2025) | Category | Key Initiatives | Key indicators and targets (FY2025) |
|---------------------------------------|--|--|---------------------------|--|--|
| Business Contributions | <ul style="list-style-type: none"> ● Capture business opportunities across the Group in 3 key areas (Energy, Info-Communications, and Mobility) ● Provide High-Performance Products and Materials that contribute to the 3 key areas | Sales from growth themes supporting GX/DX/CASE: 1.1 trillion yen | Global Environment | <ul style="list-style-type: none"> ● Operate for a Greener Global Environment <ul style="list-style-type: none"> » Reducing CO₂ emissions, promoting a circular economy, and preventing environmental pollution. | Reduction of CO ₂ Emissions (Reduction Compared to FY2018) CO ₂ emissions reduction: Scope 1+2 17.5% Scope 3 8.7% |
| | Developing Human Capital | Developing Human Capital The Executive Training Program Completion: 100/3 years MPSS Completion 2,300 / 3 years Total hours of training programs: 20 hours /annually per headcount Developing core DX talent 300 / 3 years Developing DX data analysts 1,500 / 3 years | | <ul style="list-style-type: none"> ● Contribute to the Global Environment Through Our Business | Green contribution sales: >700 billion yen (FY2025) Sales from Eco-Friendly products : >1 trillion yen (FY2025) |
| | Improving Engagement | <ul style="list-style-type: none"> ● Integrating the Sumitomo Spirit, management policies and business strategy ● Compensation growth ● Cohesive corporate culture where the ability of individuals is maximized | Social | <ul style="list-style-type: none"> ● Continuing human rights due diligence, training on human rights issues ● Requests to engage in human rights and labor relations efforts based on the Supplier Code of Conduct | Examination of key risks, prevention and mitigation measures for 280 Group companies |
| | Workplace Improvements | <ul style="list-style-type: none"> ● Continue to promote health management for overall wellbeing ● Further improvements of safe and secure workplaces | | <ul style="list-style-type: none"> ● Continue to promote activities contributing to society | Contribution guideline: Approx. 1 % after tax income |
| | R&D | R&D: 360 billion yen/3 years | Governance | <ul style="list-style-type: none"> ● Promote CSR procurement ● Conduct CSR-based procurement assessment, promote intra-Group joint improvement activities | Completion rate for CSR-based procurement assessment: 80% (based on transaction value) |
| Human and Intellectual Capital | | Zero serious accidents | Compliance | <ul style="list-style-type: none"> ● Maintain and reinforce the compliance platform | Target employees: 250k / 3 years |
| | | | Diversity | <ul style="list-style-type: none"> ● Organizational Diversity <ul style="list-style-type: none"> ● Attracting and promoting a diverse workforce ● Continue supporting diverse work styles | Percentage of male employees taking children leave: 100% Percentage of females among new graduate hires: Business 40% Engineering 15% |



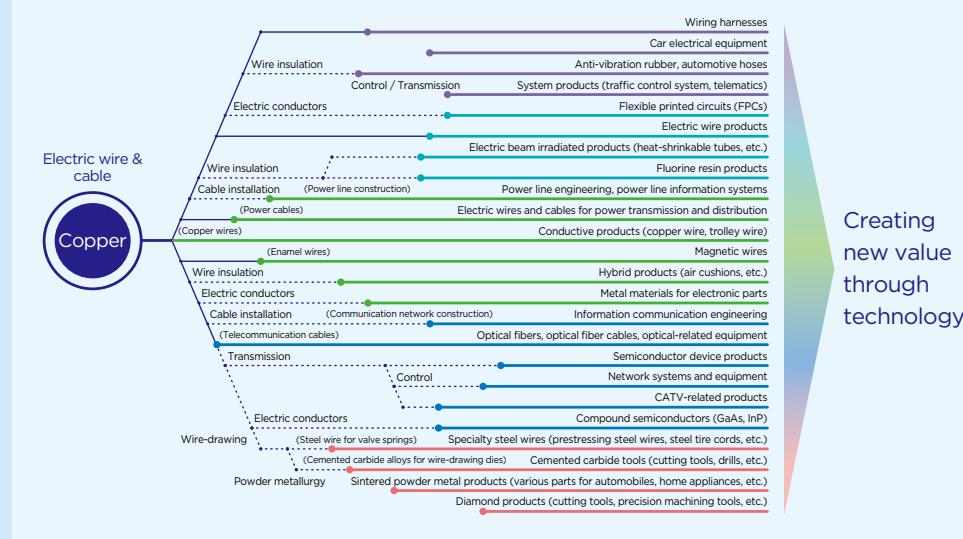
Long-term vision “Sumitomo Electric Group 2030 VISION”

The Group formulated its long-term vision in May 2022, with the year 2030 as the landmark year, in order to show what the Group is aiming for in these uncertain and unprecedented times.

Management Policy

Pursuit of Top Technology

Founded as a copper wire and cable business, SEG has evolved an entire Genealogy of Technology, like a family tree, that combines materials technology and precision manufacturing. SEG will continue to pursue Top Technology that connects and supports society; and use the Group's integrated power and innovation to contribute on a global scale.



Enhance Global Presence

Meeting the needs of the global market by creating new value through Top Technology. SEG's global business initiatives will continue to contribute to the development of infrastructure and industries around the world.

Promote Diversity & Inclusion

SEG's global activities are supported by 290,000 employees at over 400 group companies across many countries and regions (as of the end of March 2023).

SEG will maximize the Group's energy and competitiveness and foster Top Technology through leveraging the quality and capabilities of its diverse talents.

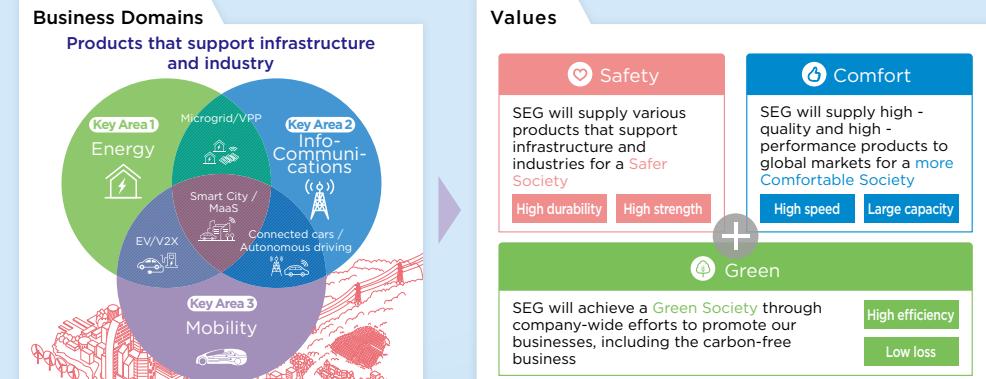
LIVING IN SAFETY AND COMFORT ON OUR GREEN PLANET

— Relentlessly challenging ourselves to use Technology for Good —

Business Domains and Values

Looking ahead to 2030, it is increasingly important to achieve sustainability for our planet. SEG will continue to provide an extensive range of products and services for the development of infrastructure and industries in order to contribute to the evolution of a Safer and More Comfortable society that is also Green and Environmentally Friendly.

The Group will focus on 3 key areas: "Energy," Info-Communications," and "Mobility." SEG will utilize its integrated capabilities, including its ability to integrate technology, to make inroads into these areas, particularly where they overlap.



Targets Achieve a Glorious Excellent Company

By 2030, SEG aims to achieve sales of over 5 trillion yen and before-tax ROIC of over 10%, while working on reducing CO₂ emissions, promoting D&I and improving engagement

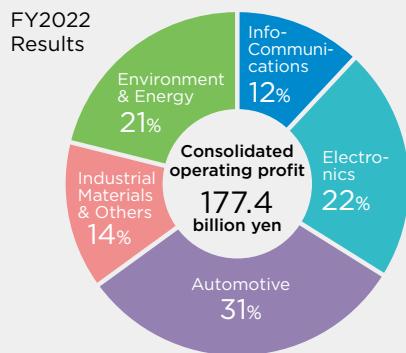
| Glorious | | |
|---|---|--|
| E | Global Environment | Various efforts as follows: CO ₂ emissions reduction 2030 <Scope 1+2> 30% <Scope 3> 15% (compared to FY2018) 2050 <Scope 1+2> carbon neutrality |
| S | Diversity & Inclusion | Creation of new value through the integration of diverse perspectives, experiences, and technologies |
| G | Engagement | Empathy with the creation of corporate value and actual feeling of contribution |
| Legal Compliance | | |
| Compliance with laws, regulations, and corporate ethics throughout SEG, including its supply chain, on a global basis | | |
| Excellent | | |
| Growth | Consolidated net sales:>5 trillion yen | |
| Efficiency | >1 trillion yen in growth from the 3 Key Areas of Energy, Info-Communications and Mobility | |
| | Before-tax ROIC: >10% (Presentation of even higher value and improvement in the profit structure) | |



Reflections on VISION 2022 (FY2018—FY2022)

Both sales and operating profit reached record highs, however SEG was unable to swiftly and sufficiently implement measures to respond to changes in the business environment, including sudden changes in demand for automobiles, and as a result some issues remain

| Numerical targets | 17 Results | 22 Results | 22V Targets |
|---|------------|------------|-------------|
| Net sales (billion yen) | 3,082.2 | 4,005.6 | 3,600 |
| Operating profit (billion yen) | 173.1 | 177.4 | 230 |
| Operating profit ratio (%) | 5.6% | 4.4% | 6.4% |
| Operating profit ROIC | 7.9% | 5.9% | >9% |
| ROE | 8.1% | 6.1% | >8% |
| Capital investment (billion yen / 5 years cum. total) | — | 969.3 | 950 |
| R&D expenses (billion yen / 5 years cum. total) | — | 624.6 | 600 |



[Growth Potential]
Despite a challenging business environment, sales of 4 trillion yen were recorded, exceeding the VISION 2022 target, as a result of efforts to expand sales of strategic products and to secure supplies

[Profitability]
Three segments* achieved their highest profits during the VISION 2022 period, building momentum for the creation of a well-balanced portfolio

[Growth Potential]
Achieve further growth by seizing new business opportunities in a drastically changing market environment

[Profitability]
Strengthening our capability to respond to rapid changes in the business environment, such as sudden changes in demand and soaring raw material and transportation costs

*These segments are Environment & Energy, Info-Communications, and Electronics

Mid-term Management Plan 2025 (FY2023—FY2025)

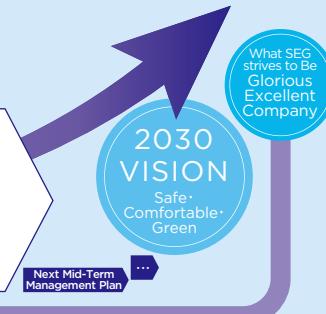
In line with the "Sumitomo Electric Group 2030 VISION", the Group formulated the "Mid-Term Management Plan 2025" as an action plan for the three-year period from FY2023 to FY2025.

Positioning

2022
VISION

Mid-term Management Plan 2025 (FY2023—FY2025)

Creating a Green Society
through our Connecting and Supporting Technologies



Next Mid-Term Management Plan

Development of a Decarbonized Society

Evolution of the Information Society

With covid/Post-covid Society

Decoupling and destabilization in the global community



Basic Policy

Under the "Mid-term Management Plan 2025", which carries the slogan "Creating a Green Society through our Connecting and Supporting Technologies", SEG will work on growth strategies and strengthening our business foundations with the integrated capabilities of the Group and appropriately distribute the results of this growth to our multistakeholder partnerships.

SEG will strive to pursue the indicators and targets shown on the right.

Net sales 4.4 trillion yen Operating profit 250 billion yen Before tax ROIC >8% R&D 360 billion yen/3 years Capital Investments 720 billion yen/3 years



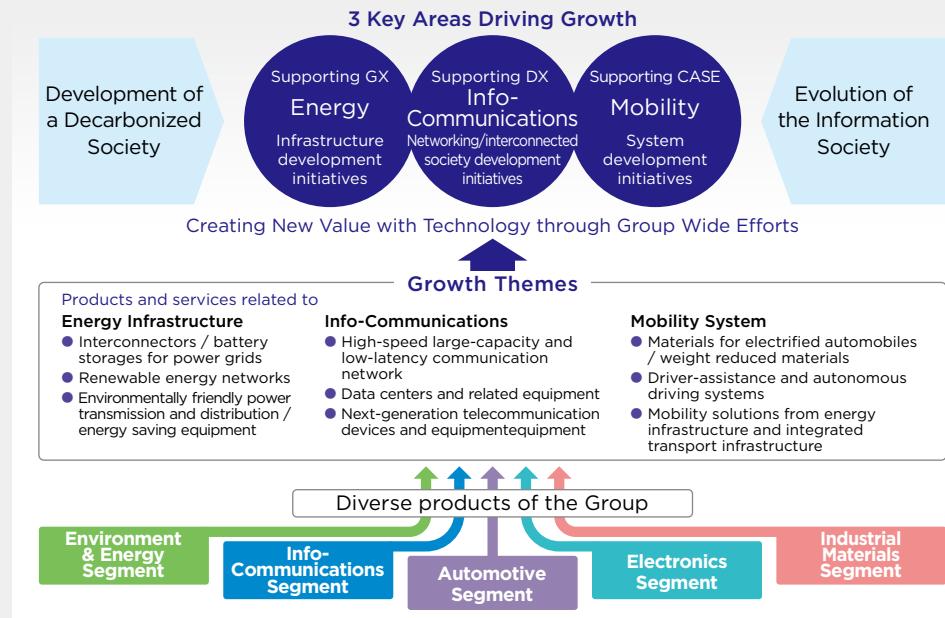


Growth Strategies for Each Business Segment

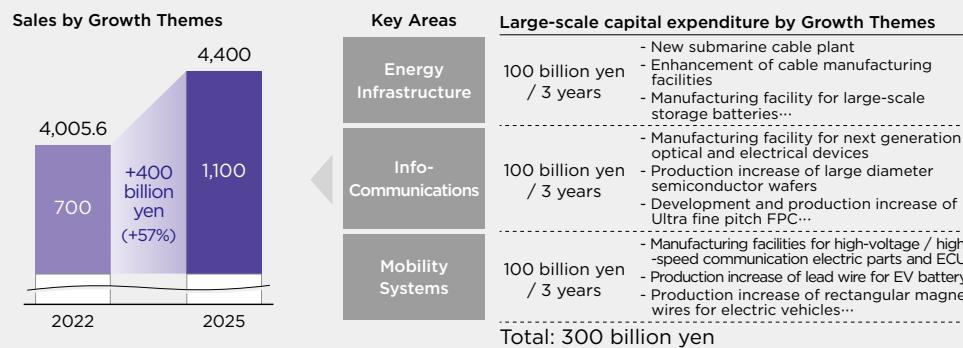
Overview of Growth Strategies

By driving growth in 3 key areas; "Energy", "Info-communication" and "Mobility", SEG has identified 9 cross-group themes as "Growth Themes" where we expect to be able to seize business opportunities as part of progress toward a Decarbonized and Information-oriented Society. Through these efforts, SEG will contribute to realizing "Living IN SAFETY AND COMFORT ON OUR GREEN PLANET" by creating new value with technology.

Realizing LIVING IN SAFETY AND COMFORT ON OUR GREEN PLANET



Sales and Large-scale capital expenditure in the growth themes are as follows



Environment & Energy

Policy for 2030

SEG will contribute to the development of next-generation energy infrastructure by providing products and services that contribute to decarbonization and support the future of a Green Society globally

2025
Growth
Strategies

Sales
and profit
targets
(2025)

Net sales
2022 928.2 billion yen
↓
2025 1,020 billion yen

Operating profit
2022 37.9 billion yen
↓
2025 50 billion yen

Business Environment

In a time when countries around the world are making large-scale investments for the mass introduction of renewable energy, and when long-distance power transmission linking remote areas and balancing the supply-demand of electricity are even more in demand, SEG is committed to contribute to enhancing and improving the efficiency of power grids by evolving our high-voltage cable technology

Strategies Going Forward

1 Extra-high-voltage DC cable for interconnector

- Significantly expanding manufacturing and installation capacity both in Japan and overseas
- Developing environmentally friendly high-performance insulation materials
- Improving project risk management capabilities
- Strengthening collaboration with strategic partners

2 Offering products and services for renewable energy

- Strengthening cooperation with group companies (Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd.) to offer solutions
- Adopting higher voltage and larger capacity array cables and export cables for offshore power, and expanding its sale
- Securing large-scale projects for redox flow batteries, promoting local production and local consumption, and introducing new products with EV linkage function for residential storage batteries

3 Rectangular magnet wires for driving motors used in electric vehicles

- Launching next-generation and differentiated products for higher voltage electric vehicles
- Increasing manufacturing capacity and improve productivity in response to the growing popularity of electric vehicles
- Establishing a global distribution system

Key Initiatives

Launching state-of-the-art submarine cable factories

Our goal is to support the launch large-scale submarine power transmission projects in various countries. Refining our DC power transmission technology, which is essential for long-distance and high-capacity transmission, and strengthening our manufacturing capability in each region will put us in a leading position in global decarbonization efforts



Current Minato Factory (Ibaraki factory)

Developing a power transmission system to support wind power generation

By leveraging our world-class technological capabilities, SEG will contribute to building a sustainable future by addressing challenges in floating offshore wind generation, to enable mass deployment of renewable energy systems to meet net zero commitments



Photo courtesy of Akita Offshore Wind Corporation

Increasing performance and global expansion of rectangular magnet wires

SEG will develop and market next-generation differentiated products that can respond to further increases in the high voltage required for electric vehicle adoption. SEG will also further strengthen our global supply chain by focusing on in-house production and procuring of key materials locally



Rectangular magnet wires for driving motors



Info-Communications

2025 Growth Strategies

Sales and profit targets (2025)

Net sales

2022 250.3 billion yen
↓
2025 280 billion yen

Operating profit

2022 21.9 billion yen
↓
2025 25 billion yen

Business Environment

The advancement of our data-driven society is increasing the amount of communication data transferred at an annual rate of approx. 30%, and this is increasing demands for high-speed large-capacity and low-latency communication networks. SEG is committed to support the buildup of low power consumption communication networks through providing solution based on the variety of products and services

Strategies Going Forward

1 Optical communication products for data centers & data center interconnection

- Deploying high fiber density optical cables for air blown installation
- Reducing power consumption through ultra-low loss optical connectors
- Performance and energy-saving improvements of InP devices for optical communication and improvement of InP substrate quality

2 High-performance, high-value-added products for high-speed large-capacity optical communications

- Application of multi-core optical fiber for intercontinental submarine optical communication
- Advancing construction work with fusion splicer equipped with AI/DX functionality
- Higher performance optical fiber (ultimate lowering loss, bending performance improvement)

3 Devices and equipment for high-speed large-capacity mobile wireless communication (5G/B5G)

- Expanding bandwidth, improving energy-saving performance, and increasing production capacity of GaN based power amplifier for mobile phone base stations
- Beginning to supply industrial 5G terminals and 5G access optical transmission equipment for use in factories and transportation

Key Initiatives

Development of Higher Performance Products for Data Centers

SEG will provide high fiber density slim cable and optical interconnection equipment that supports efficient use of space for data centers, as well as ultra-low loss optical connectors and ultra-high-speed optical devices that boost energy conservation and decarbonization

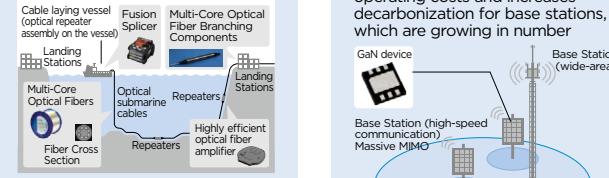
Optical cables for data centers

- Ultra-high fiber count cable
- Ultra-high fiber density optical cables for air blown installation
- Ultra-low loss optical connectors
- Ultra-high-speed optical device
- Optical interconnection equipment

Providing Multi-Core Optical Fiber Solutions

As a leader in multi-core fiber, a new key technology for high-speed large-capacity optical communications, SEG provides comprehensive solutions including fusion splicer, amplifiers and other products.

SEG has introduced intercontinental optical submarine cables and will be expanding them to land use and data centers



Wideband power amplifier for mobile wireless communication of 5G and Achieving B5G

SEG is continuously incorporating new technologies to improve power efficiency in high-frequency GaN devices which are used in wireless communication base stations including mobile phones and other mobile devices. This reduces operating costs and increases decarbonization for base stations, which are growing in number

Automotive

2025 Growth Strategies

Sales and profit targets (2025)

Net sales

2022 2,186.8 billion yen
↓
2025 2,500 billion yen

Operating profit

2022 55.7 billion yen
↓
2025 110 billion yen

Business Environment

With electrified vehicles* forecasted to account for approximately 30% of the global vehicle production in 2025, and with driver assist features and autonomous driving systems becoming increasingly sophisticated, SEG is committed to contribute to the evolution of mobility by advancing technologies for electrification, high-speed communications, and infrastructure coordination, in addition to the further enhancement of our existing wiring harness technology

*BEV, Full-HEV, PHEV, FCV

Strategies Going Forward

1 Global supply system for wiring harnesses

- Further increasing sales of aluminum wiring harness which contribute to weight reduction
- Reconfiguring of our production system to optimize global locations, prioritizing local production for local consumption
- Creating a new design and new manufacturing method for wiring harnesses
- Better supply chain visualization through digital transformation

2 New products that capture the expanding CASE market

- Expanding our supply of high-voltage products and battery-related parts as electrification advances
- Accelerate development of new products in response to increased/higher speed communication functions
- Strengthening partnerships and promoting collaboration with existing customers
- Penetrating into Europe, US and other emerging EV manufacturers

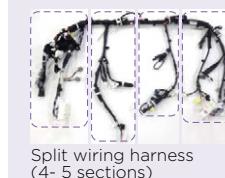
3 Cooperating within our Group, aiming for a new era in mobility

- SEG will strengthen the development of new products for next-generation mobility using polymer materials, by reorganizing manufacturing bases and business structures for anti-vibration rubber and hoses, through collaboration with existing businesses (Sumitomo Riko Co. Ltd.)
- Providing smart infrastructure for the EV Society by linking traffic management systems and energy management systems

Key Initiatives

Manufacturing innovation and better supply chain visualization

Using automation technology to create split harnesses, which will allow for a wide variety of products with a small number of parts, and will accelerate local production for local consumption and BCP. SEG will also strengthen our global supply system through digital transformation and supply chain visualization



Development of electrification / high-speed communication components for CASE

Development of unique products and technologies that boost electrification and high-speed communication that support the development of next-generation mobility

[Examples]

- High-Voltage Wiring Harnesses
- Battery Wiring Modules
- High-Voltage Junction Block
- High-Speed Communication Wiring Harnesses
- Zone ECU
- Battery Cooling Hoses
- Management System for EV Charging and Discharging

New product development of polymer materials

Anti-vibration rubber and cooling hoses for EVs, hydrogen hoses for FCVs, new technologies for polymer materials that contribute to innovation in automobiles



Increased collaboration on infrastructure

Total solution design through collaboration on mobility and social infrastructure

[Examples]

- Pedestrian/vehicle detector and AI-based traffic signal control
- Energy management through EV charging and discharging



Electronics



Sales
and profit
targets
(2025)

Net sales
2022 366.0 billion yen
↓
2025 360 billion yen

Operating profit
2022 38.3 billion yen
↓
2025 30 billion yen

Business Environment

With many social and industrial changes being accelerated as seen in GX, DX, and CASE, our commitment to contribute is to support the realization of a comfortable and environmentally friendly society by applying our proprietary technology in high-performance materials and wiring technologies toward a wide range of industries

Strategies Going Forward

1 High-performance FPC* supporting next-generation telecommunication devices

- Further business differentiation through ultra fine pitch circuit technology and multi-layer technology
 - Promoting the development of Fluororesin/High-frequency FPC with excellent high-speed transmission performance
 - Expanding the scale of our business to develop CASE-compatible FPC, including electrification
- *Flexible Printed Circuits (wiring material)

Key Initiatives

Increasing sophistication for our ultra fine pitch circuit technology used for FPC

SEG will supply reliable high-density wiring, leveraging our strengths in ultra fine pitch circuit technology using the semi-additive method, to meet the needs for further miniaturization, weight reduction, and better functionality of information terminals

Conventional etching method



Semi-additive method



2 High-performance wires used in a wide range of applications such as electrification

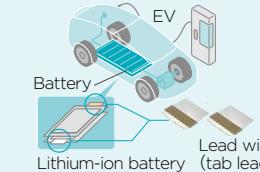
- Building a production system to meet the growing demand for lead wires for EV battery
- Developing and enhancing capacity of information cables and high-voltage wire for vehicles and aircraft
- Supplying high-performance wires for a wide range of applications, from satellites to robots

3 High-performance products that positively contribute to the environment and boost medical care

- Increasing production capacity for microfiltration membranes for semiconductor manufacturing equipment
- Developing high value-added membranes for higher performance water treatment membrane modules
- Developing and expanding sales of high-performance materials used in the products field, e.g. for catheters

Expanding our supply of lead wires to support high performance EV batteries

In order to meet increasing demands for lead wires for lithium-ion batteries, SEG will enhance its global production capacity, including establishing new operating bases, and also focus on developing next-generation products



Achieving superior quality filtration and water treatment with unique high-performance membranes

SEG will increase production capacity for impurity removal filter membranes for semiconductor manufacturing equipment that requires precision filtration

Development of high-performance membrane modules and high value-added membranes that can meet the challenges of a wide range of water resources



Industrial Materials & Others



Sales
and profit
targets
(2025)

Net sales
2022 363.3 billion yen
↓
2025 390 billion yen

Operating profit
2022 24.0 billion yen
↓
2025 35 billion yen

Business Environment

With various industries reaching a turning point and manufacturing and the use of products changing, our commitment to contribute is to support the realization of green society by applying the advanced materials processing technologies SEG has developed to a wide range of fields, including electrified vehicles and green-related facilities

Strategies Going Forward

1 Promoting differentiation and production system enhancement with our cutting tools

- Building demand for the various cutting processes for aircraft parts, electric vehicles and wind power generation with next generation CBN and new materials
- Uncovering new demand by differentiating through sensing technology and data utilization to predict tool life and improvements in machining processing
- Developing our global service system for all machining processes

Key Initiatives

2 Technological expansion for cemented carbide materials and expanding into growing markets

- Expanding sales of diamond cutting wheels for magnets used in electrified vehicles and high-precision cutters for electronic components
- Expanding sales of heatspreaders for use in automotive and medical sectors with innovative technology and increased production capacity
- Supplying tungsten monoblocks with super hardness and excellent thermal shock resistance to the nuclear fusion market

3 High-precision, high-strength materials that contribute to infrastructure enhancement and the environment

- Increasing sales of highly durable, high value-added prestressing steel strand in North America and Asia, where we expect demand to increase
- Development and increased sales of prestressing steel strand with optical fiber for navigating infrastructure and sloping ground
- Expansion of sintered parts for EV products, expansion into non-vehicle sectors

Accelerated development and market expansion for cutting tools

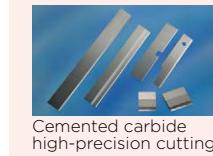
Develop new materials and new processing technologies to expand into new sectors, including electric vehicles, renewable energy, and aviation. Expand our share of the growing global market by enhancing our global service capability



NCB100 Sintered binderless CBN for high efficiency finishing
Diamond-coated endmills for manufacturing electrified vehicle parts

Expanding supply of cemented carbide cutting blades that support the development of electrified vehicles and 5G

Further strengthening our production system for cemented carbide cutting blades and our ultra-precision processing technology to expand supply for the multilayer ceramic capacitor (MLCC) market, which is expanding due to the development of electrified vehicles and 5G



Strengthen development of sintered parts for EVs

Capturing demand in new sectors such as EVs through dissimilar material bonding and sinter-forging technology



Development of green market for prestressing steel strand

With applications, including in coated prestressing strand² and tower for wind-power generation³



¹ e-Axle: The main drive system that integrates the electric vehicle motor, inverter, and speed reducer

² Tank: Storage tank for next-generation energy such as biomass and other liquids

³ Wind turbine tower: A hybrid tower (steel + concrete tower) for wind turbines, increased rigidity enabling a taller structure, benefits for the ease of transport and less cost to assemble

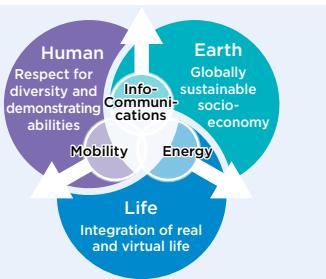


Business Foundations

3 Key Driving Forces | R&D

Our Approach

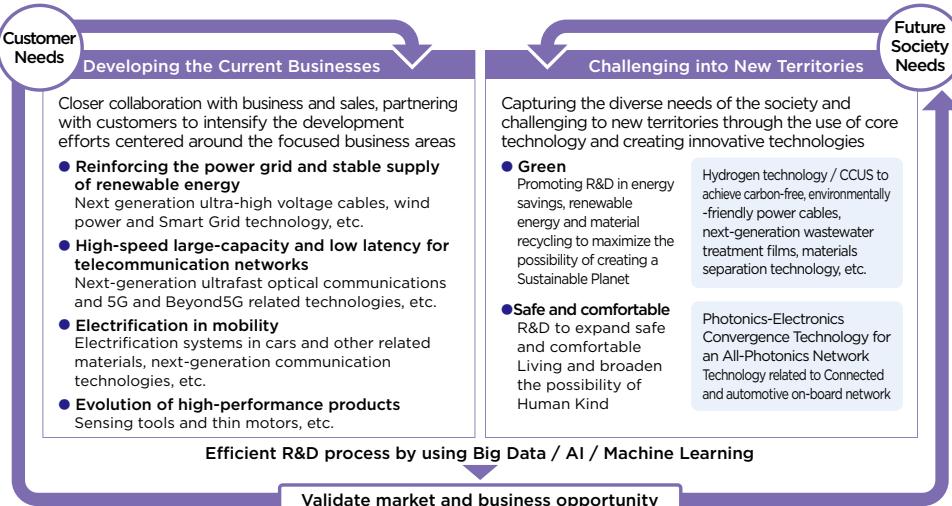
In order to pursue “Top Technology,” evolve technologies that connect and support, and create innovations, we will incorporate R&D into new product development in our current businesses, focusing on the areas of “Energy,” “Info-Communications,” and “Mobility,” while also taking on the challenge of new themes “Earth,” “Humanity,” and “Life”



Policy for 2030 Invigorate and accelerate R&D as one of the key driving forces to create an extensive range of technologies

- Backcasting from social issues
- More sophisticated and efficient processes
- Open innovation and cooperation with outside entities

Efforts looking ahead to 2025



Developing the Current Businesses

In the Energy area, SEG is promoting the development of next-generation cables and system solutions that will boost the introduction of renewable energy to achieve a decarbonized society. SEG aims to realize an efficient long-distance power transmission grid by developing a large-capacity, low-loss power transmission system. Additionally, in the Info-Communications area, SEG will advance

the development of technology that achieves both high-speed large-capacity and low latency, as well as compact size and low power consumption, in the optical fiber, device and equipment fields. Furthermore, in the area of Mobility, with the acceleration of electrification, autonomous driving, and cooperation with external services represented by MaaS, automobiles are becoming more sophisticated. As a result, in addition to wire wiring harnesses, which are a core product for the Group will

focus on developing electrification and connected products and services, creating new value for the mobility society.

Challenging into New Territories

From the 2030 VISION, we have advanced our time frame further and carried out activities to draw a vision of the future society that we want to realize. By backcasting from our vision of society in 2050, we aim to create new business areas by working on themes that evolve and integrate related technologies for Energy, Info-Communications, and Mobility. In the initiatives of “Earth,” “Human,” and “Life,” we are challenging ourselves in research areas where we see new value. For “Earth,” we will develop infrastructure for the coming hydrogen society, carbon dioxide separation and recovery, and material recycling technology. For “Human/ Life,” we are developing technology that expands human capabilities and utilize virtual space.

Three R&D Policies

In order to invigorate and accelerate R&D as one of the key driving forces to create an extensive range of technologies, we are strengthening our efforts based on three policies.

1. Needs-Driven (Driven by the demands of future society)

Backcasting from the state of society and social issues in 2050, we conduct needs-driven research and development, starting from social issues, to quickly identify various changes, such as the diversification of cities and lifestyles, and the transformation of values, which will accompany the emergence of innovative technologies and products that solve environmental problems, the further spread of digital and virtual technologies, the utilization of outer space, and the practical application of quantum networks. We will further expand, strengthen, and evolve its Connecting and Supporting technologies to provide new value.

2. Speedy (Acceleration of the R&D process)

To further accelerate R&D, SEG is introducing

MI (Material Informatics) and AI in addition to computational science and simulation. Moreover, to improve the efficiency of the manufacturing process, SEG is working to automate the factory by linking the PI (Process Informatics) system with the manufacturing process. SEG will shorten lead times and improve process efficiency across the Group's broad range of technologies and products.

3. International (Collaboration with oversea partners)

The laboratories across the group companies will work together to materialize the vision by bringing together the technologies, know-how, and ideas developed in the course of global expansion under a clear strategy regarding intellectual property. While steadily developing our core technologies, we will also promote collaboration with overseas companies and academic institutions to achieve dynamic and speedy reaping of results.

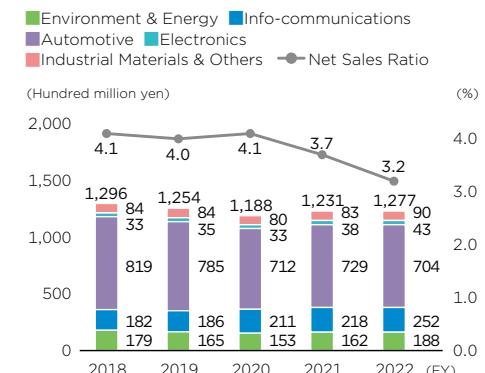
R&D Expenses to Support Sustainable Growth

While R&D requires stable investment with a long-term perspective, our basic policy is to invest in high-value-added and new businesses in a balanced manner.

For more information on our R&D structure and related technologies, please refer to our website*.

*Research and Development <https://sumitomelectric.com/rd>

R&D expenses and Net Sales Ratio





3 Key Driving Forces | Manufacturing

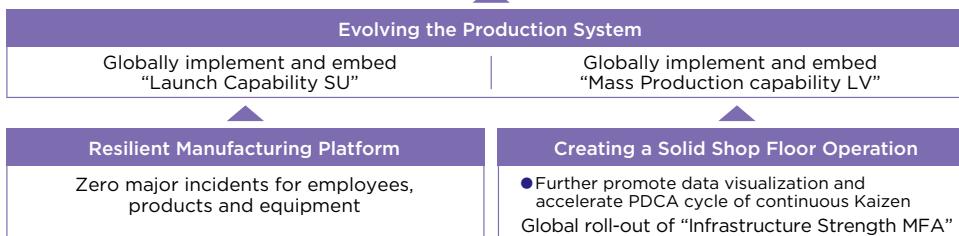
Our Approach

As a manufacturing company, the Group considers the evolution and digging deep into "S (Safety), E (Environment), Q (Quality), C (Cost), D (Delivery) and D (R&D)" is the core of the Group's business activities. We have positioned Manufacturing as a particularly important driving force, and all the departments have been working towards creating resilient factories that continues to adapt to the changing business environment.

Policy for 2030 Create "Resilient Factories" that can adapt to change
 • Contributing to the global environment • Promoting a resilient manufacturing platform
 • Building a solid shop floor operation • Evolving the production system

Efforts looking ahead to 2025

Building a manufacturing capability that achieves world leading standards for all of SEQCDD



The common elements that are key to realizing "Resilient Factories" are: (1) Contribution to the global environment through CO₂ emission reduction and environmental preservation activities, (2) Resilient Manufacturing Platform that aims for zero occupational accidents, quality complaints and defective losses, and accidents and breakdowns of production equipment, (3) Creating a solid shop floor operation that maintains stable production and constantly improves in search of better methods. (4) "Evolving the production system" to start mass production of new products more quickly and with more competitive lead times and costs. We have established four policies and are working daily to strengthen them. For details of "Contribution to the Global Environment," please refer to p. 22

Resilient Manufacturing Platform

Safety and Health Initiatives

Creating a culture in which "safety is our top priority": The Group regards ensuring the safety and health of its employees as the

cornerstone of its business activities and promotes the creation of a corporate culture in which "safety is our top priority" and engages in ongoing health and safety activities with the participation of all employees with the aim of becoming the world's top safety company. Specifically, the Group has established a "Safety Philosophy," "Principles of Safety Activities," and "Occupational Safety and Health Guidelines." To realize these policies, the Group incorporates proposals from the perspective of employees at work sites into its company policies, and each fiscal year it defines priority initiatives and items to be implemented. The table below shows the incidents occurred in FY2022.

Number of industrial accidents (FY2022) (Headcount)

| | Japan | Overseas | Total |
|---------------------------------------|-------|----------|-------|
| a serious accident | 0 | 0 | 0 |
| accidents resulting in lost work time | 8 | 3 | 11 |

(Note 1) Sumitomo Electric consolidated (excluding listed subsidiaries) and contracting companies

(Note 2) A serious accident is an accident resulting in death or other serious injuries

Lost Time Injuries Frequency Rate for Employees in Japan (FY2022)

| All Industries | Manufacturing industry | SEG | SWS |
|----------------|------------------------|------|------|
| 2.06 | 1.25 | 0.16 | 0.06 |

(Note 1) SEG is Sumitomo Electric Industries, Ltd. non-consolidated and its 41 affiliates in Japan (excluding SWS and other listed companies)

(Note 2) SWS is Sumitomo Wiring Systems, Ltd. (non-consolidated)

Quality Initiatives

Promotion of the QR-1 Campaign: The basic philosophy of the Sumitomo Electric Group is to provide a stable supply of safe, reliable, and high-quality products based on the concepts of "customer-oriented" and "quality-oriented." In order to continue to achieve this goal, the Group is expanding the company-wide "QR-1 Campaign" globally with the slogan "Number 1 in Quality and Reliability," strengthening its foundational manufacturing capabilities and implementing the "the Sumitomo Electric Group Quality Management Global Standards". In 2020, the Group launched "CQO (Chief Quality Officer) meeting," a company-wide cross-functional meeting body related to quality and is promoting activities to strengthen cooperation and governance among the quality assurance departments within each division.

Quality Compliance: Complying with laws and regulations and providing products of the quality required by customers are absolute conditions for the survival and sustainable development of a company. The Group is promoting initiatives to ensure strict quality compliance, which includes clarification of rules to prevent quality related wrong doings enhanced training, and enhancing of its quality-check function.

Creating a Solid Shop Floor Operation

Promoting continuous "Kaizen": In the ever-changing business environment, the Group has the ability to recognize the small cracks and defects that can occur at the manufacturing site, and to correct and maintain the desired quality. The Group aims to "create a solid shop floor operation" that has the ability to identify weaknesses, seek better methods, and continuously improve autonomously.

Rolling-out "Infrastructure Strength MFA" globally: Introduced in 2019, the Monozukuri Fundamentals Assessment (MFA), is a common assessment tool unique to the Group that defines and evaluates the capabilities that a "solid shop floor operation" should possess and realize for the global promotion of strong worksite development. This tool comprises of 50 items on

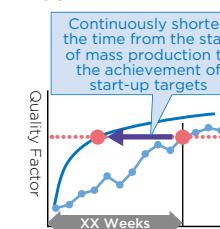
a 100-point scale across five key areas: "safety and environmental management," "quality management," "facilities management," "plant management," and "continuous improvement capabilities." Each Production Group uses this tool to quantitatively evaluate manufacturing sites of its own factories on an annual basis. By quantifying strengths and weaknesses, areas for development can be identified and improved upon. We are accelerating the PDCA cycle to "Create a solid shop floor operation."

Evolving the Production System

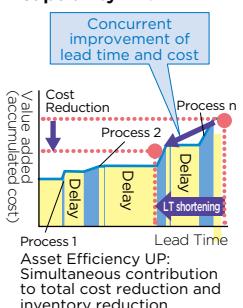
"SU" (Start-Up) is the number of days required from the start of mass production of a new product or type of product to the stabilization of its quality. Through continuous improvement, such as identifying improvements in people, products, facilities and mechanisms, we aim to deliver better products to customers faster and more consistently, whilst simultaneously securing more efficient profits.

Furthermore, after shifting to stable mass production, we will aim to secure even higher competitiveness whilst improving lead times and costs at the same time. The integrated value of lead time and variable costs in the manufacturing process is defined as "LV" (Leadtime Value). By constantly aiming to minimize it and promoting reduction, we not only ensure delivery time and price competitiveness, but also reduce inventories. This will also contribute to improving management efficiency.

Launch Capability "SU"



Mass Production capability "LV"





3 Key Driving Forces | Supply Chain

Our Approach

In accordance with the "Sumitomo Spirit", "the Sumitomo Electric Group Corporate Principles," the company's "Charter of Corporate Behavior," and "Basic Procurement Policies"¹, and based on mutual trust and cooperation with our business partners, we are operating sustainable procurement activities that are fair, equitable, focused on compliance and friendly to the global environment and human rights. In addition to optimizing procurement, manufacturing, sales and the entire logistics, we are working to building a resilient supply chain system with a focus on developing BCP to strengthen our response to supply chain risks and ensure rapid response in the event of natural disasters and sudden changes in the global circumstances.

Policy for 2030 "Stable Supply Chain Resilient to Changes" and "Responding Precisely and Promptly to Customers"

- Fair and impartial trade, protection of the environment and human rights, and the BCPs
- Presenting solutions ● Production at the most appropriate site and cooperation on a global scale
- Optimizing division of labor among operation sites

Efforts looking ahead to 2025

Building a Stable Supply Chain
Assessment completion rate (Global transaction value equivalent) 80%

Optimized Manufacturing Locations
Advanced Inventory Management

Stabilization and Efficiency of Logistics Networks
Improved Efficiency of Intragroup Transactions
EDI rate for transactions between group companies 100%

minimize the impact. For high-risk items, such as overseas procured items, the Group is promoting risk visualization through a system that prioritizes measures such as considering alternatives and ensuring safe stocking. The Group is also working to build a highly resilient logistics system that anticipates risks.

Optimized Manufacturing Locations Advanced Inventory Management

In addition to promoting the diversification of manufacturing sites, local production for local consumption, and consolidation and optimization of common functions in accordance with business characteristics and geopolitical situations, we are striving for appropriate inventory management by sharing and utilizing data from order receipt to shipment.

Stabilization and Efficiency of logistics networks Improved Efficiency of Intragroup Transactions

We promote building a highly efficient logistics environment through visualization and sharing of the status of logistics and optimized design of hubs and depots.

3 Key Sources of Capital | Intellectual Capital

Our Approach

The Group considers the technologies created through its proprietary research and development activities to be the most important "intellectual property" for the continued development of its business. New knowledge and information created are managed confidentially as trade secrets in order to provide market competitiveness, while those that can be used outside the company are protected as patents and trademarks.

Policy for 2030 Globally manage and make use of intellectual capital generated from our core technologies

- Intellectual Property(IP) strategy for business competitiveness
- Global IP network
- Contribution to the establishment of global regulations

Efforts looking ahead to 2025

Managing Intellectual Capital / Utilizing IP Rights

- Maintaining approx. 25,000 rights, Japan and international
- More than 2,000 new applications filed every year across the group

Contribute and Comply with International Standards and Rule-Making

Accelerate to apply our environmental technologies and data usage technologies to the society by working together with our partners

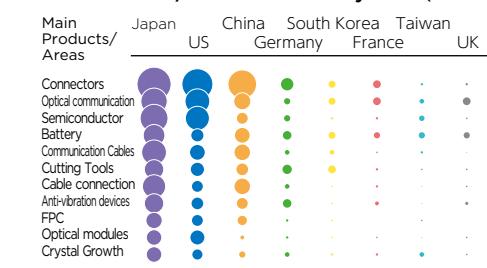
Intellectual property management, rights acquisition and utilization

The Group understands the technologies and knowledge (intellectual property) generated in the course of its business and R&D activities in Japan and overseas, utilizing them in its business, either by managing them confidentially or by acquiring rights to them, depending on their content and purpose of use. When it comes to patent rights and trademark rights, rather than pursuing "quantity" such as the number of rights held or the number of applications filed, the Group emphasizes "quality" that contributes to business strategy, aiming to efficiently expand, utilize, and inventory its rights network. In line with its business strategy, the Group will strive to build a "network of rights to utilize" by selecting product/technology fields and countries/regions from which to acquire rights.

Changes in number of rights held (patent, utility model and design rights)



Main Products/Patent Portfolio by Area (FY2022)



¹ Basic Procurement Policies <https://sumitomoelectric.com/sustainability/csr/sociality/procurement>

² CSR Procurement Guidelines https://sumitomoelectric.com/sites/default/files/2023-04/download_documents/csr_guide.pdf

³ Supplier Code of Conduct <https://sumitomoelectric.com/sustainability/csr/scoc>



3 Key Sources of Capital | Financial Capital

Our Approach

In addition to striving to maintain a strong financial position, we have set ROIC as the key target indicator and is working to prioritize the strengthening of profitability and improvement of capital efficiency. Through these efforts, the business will maximize the cash flow generated by our operations whilst achieving sustainable growth and use the results to invest in strategic growth and provide stable returns to our stakeholders.

Policy for 2030 Maximize cash flow, invest in growth, and return profits to stakeholders

- Generate cash through reinforcing operation, implementing growth strategy, and ROIC management
- Strategic R&D and capital investment
- Share returns with our stakeholders

Efforts looking ahead to 2025



*1 EBITDD: Earnings Before Interest Taxes Depreciation and Development

Promoting activities to improve ROIC

As part of our efforts to improve capital efficiency, we are promoting Group-wide activities to improve ROIC. Each division sets ROIC targets and utilizes the ROIC Tree as a tool in its activities to improve ROIC. The ROIC Tree is classified into Category A (expansion of sales), Category B (cost reduction) and Category C (improvement of asset efficiency), and each division sets their KPIs (Key Performance Indicators) for its respective businesses.

By using the ROIC tree to link KPIs at the field level to ROIC improvements, the effects and significance of the initiatives are widely understood by our employees, and the PDCA cycle is implemented more effectively.

Example of ROIC tree

| Operating profit ratio | | Category A | | |
|------------------------|---|--------------------------|---|--|
| R | O | Sales | Market Share | Sales ratio of new products |
| | | Amount of copper shipped | Non-Japanese sales ratio | |
| Category B | | | Cost of Sales | Efficiency Wastage factor Number of claims Overhead cost ratio |
| I | C | ccc | Inventory turnover days Lead-time for production Stagnant inventory amount Accounts receivable amount | Equipment turnover rate Overall equipment efficiency (equipment load factor) |
| | | | | |

Before-tax ROIC results and targets

| FY2019 | FY2020 | FY2021 | FY2022 | ~ | FY2025 | ~ | FY2030 |
|--------|--------|--------|--------|---|--------|---|--------|
| 5.6% | 4.4% | 5.8% | 6.6% | | >8% | | >10% |

Initiatives to improve CCC

In order to improve the asset turnover ratio of invested assets, we are also focusing on efforts to improve the CCC (cash conversion cycle).

Since FY2020, when the new coronavirus infection spread, inventories have increased due to supply chain disruptions, and we have identified the reduction of inventory holding days as a key initiative in our Mid-term Management Plan 2025.

Specifically, we are working to improve manufacturing and transportation lead times, strengthen inventory management by product type and customer, review standard inventory levels, and build a production management system that responds flexibly to fluctuations in demand.

We are also working on inventory management using DX. In the business, which operates in multiple locations globally, we are using information systems to understand and manage appropriate inventory by region and product, and we are seeing positive results. We will promote the horizontal deployment of activities that have produced results to other businesses within the company.

Capital investment management

We invest for growth by making capital investments to reinforce manufacturing capabilities and accelerate global expansion. In order to make appropriate decisions on capital investments and to identify and share issues, the following PDCA-focused management cycle is implemented.



1. Capital budget management

Businesses draft capital investment plans in line with the medium-term business plan. The group-wide capital investment budget is set for each fiscal year by taking into account the group-wide cash flow perspective in relation to the planned accumulated values of the businesses.

2. Discussion on projects / making investment decision, 3. Execution

Each capital investment project is considered as a part of the capital investment budget, and in principle, is approved only if it exceeds the hurdle rates for ROI (return on investment) and IRR (internal rate of return) set for each business and investment category.

Approved capital investment projects are be executed according to the drafted plan.

4. Tracing the results of capital investment

We measure the actual ROI of prior capital investments and conduct a planned variance analysis. This allows us to clarify the success or failure of capital investment, and by analyzing the factors for not achieving the plan, we are able to share success factors and failure cases within the company and utilize them in considering future capital investments.

Efficient fund management through CMS

To improve our capital efficiency, we have a cash management system (CMS*2), which facilitates effective use of capital within the Group, and minimizes our interest-bearing debt.

CMS was first introduced in our group companies in Japan before expanding it to the USA, Europe, China and other Asian countries following our businesses expansion. When funds are unevenly distributed among countries or regions, we also promote the overall efficiency of the funds by providing fund loans across countries and regions.

*2 A centralized management system to manage efficient use of cash, deposits, and borrowings of group companies, and adjusts surpluses and deficiencies that occur in Group companies through capital loans and funding within the Group.



3 Key Sources of Capital | Human Capital

Our Approach

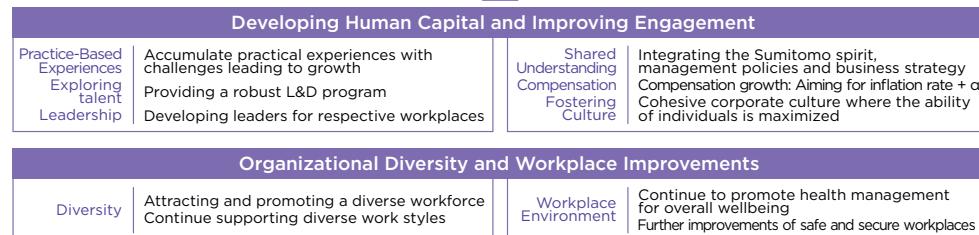
Aiming to evolve to become a Group where everyone can excel, grow, and contribute to society, we are working to “develop human capital,” “improve engagement,” “organizational diversity,” and “workplace improvements”

Policy for 2030 Evolve to be a Group where everyone can excel, grow, and contribute to society

- Diversity and Inclusion ● Nurturing a corporate culture that values growth and challenges
- SEG's integrated power on a global scale

Efforts looking ahead to 2025

Develop Human Capital creating new value in the age of changes



Developing Human Capital and Improving Engagement

As part of our “human resource development policy,” we are committed to developing global leaders who can support our global business development. Global leaders are defined as individuals who understand the Sumitomo Spirit and the Group Corporate Principles, and who can lead a team rich in diversity.

Total L&D architecture as the “SEI University”

To develop global leaders, we support our employees with “objectives, / career dialogues,” “on-the-job training (OJT),” and “annual assessment, and job rotations” through the SEI University.

Total hours of training program per employee

| | |
|---------------|------------|
| FY2022 | 11.8 hours |
| FY2025 (goal) | 20 hours |

(Note) Scope of coverage is domestic and overseas consolidated subsidiaries (excluding listed subsidiaries).

Executive Training Program Completion

| | |
|----------------------|------------|
| FY2023–FY2025 (goal) | 100 people |
|----------------------|------------|

beyond their individual companies and aim for career advancement. We certify executives of overseas subsidiaries, excluding subsidiaries of listed companies or their equivalents, as “SEG Global Executives” 42 people were certified in 2023.

Organizational Diversity and Workplace Improvements

As part of our “Diversity and Inclusion” efforts, which we define as combining “Diverse Perspectives,” “Trusting Relationships,” and “Demonstrating ability,” we are working to create an organizational environment in which a diverse workforce can maximize their abilities. This will allow us to capture new business opportunities while responding to changes in society and our business.

Hiring diverse talents, promoting the active participation of women

To recruit a diverse workforce, we set our target ratio of women graduates at 40% for business positions and 15% for engineering positions. In addition, we are actively pursuing career employment and implementing measures to ensure early success and retention of employees, while at the same time promoting employment of people with disabilities.

We are promoting the active participation of women as an important initiative to create a corporate culture in which all employees can play an active role and to promote the growth and development of the organization. In particular, we have implemented programs to develop female leaders in decision-making

Number and percentage of women in managerial positions



(Note) Includes employees of Sumitomo Electric Industries who are on assignment to affiliated companies, etc.

positions and are aiming to increase the ratio of women managers to 4.0% by 2025.

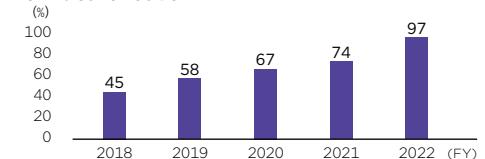
Providing diverse work styles, and supporting work-life balance

Our standard approach is to require employees to work on-site to ensure workplace management that emphasizes the “Sangen principles” and supports workforce development through direct dialogue. However, we are also actively promoting the use of work from home to achieve flexible work styles and improve productivity to support many aspects of each employee’s lifestyle.

As a measure aimed at promoting male participation in childcare, we have set a target of 100% male childcare leave take-up rate, which became mandatory from October 2022. In addition, we are taking various measures to create an environment that facilitates long-term childcare leave, such as “spousal childcare support interviews.”

We are also supporting each employee in other facets of life.

Percentage of male employees taking childcare leave



Promotion of Health Management

We believe that the health of every employee is essential to achieving sustainable development and growth, so in 2015 we established the “Sumitomo Electric Group Health Management Declaration,” and in 2017, led by the director in charge of human resources, we launched the health maintenance and promotion program “Kenkatsu!”. We are promoting systematic support for employees who are engaged in health promotion from the three perspectives of “prevention of and improvement of lifestyle-related diseases,” “creation of exercise habits and encouragement of participation in sports activities,” and “mental health care.”

Please refer to the CSR Book and our webpage* for details on each of our human capital initiatives.

*<https://sumitomelectric.com/sustainability/csr/sociality>



Special Feature

Developing leaders for respective workplaces

■ Area Committee

The Area Committee, in which global executives and next-generation leaders of overseas Group companies work together as a group on management issues common to all regions and countries, not only creates synergies among group companies, but also provides valuable growth opportunities for participants.

The program began in North America in 2011, and currently involves more than 500 Group employees in the four regions of the Americas, as well as Europe, Southeast Asia/Australia, and Greater China, working on a wide variety of themes such as human capital development and strengthening manufacturing capabilities.



■ MPSS (SEG Management Program based on the Sumitomo Spirit)

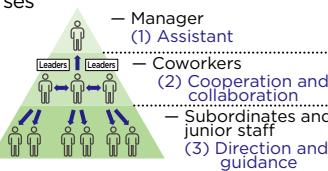
The MPSS has been offered since 2012 to managers at the core of our Group companies to share and instill the Sumitomo Spirit and to improve the management skills of their subordinates. In FY2022, a total of 839 participants, 191 from overseas and 648 from Japan, took the course and the goal is to have 2,300 people take the course over the next three years until FY2025.



■ Manufacturing Talent

Based on our core belief that "manufacturing is akin to people development," we are working to develop manufacturing talent who will support "resilient factories" through the three pillars of (1) training for key personnel, (2) training in technology and skills, and (3) fundamental manufacturing education.

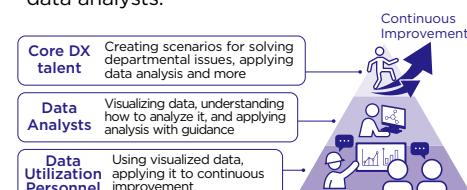
In addition to the Sumitomo Spirit, we also conduct "Supervisor Training courses" and "Instructor Training courses" with domestic Group companies to develop leaders at manufacturing sites. These courses take the forms of intensive training camps covering the roles required of leaders, such as assistance, cooperation, and guidance. 263 employees participated in these courses in FY2022.



Supervisor and Instructor Training : Roles Required of Leaders

■ DX Talent

We are promoting the development of "core DX talent" by drawing up and implementing solutions for issues faced by each department. We are also supporting "data analysts" to better understand and address problems using data as well as "staff specialized in data utilization." By 2025, we aim to have 300 "core DX talent" and 1,500 "data analysts."



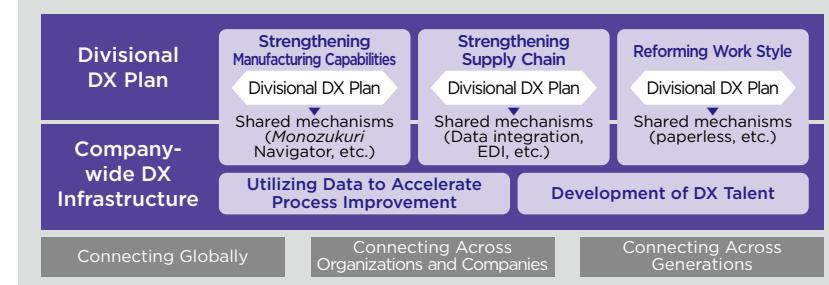
Company-wide business reform and improvement initiatives through DX

Our Group has positioned the objective of digital transformation (DX) as further accelerating and deepening "SEQCDD" through digital technology usage and this is being promoted throughout the Group.

In 2021, a new "Company-wide DX Plan" was formulated under the "DX Promotion Committee" chaired by our President. Based on the "Company-wide DX Plan," we are building a "Company-wide DX Platform" with the three pillars of

"strengthening manufacturing capabilities," "strengthening supply chains," and "reforming work styles," and each business division will utilize this platform to implement "Divisional DX Plans" in accordance with their individual business characteristics and issues. At the same time, we will strengthen the "acceleration of process improvement through data utilization" and "DX talent development to efficiently promote these initiatives."

Company-wide DX Plan



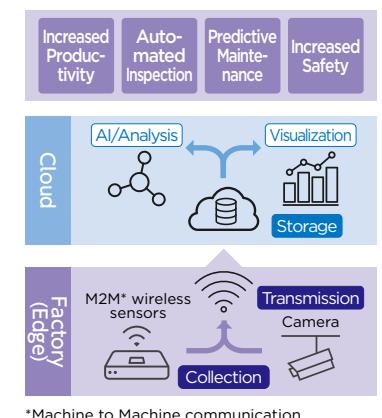
Examples of DX Promotion Initiatives

Strengthening Manufacturing Using IoT/AI Technology

We are promoting the development of sensing, wireless communication, AI/data analysis, and other technologies that can be utilized for "productivity improvement," "inspection automation," "predictive maintenance," and "increased safety," which are the main concerns at our group's manufacturing sites. For example, in regards to "inspection automation," we are reducing inspection man-hours and helping prevent inspection omissions by having AI learn about defects in the ever-changing manufacturing environment and automatically determine whether a product is acceptable or not.

The Plant & Production Systems Engineering Div., Information Systems Div., and IoT R&D Center are working together to develop IoT/AI-based systems and train employees.

IoT/AI-based Systems





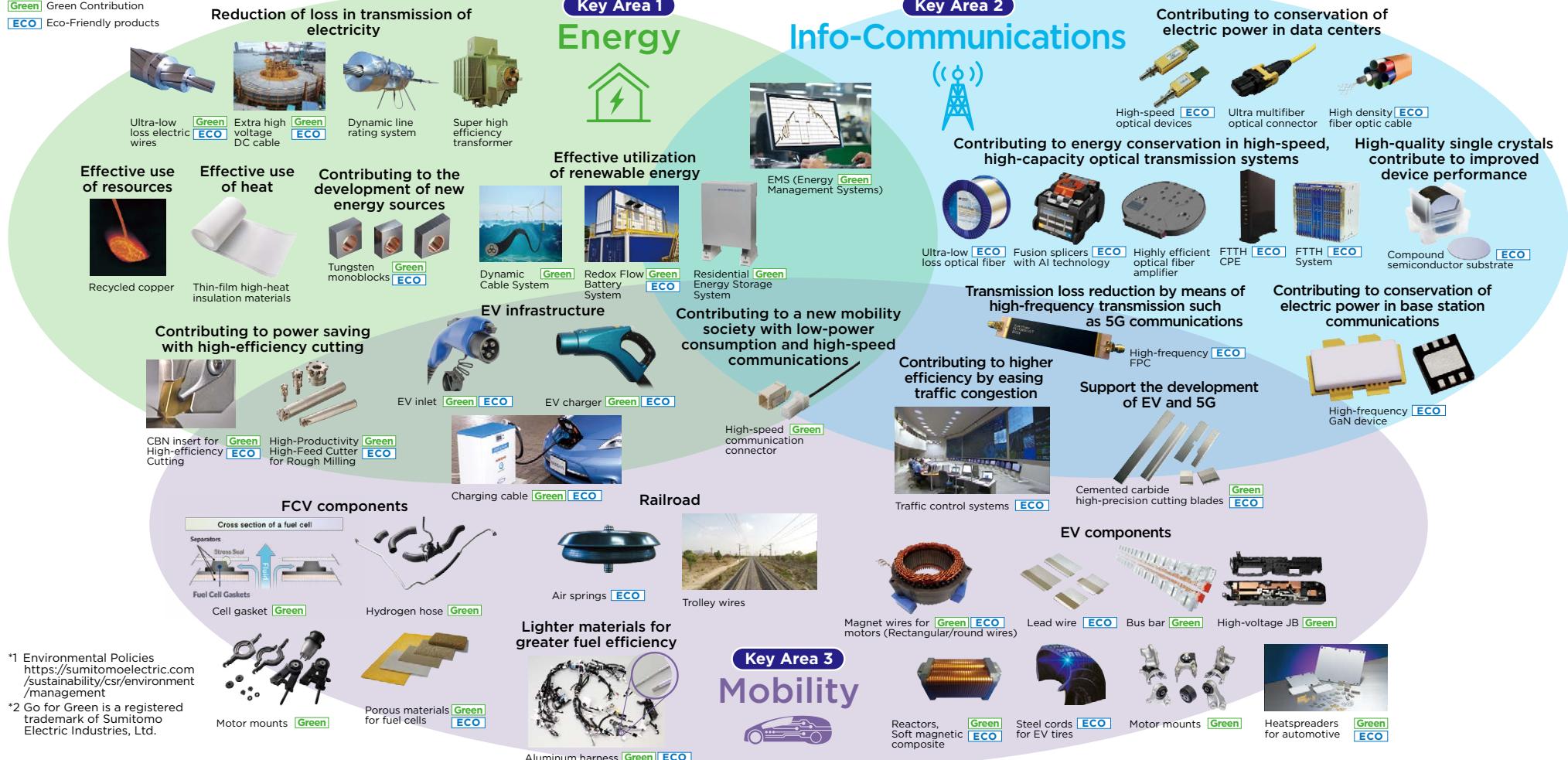
Environment

We consider addressing climate change and other global environmental issues to be one of its most important management issues, and is continuously working on environmental conservation activities from a global perspective in accordance with our Environmental Policy^{*1}, established in 1997 and revised in 2020. To achieve our vision of a "Green Society" set forth in our 2030 VISION, we will engage in the three activities shown on the right as part of the "Go for Green"^{*2} 2025 plan."

Products that contribute to a "Green Society"

Among the wide variety of products created by our group, there are some of the major products that contribute to our envisioned "Green Society" set forth in our 2030 VISION.

[Green] Green Contribution
[ECO] Eco-Friendly products



*1 Environmental Policies
<https://sumitomolectric.com/sustainability/csr/environment/management>

*2 Go for Green is a registered trademark of Sumitomo Electric Industries, Ltd.

Operate for a Greener Global Environment

Reduction of CO₂ Emissions (Reduction Compared to FY2018)

Scope1+2 Direct Emissions and Indirect Emissions FY2025 17.5% ▶ FY2030 30.0%

- Decarbonizing power sources through "Saving Energy", "Creating Energy" and "Purchasing Energy"
- Minimizing the effect on the global environment, especially through "Saving Energy" and self-help efforts

Scope3 Other Emissions FY2025 8.7% ▶ FY2030 15.0%

- Promoting green procurement and logistics initiatives
- Promoting LCA initiatives

Promoting circular economy

- Product design and material development for easy recycling
- Waste reduction through reducing defects and sorting, water recycling

Preventing environmental pollution

- Zero environmental incidents, reduction of environmentally hazardous substances

Contribute to the Global Environment Through Our Business

Green contribution sales

- Products and services that promote a Green Society
- 700 billion yen (FY2025)

Sales from Eco-Friendly products

- Sales from environmentally friendly products and services
- >1 trillion yen (FY2025)

Promoting "Eco-Activities 2030"

By FY2030...
Over 300 "Good for the Planet" activities in over 20 countries and regions
Protection of biodiversity, local clean-up efforts, greening activities, etc.



Response to Climate Change

1. Governance

The “Sustainability Management Promotion Committee” discusses specific targets and procedures related to our response to climate change and other global environmental problems (please refer to p. 8 for a diagram of the organization). To further explore specific measures from an expert point of view, the Company has also established a Global Environment Promotion Committee under the Environment Management Promotion Council, and initiates measures against climate change, such as reducing greenhouse gas (GHG) emissions.

2. Strategy

The Company has analyzed the business impact expected to be caused by the risks and opportunities related to climate change based on two scenarios: one in which the rise in the world's average temperature is limited to 1.5°C above pre-industrial levels, and the other in which the average temperature increases by 4°C. The results of the scenario analysis are shown in the table on the right.

3. Risk Management

For top-priority issues such as global environment preservation, targets and approaches are set under the lead of the “Risk Management Committee,” with the Safety & Environment Department serving as the main player and ensuring cooperation with the relevant Corporate Staff Group in consideration of the deliberations of the “Corporate Environment Committee” and the “Global Environment Promotion Committee.” Based on these targets and approaches, each Production Group sets its own targets and proceeds with the necessary activities. To address risks related to climate change, the Compliance & Risk Management Office plays the main role in encouraging business continuity plans (BCPs) to be established. As indicated by this, while placing the first priority on ensuring safety, SEG also focuses on

In line with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), the company discloses information on “governance,” “strategy,” “risk management,” and “Metrics and Targets” related to climate change.

minimizing damage generated at the time of a disaster and ensuring business continuity.

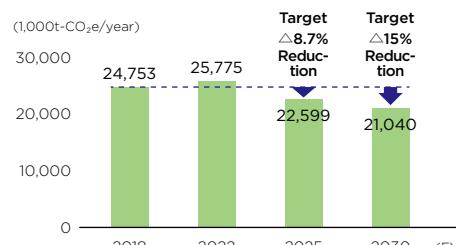
4. Metrics and Targets

Toward the GHG emissions reduction targets shown in the diagram below, the SEG is making efforts to decrease GHG emissions in its production activities and throughout its supply chain. The 2030 targets have been certified by the international initiative “Science Based Targets Initiative (SBTi)”. In order to achieve the target, we are promoting greenhouse gas emission reductions based on a core approach of maximizing energy conservation through productivity improvements and the introduction of new technologies, as well as creating green energy through solar power generation and other means, and supplementing the remaining unachieved targets through purchased renewable energy. As a result of our activities, SEG was able to reduce greenhouse gas emissions (Scope 1+2) by 16.2% in FY2022 compared to FY2018. SEG will continue to make steady efforts to achieve future targets.

Greenhouse gas emissions (Scope 1+2)



Greenhouse gas emissions (Scope 3)



1.5°C (well-controlled) scenario

- ▶ The CO₂ reduction plans of major countries will be running almost as scheduled.
- ▶ The carbon border tax scheme, as well as each country's energy policy and industrial policy, will be evolving steadily.

| | Possible Circumstances | Assessment of the Impact on the Company | Major Efforts |
|--|---|---|--|
| Opportunities | <ul style="list-style-type: none"> ■ The market for renewable energy, such as offshore wind power and solar power, will expand toward the realization of a carbon-free society. ■ Electricity providers will change the way they operate toward the realization of a new form of energy mix for each country. | <ul style="list-style-type: none"> ■ There will be growing demand for the new installation or replacement of electricity transmission cables, such as interconnectors. ■ An increasing number of products will be needed to ensure a stable power supply (e.g., rechargeable batteries and energy management systems), leading to an increase in the Company's sales. | <ul style="list-style-type: none"> ■ The Company will proceed with the development of electricity transmission cables for renewable energy (interregional transmission grids), rechargeable batteries, etc., along with improvements in their performance, thereby contributing to expanding the infrastructure. ■ The Company will expand the sale of solutions for regional micro grids. |
| | <ul style="list-style-type: none"> ■ In step with the progress of a data-driven society, the use volume of data will increase explosively. ■ The number of data centers of various sizes will increase. ■ There will be growing demand for low-power consumption and high-speed communications. | <ul style="list-style-type: none"> ■ There will be growing demand for energy-saving and high-performance products for effectively establishing information networks, leading to an increase in the Company's sales. | <ul style="list-style-type: none"> ■ The Company will focus on the development of optical communications equipment, devices, etc. used for optical cables and data centers, along with improvements in their performance, thereby contributing to realizing an even more energy-saving and effective data-driven society. |
| | <ul style="list-style-type: none"> ■ The market of electrified vehicles, including EVs, will expand. ■ The number of gasoline-powered vehicles will diminish. ■ New EV manufacturers will be established. | <ul style="list-style-type: none"> ■ Many more related items, such as harnesses and system products centered on harnesses, will be adopted for electrified vehicles. The Company will add higher value to such items, leading to an increase in the Company's sales. ■ Markets for gasoline engine components will shrink. ■ The Company's products will be adopted by many more new customers, leading to expanded sales. | <ul style="list-style-type: none"> ■ The Company will proceed with the development of EV-related products and components for lightweight vehicles, along with improvements in their performance, thereby contributing to electrification of automobiles and energy saving. |
| Risks | <ul style="list-style-type: none"> ■ The call for reductions in GHG emissions will be more pronounced. ■ There will be a rise in GHG emissions trading prices. ■ Each country's regulation and certain countries' legal regulations will be tightened. | <ul style="list-style-type: none"> ■ Operating costs will rise due to the introduction of a carbon tax, the start of emissions trading, and the response to regulations on recycling. | <ul style="list-style-type: none"> ■ The Company will further reduce the use of energy in the manufacturing process. (Scope 1+2) |
| | <ul style="list-style-type: none"> ■ There will be a rise in customer demand in response to climate change, making products and technology less competitive if they are not sufficiently tuned in to the carbon-free trend. | <ul style="list-style-type: none"> ■ Operating costs will rise due to capital investment for the introduction of energy-saving equipment and the purchase of green electricity. ■ There will be calls for the Company to reduce GHG emissions throughout its supply chain, including raw material suppliers, requiring the Company to reinforce and review its supply chain. | <ul style="list-style-type: none"> ■ The Company will control the cost increases by reducing its energy costs through energy creation efforts and by realizing a “Net Zero Plant” in accordance with the Company's plan. ■ The Company will proceed with the development and sale of products that will contribute to realizing a carbon-free society. ■ The Company will proceed with lifecycle assessments in cooperation with components and material suppliers. |
| Rise and Appreciation of Raw Material Prices | <ul style="list-style-type: none"> ■ There will be growing demand for raw materials (e.g., copper) necessary for supplying EVs and other products that will contribute to mitigating climate change. It is expected that this will lead to a rise and appreciation of raw material prices. | <ul style="list-style-type: none"> ■ The appreciation of raw material prices will increase the Company's costs. | <ul style="list-style-type: none"> ■ The Company will make further energy-saving and recycling efforts. ■ The Company will reinforce its resilience in terms of raw materials by, for example, proceeding with the development of aluminum electric wires/harnesses. |
| Evaluation by Stakeholders | <ul style="list-style-type: none"> ■ The Company's attitude toward addressing climate change will be evaluated by each stakeholder. | <ul style="list-style-type: none"> ■ A delay in response or a failure to achieve targets will lead to a decline in the Company's credibility, a decrease in sales, a loss of customers, a decline in the stock price, and an increase in financial arrangement costs. | <ul style="list-style-type: none"> ■ The Company will make efforts to achieve the GHG emissions reduction targets set under the SBTi. ■ The Company will disclose appropriate information to a wide variety of stakeholders and engage in dialogue with them at appropriate timing. |

4°C (BAU) scenario

- ▶ There will be disarray among countries in proceeding with efforts to accomplish the target of realizing a carbon-free society, leading to a spate of extreme climate events and consequent damage.
- ▶ There will be an appreciation in the cost of energy and resources, widening regional gaps.

| | Possible Circumstances | Assessment of the Impact on the Company | Major Efforts |
|---------------|--|--|--|
| Opportunities | <ul style="list-style-type: none"> ■ Growth in Demand for Products Adaptable to Climate Change | <ul style="list-style-type: none"> ■ Social infrastructure will be improved and strengthened by, for example, reinforcing electricity transmission grids and enhancing the strength of structures, so that society is able to endure environmental changes caused by climate change. ■ Frequent flooding and submergence will require regional infrastructure to be reestablished. | <ul style="list-style-type: none"> ■ The Company will contribute to society by supplying products for preparing for frequent occurrence of disasters, or reinforcing electricity transmission grids, enhancing the strength of structures, and improving communications networks. |
| | <ul style="list-style-type: none"> ■ Intensification of Climate Disasters due to Global Warming | <ul style="list-style-type: none"> ■ Extreme climate change (typhoons, torrential rain, droughts, water shortages and high/low temperatures) will increase the number of climate disasters, affecting manufacturing bases, suspending operations, and disrupting supply chains. ■ There will be an increase in global warming, causing water shortages. | <ul style="list-style-type: none"> ■ The Company will build disaster-resilient plants. ■ The Company will proceed with BCPs by reinforcing its supply chain in consideration of climate change. ■ The Company will invest in improvement of quality of raw materials. ■ The Company will make further energy-saving and recycling efforts. |

Reference scenarios: World Energy Outlook 2017, 2020 and 2021 by IEA; Energy Technology Perspective 2017 by IEA; and Sixth Assessment Report by IPCC.



Social / Governance

As a responsible member of society, we will actively promote our CSR activities and ensure to respect human rights and promote rigorous compliance

| Respect for human rights | Compliance | Contribution to society |
|---|---|--|
| Human rights due diligence Examination of key risks, prevention and mitigation measures for 280 Group companies*1 | Maintain and reinforce the compliance platform Training on code of conduct, compliance with competition law, etc. (target employees 250k / 3 years) Establish and confirm department level program implementation at Group companies Promoting the use of consultation and claims hotline | CSR Foundation Promotion of Community Contribution Activities Support for employee volunteer activities Active support for sports activities and events (Our contribution to CSR activities will be approx. 1% profit after-tax) |
| Human rights training Training and awareness-raising on human rights issues | Promoting compliance initiatives Ensuring awareness of the "Supplier Code of Conduct" Ensuring awareness of consultation and claims hotline Engaging in Responsible Mineral Procurement | |
| Supplier Code of Conduct Requests to engage in human rights and labor relations efforts based on the "Supplier Code of Conduct" | | |

Respect for human rights

In the "Human Rights Policy"**2 established in 2019, our Group states that it will promote efforts to respect human rights in accordance with international standards.

Human Right Due Diligence : In accordance with "the Sumitomo Electric Group Human Rights Policy," we engage in human rights due diligence to assess and correct risks of human rights violations in our business activities.

In 2019, we issued the "Detailed Regulations on the Employment of Migrant Workers" and have conducted annual assessment on appropriate employment of migrant workers since FY2020. In FY2022, we conducted a survey of approximately 280 Group companies (excluding listed subsidiaries, etc.) focusing on child labor, forced labor, and inappropriate migrant labor. For details of the survey results, please refer to our website*3. We also request our suppliers to respect human rights based on the "Supplier Code of Conduct" described on p.18.

Compliance

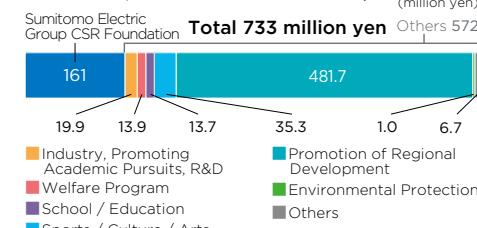
Our Group is committed to strict compliance with all applicable laws and

regulations. For details, please refer to p.26-27.

Contribution to society

Sumitomo Electric Group Social Contribution Activities : To celebrate the 110th anniversary of our founding, in 2007, we created "the Sumitomo Electric Group Basic Policies on Social Contributions"**4. Based on this, we engage in a variety of social contribution activities, such as managing the Sumitomo Electric Group CSR Foundation, making donations, collaborating with NPOs, supporting employee volunteer activities, promoting community contribution activities, and supporting sports activities. We will continue to actively give back to society with our CSR contribution aiming for approx. 1% of after-tax profit in the leadup to fiscal 2025.

Donation by Category (Sumitomo Electric Industries, Ltd. non-consolidated) (million yen)



*1 Domestic and overseas Group companies except for listed subsidiaries

*2 Sumitomo Electric Group Human Rights Policy <https://sumitomolectric.com/sustainability/csr/sociality/office>

*3 Human Rights Due Diligence <https://sumitomoelectric.com/sustainability/csr/sociality/office>

*4 Sumitomo Electric Group Basic Policies on Social Contributions <https://sumitomolectric.com/sustainability/csr/sociality/contribution>

Corporate Governance Guidelines (Updated 6/2023)

Our "Corporate Governance Guidelines" have been revised to indicate that they are based on "Multistakeholder Capitalism" and to disclose specific details of our corporate governance initiatives contained in the "Corporate Governance Report" in accordance with the revised Guidelines.

Corporate Governance Guidelines

We established these "Corporate Governance Guidelines" (the "Guidelines") setting forth our core ideas and policies concerning corporate governance based on a resolution of the Board of Directors while disclosing specific measures based on the Guidelines in the "Corporate Governance Report."

1 Basic Views

The unchanging basic policy of Sumitomo Electric Industries, Ltd. is to contribute to society through fair business activities based on "the Sumitomo Spirit" and "the Sumitomo Electric Group Corporate Principles."

Adhering to this basic philosophy, we aim to achieve sustainable growth and enhance corporate value of the Sumitomo Electric Group over the medium to long term as well as to steadily return the results to all of our stakeholders as a going concern based on the concept of "Multistakeholder Capitalism" which focuses on contributing to the public benefit and mutual prosperity with all of our stakeholders. We thus work to ensure and enhance the transparency and fairness of management based on proper corporate governance.

2 Appropriate Cooperation with Stakeholders

We recognize that our operations are supported by a range of stakeholders including "customers," "employees," "suppliers," "regional communities," and "shareholders/investors," and that it is mandatory to strive to build appropriate cooperative relationships with stakeholders while taking their interests into consideration in order to achieve sustainable growth and enhance corporate value of the Sumitomo Electric Group over the medium to long term as well as to steadily return the results to all of our stakeholders as a going concern.

Based on such recognition, we promote appropriate collaboration with stakeholders by upholding specific indicators and targets and take measures to achieve co-creation of values and shared prosperity with stakeholders. Specifically, we aim to provide high-quality and safe products and services to our "customers," achieve compensation growth and improve the working environment for our "employees," promote fair and impartial trade with our "suppliers," contribute to CSR activities in "regional communities," and promote dialogue, information disclosure and returns for our "shareholders/investors."

3 Enhancement of Effectiveness of Authority and Functions

In order to contribute to appropriate collaboration with stakeholders, we strive to enhance the effectiveness of authority and functions of the Board of Directors and Directors, the Audit & Supervisory Board and Audit & Supervisory Board Members, the General Meeting of Shareholders and shareholders, executive operations and internal control and work to ensure and enhance the

transparency and fairness of management.

① Board of Directors and Directors

We place importance on the function of the Board of Directors to make decisions on basic management policies and to supervise management and focus on the development of a system and the operation of the Board of Directors in order to further enhance the effectiveness of these functions.

② Audit & Supervisory Board and Audit & Supervisory Board Members

From a viewpoint of further ensuring sound management, we commit to strengthening audits by Audit & Supervisory Board Members and adopting a supervisory system under which Independent Outside Corporate Auditors and Audit & Supervisory Board Members work with the Internal Auditing Department and Accounting Auditors to ensure lawful and proper management.

③ General Meeting of Shareholders and shareholders

We take appropriate measures to substantively secure shareholders' rights and develop an environment in which shareholders can exercise their rights appropriately. In addition, we treat all shareholders in proportion to their equity interest and disclose information in a timely and appropriate manner to avoid causing any information gaps between shareholders.

As for dialogue with shareholders, in order to contribute to sustainable growth and enhance corporate value of our Group over the medium to long term, we engage in constructive dialogue with shareholders to a reasonable extent.

In terms of the General Meeting of Shareholders, we take necessary measures and work to enhance efforts to enable shareholders to have sufficient time to consider the proposals for the General Meeting of Shareholders and to exercise their voting rights appropriately.

④ Executive operations

In respect of executive operations, we have introduced the Executive Officer System and the Business Unit System, for the purpose of clarifying authority and responsibilities, and of establishing a flexible system to execute operations in response to changes in the business environment.

⑤ Internal control

As for internal control, we will make further efforts to ensure the propriety of operations within the organization by establishing the basic policy for an internal control system by the Board of Directors pursuant to the Companies Act and other laws and supervising the status of the development and operation of the system.

⑥ Enhancement of Information Disclosure

While appropriately disclosing information pursuant to laws and regulations (statutory disclosure and timely disclosure), we make active efforts in providing information other than disclosure in accordance with laws and regulations to contribute to adequate collaboration with stakeholders.



Corporate Governance

Corporate Governance

Our Approach

The unchanging basic policy of our Group is to contribute to society through fair business activities based on the "Sumitomo Spirit" and the "Sumitomo Electric Group Corporate Principles."

Adhering to this basic philosophy, we aim to achieve sustainable growth and enhance corporate value of our Group over the medium to long term as well as to steadily return the results to all of its stakeholders as a going concern based on the concept of "Multistakeholder Capitalism" which focusing on contributing to the public benefit and mutual prosperity with all of our stakeholders. We thus will work to ensure and enhance the transparency and fairness of management based on proper corporate governance.

Board of Directors and Business Operating Structure

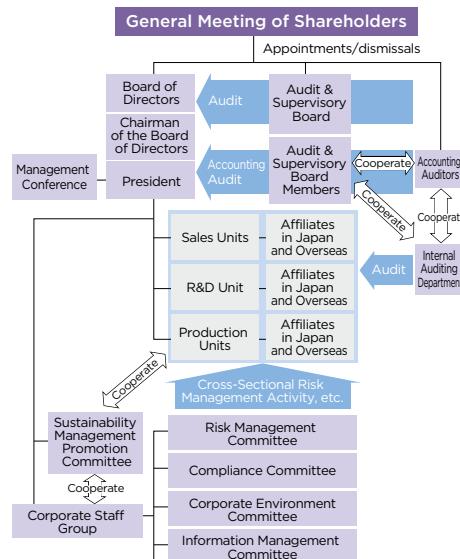
Functions and Operations of the Board of Directors

Our Group places importance on the function of the Board of Directors to make decisions on basic management policies, etc. and to supervise management, and has stipulates important matters to be resolved by the Board of Directors, and delegates decision-making on business execution other than these important matters to

representative Directors and Directors responsible for business execution, to ensure mobility and flexibility in business execution.

In addition, in order to further ensure the effectiveness of the supervisory function of the Board of Directors, our Group established the Nominating Advisory Committee and the Compensation Advisory Committee, which operates as an advisory body to the Board of Directors and is composed primarily of Outside Directors and chaired by an independent Outside Director.

Corporate Governance Structure



Business Operating Structure

Our Group adopted a business operating structure based on executive officer system and business unit system, to clarify authority and responsibility and to establish an agile business operating structure that can respond flexibly to changes in the business environment. Our Group established appropriate business procedures that clarify responsibilities and delegate authority for business execution to business units. Our Group also established internal checks and balances that stipulate the respective organizational accountabilities, including within the corporate staff division.

Analysis and Evaluation of Effectiveness of the Board of Directors

The Board of Directors will analyze and evaluate its effectiveness periodically and on an annual basis. Based on this assessment we

will implement various measures for improvement.

Please refer to p. 26 for a summary of the results.

Audit and Supervisory System

This department investigates issues, including through site visits, and proposes improvements to ensure proper and efficient business performance through internal audits of our business and also our Group companies. This department collaborates with audit & supervisory board members and third-party accounting auditors as necessary.

The Internal Audit Department has been established as the department in charge of internal audits. The Internal Audit Department conducts audits such as on-site inspections of business sites, including those of our group companies, in accordance with our business audit regulations and audit plans, investigates issues and proposes corrective measures to ensure proper and efficient business operations, confirms the implementation status of corrective measures for the issues pointed out, and reports the results to the full-time corporate auditor.

Accounting audits and internal control audits are conducted by KPMG AZSA LLC.

Policy for Nomination of Officers

Nomination Policy for Director and Audit & Supervisory Board Member Candidates

Candidates for internal directors shall be those who have and practice the Sumitomo Spirit, which is centered on the pillars of "Banji-nissei," "Shinyo-kakujitsu" and "Fusu-furi," those who have abundant experience and an excellent track record in

Corporate Governance Details

For more information on corporate governance, please refer to our website.

Corporate Governance Guidelines, Corporate Governance Report

<https://sumitomoelectric.com/company/governance>

Skills Matrix of Directors and Audit & Supervisory Board Members

<https://sumitomoelectric.com/company/skillsmatrix>

General Corporate Governance (CSR website)

<https://sumitomoelectric.com/sustainability/csr>

SEG's business, those who have the ability to make objective decisions regarding management based on the Company's current environment and future changes, and those who have excellent character and insight.

Candidates for outside directors shall be selected from among persons with experience in corporate management, experts in various fields, and academics, who are appropriate for supervising the Group's management from the perspective of ensuring the Group's sustainable growth and enhancing its corporate value over the medium to long term.

Candidates for Audit & Supervisory Board Members shall be those with experience in corporate management and expertise in legal, financial, and accounting matters.

Proposals for the election of candidates for directors and corporate auditors and for the dismissal of directors are submitted to the General Meeting of Shareholders for deliberation by the Nominating Advisory Committee and Compensation Advisory Committee and are decided by resolution of the Board of Directors based on the report of the committee.

Nominating Advisory Committee and Compensation Advisory Committee

The Nominating Advisory Committee mainly deliberates on proposed candidates for directors and Audit & Supervisory Board Members. The Compensation Advisory Committee mainly deliberates on proposed compensation systems for directors and executive officers and the amount of individual compensation. Each committee reports its resolutions to the Board of Directors.



Results of Analysis and Evaluation of the Effectiveness of the Board of Directors (conducted in 2022)

Analysis and Evaluation Process

After a questionnaire regarding the items below was sent to all directors and audit & supervisory board members, including Outside Officers, individual interviews were conducted with five Outside Directors and three Outside Audit & Supervisory Board Members based on the results of the questionnaire. In addition, the results of the analysis were reported and discussions on proposed future initiatives were held at the Board of Directors meeting held in December 2022.

Outline of Results

1. Overall Analysis and Evaluation Results

Since the last fiscal year, continuous improvements have been made in terms of operation, composition and roles, and effectiveness is being properly ensured. As measures to enhance the effectiveness of the Board of Directors, the Company has worked to create an environment in which opportunities for information provision are enhanced through the review of the Board of Directors' meeting agenda criteria and such means as dialogue between Outside Directors/Outside Audit & Supervisory Board Members and internal Directors, and the Company will proceed with measures to further enhance the effectiveness of the Board of Directors in the future.

2. Analysis/Evaluation Results by Item

① Operation of the Board of Directors as well as the Nominating Advisory Committee and the Compensation Advisory Committee for Senior Management, Directors, etc.

Regarding the operation of the Board of Directors, it was confirmed that greater operational improvement of the environment for the deliberations on highly important topics has been obtained as a result of the continual review of the Board of Directors' meeting agenda criteria and operational rules; in addition, extensive deliberations can be conducted through the free and open exchange of opinions incorporating the perspectives of Outside Officers against the backdrop of their experience and expertise in particular. With respect to Outside Officers, in addition to the existing support measures, such as the provision of various types of information, the Company determined that continuous appropriate measures have been taken to ensure that Outside Officers exercise their functions, including exchanging opinions on medium-to long-term management issues between Outside Directors and Executive Officers.

[Evaluation Items]

- Operation of the Board of Directors (agenda items, length of deliberations, quantity and quality of discussion materials, discussion environment, etc.)
- System of support for Outside Officers (advance provision of information, opportunities for dialogue/exchanges with executive officers, etc.)
- Compensation Advisory Committee and Nominating Advisory Committee (operation, details of deliberations, etc.)
- Composition of the Board of Directors (scale, number of directors, diversity, etc.)
- Role of the Board of Directors (important decision making, supervisory function, internal control system, etc.)

Furthermore, it was confirmed that as a matter to be continuously addressed in the future, the Company will work to further enhance discussions by more efficient operation of meetings through such means as appropriate development of materials and to enhance opportunities for dialogue and exchanges between Outside Officers and Executive Officers. It was also confirmed that Nominating Advisory Committee and Compensation Advisory Committee meetings were held five times each in FY2021 and that their operations, deliberations, and reports to the Board of Directors, etc. were properly conducted.

② Composition of the Board of Directors

It was confirmed that the composition of the Board of Directors was appropriate from the perspective of overall balance in terms of number of members, knowledge, experience, etc., including the Company's executive director structure as it operates a wide range of businesses, and that multifaceted and active discussions were taking place thanks to an increase in the number of Outside Directors. In addition, it was confirmed that as a matter to be continuously addressed in the future, the Company will continue to pay attention to diversity in the composition of the Board of Directors.

③ Role of the Board of Directors

It was confirmed that the Board of Directors of the Company was properly fulfilling its role of "deliberating and deciding on basic management policies and other important issues of the Company" and "monitoring the execution of duties by each Director" through active discussions in the deliberations on decisions on important matters, quarterly performance reports, and reports on the status of the internal control system.

In addition, it was confirmed that as a matter to be continuously addressed in the future, the Company will need to expand opportunities to deliberate at Board of Directors meetings in order to realize the long-term vision "Sumitomo Electric Group 2030 VISION".

Risk Management and Compliance

Our Approach

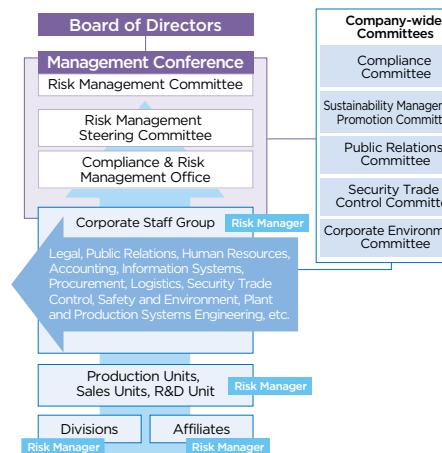
The Group identifies, analyzes, and evaluates risks as factors that may impede or have adverse effects on the execution of our business activities and the achievement of management goals and strategies, and works to mitigate and minimize risks with reasonable measures at reasonable costs.

We also believe that compliance, as the act of not only observing laws and regulations but also corporate ethics, forms the basis of management and is the absolute foundation for our continued business and development. Based on the Sumitomo Spirit's principles of "Banji-nissei", "Shinyo-kakujitsu" and "Fusu-furi", we will work diligently to practice fair corporate activities that will earn the trust of society.

Risk Management System

Our Risk Management Committee, which oversees all risk management activities, meets in conjunction with the Management Conference. The Risk Management Steering Committee, which is responsible for administrating the practical operations under the Risk Management Committee, formulates risk management policies, establishes a task force in the event of a crisis, collects information, and plans and implements risk management trainings.

Risk Management System



Group Risk Categories

The Group's risk management activities are based on an annual risk inventory conducted by each department and affiliated companies. The Group promotes the formulation and implementation of countermeasures against risks of high importance or those for which countermeasures are inadequate at that time, steadily implementing a risk management cycle and working to improve the risk management level of the entire Group.

Risk Classification of the Group

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



Business Continuity Initiatives

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

In order to ensure continuity of critical operations and rapid recovery even in the event of a major natural disaster such as an earthquake, we conduct periodic reviews of our business continuity plan (BCP) to verify the effectiveness of our emergency response plan, and take stock of inventory of supply chain risks.

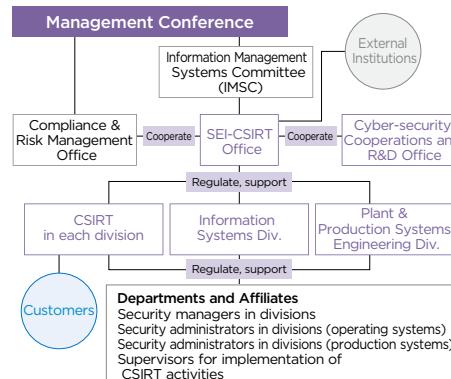
Business continuity in the event of an infectious disease outbreak

Based on “Guidelines for Action Plans to Address New Influenza” formulated in 2008, each division and company in Japan has formulated a BCP for infectious disease countermeasures and has been building a crisis management system. In addition, based on the knowledge gained from the Covid-19 pandemic, we will promote the formulation of BCPs at our overseas subsidiaries to further strengthen our business continuity capabilities.

Strengthening information security measures

We have established a system to protect information related to management assets and personal information, using various security technologies.

Organizational structure of SEI-CSIRT (System diagram)



In terms of systems, the SEI-CSIRT (Computer Security Incident Response Team) system, which promptly identifies and responds to information security incidents, is at the core of our information security diagnosis and audits, an evaluation system for the safe use of cloud services, and the ICT Management Committee, which promotes information sharing among IT staff of overseas affiliates, are all in place for improvement activities.

In terms of technology, in addition to a centralized fraud monitoring system based on log information, we have introduced new AI anti-malware software to combat unknown malware threats and a system to prevent the mis sending of e-mails, and are constantly keeping up with the latest tech security trends.

These activities are being implemented globally within our group.

Organization and Structure to Support Compliance

Compliance Committee

The Compliance Committee, chaired by the President, has been established as an organization to plan and promote measures necessary to improve and strengthen the compliance system in the Group, and meets approximately four times a year. The committee is responsible for identifying and analyzing compliance risks across the Group in general and monitoring the implementation of compliance programs for each compliance item.

Compliance Committee Structure



Status of Compliance Activities

Code of Conduct

The Compliance Committee, with the approval of the Board of Directors, established and issued the “Code of Conduct,” a set of common rules for the entire Group regarding compliance in 2018. The Code has been translated into approximately 30 languages and distributed to officers and employees of each company in the Group, as well as published on the Group website and displayed on posters. In 2021, we also established a “Supplier Code of Conduct,” which will require suppliers to comply with the same rules, and we are working to disseminate this code throughout our global supply chain.

Compliance Training

Training is provided for executives and key personnel, new hires, and promoted employees to identify compliance risks, thoroughly implement measures to prevent their occurrence, and instill and strengthen awareness of compliance. In addition, an e-learning system was introduced in 2019 and is being provided sequentially to all Group companies in 26 languages.

Speak-Up System

The Group has established the Speak Up System as a system to detect the roots of compliance problems at an early stage and resolve them promptly and appropriately on within the Group. Specifically, the Group has set up a consultation and reporting desk both internally and externally (law firms and specialized contact persons: common to all Group companies) to promptly investigate information received and take corrective and recurrence-prevention measures as necessary. In some cases, the consultation report has led to the improvement of inappropriate behavior and unacceptable situations.

Priority Matters Regarding Compliance

Compliance with Competition Laws

Since 2010, we have established the “Rules for Compliance with Competition Laws” which include rules such as limiting contact with other companies in the same industry to cases where there is a legitimate reason, and we have conducted compliance training. In 2020, we will establish a “Global Antitrust and Competition Policy” for all Group employees around the world, as part of our efforts to prevent violations of competition law.

Anti-bribery Compliance System

To strengthen our anti-bribery compliance system, we introduced an anti-bribery program in 2013 and have rolled it out globally.

The personnel in charge of the compliance desk in each department, which is crucial to program operation, are provided with an operation manual and detailed training to enhance the effectiveness of the system.

Privacy Protection

The Group handles the personal information of general individuals, business partners, employees, and others in an appropriate manner in compliance with domestic and international personal information protection laws and regulations. In recent years, regulations regarding the protection of personal information have been strengthened in countries around the world, including with examples such as the EU General Data Protection Regulation (GDPR), and the Group is also taking steps to comply with such regulations globally.

For details of each initiative, please refer to the CSR Book and our Web page*.

*<https://sumitomelectric.com/sustainability/csr>



Executive Officers

As of June 28, 2023

(Independent Officers are as defined by Tokyo Stock Exchange, Inc and other authorities)

Directors



**Representative
Director**

Chairman & CEO
**Masayoshi
Matsumoto**
1967 Joined Sumitomo
Electric
2017 Appointed as
Chairman & CEO



**Representative
Director**

President & COO
Osamu Inoue
1975 Joined Sumitomo
Electric
2017 Appointed as
President & COO



**Representative
Director**

Executive Vice
President
Mitsuo Nishida
1972 Joined Sumitomo
Electric
2014 Appointed as
Executive Vice
President
General Manager of
Automotive Business
Unit



**Representative
Director**

Executive Vice
President
Hideo Hato
2016 Joined Sumitomo Electric
2023 Appointed as Executive
Vice President
General Manager of New Business Development Unit, Deputy General Manager, Automotive Business Unit (Systems & Electronics Division), Corporate Staff Group (Legal, Public Relations, Information Systems, Corporate Planning, Intellectual Property, Security, Trade Control) and Environment and Energy Group (Energy System Division)



**Representative
Director**

Senior Managing
Director
**Akira
Nishimura**
1984 Joined Sumitomo
Electric
2019 Appointed as
Senior Managing
Director
General Manager of
Research and
Development Unit



Managing Director
**Masaki
Shirayama**

1985 Joined Sumitomo
Electric
2017 Appointed as
Managing Director
General Manager of the
Electric Wire & Cable
and Energy Business
Units



Managing Director
**Yasuhiro
Miyata**

1984 Joined Sumitomo
Electric
2021 Appointed as
Managing Director
General Manager of
Electronics Sales Unit,
Sales Group (Sales
Compliance)



Managing Director
**Toshiyuki
Sahashi**

1986 Joined Sumitomo
Electric
2021 Appointed as
Managing Director
General Manager of
Advanced Materials
Business Unit, Industrial
Materials Group
(Sintered Metal
Components Division,
Special Steel Wires
Division)



Managing Director
**Shigeru
Nakajima**

1984 Joined
Sumitomo
Electric
2022 Appointed as
Managing
Director
General Manager of
Semiconductor
Innovation Business Unit,
Deputy General Manager
of R&D Unit (Transmission
Devices Laboratory)



**Independent
Officer**

Outside Director
Hiroshi Sato
2016 Appointed as
Outside Director



**Independent
Officer**

Outside Director
**Michihiro
Tsuchiya**
2018 Appointed as
Outside Director



**Independent
Officer**

Outside Director
**Christina
L. Ahmadjian**
2018 Appointed as
Outside Director



**Independent
Officer**

Outside Director
**Katsuaki
Watanabe**
2013 Appointed as
Outside Audit &
Supervisory Board
Member
2021 Appointed as
Outside Director



**Independent
Officer**

Outside Director
**Atsushi
Horiba**
2021 Appointed as
Outside Director

Audit & Supervisory Board Members



Audit & Supervisory
Board Member
(Standing Member)
Yoshitomo Kasui
1983 Joined Sumitomo
Electric
2018 Appointed as Senior
Managing Director
2022 Appointed as Audit
& Supervisory
Board Members



Audit & Supervisory
Board Member
(Standing Member)
Akira Hayashi
1981 Joined Sumitomo
Electric
2017 Appointed as
Audit &
Supervisory Board
Members



**Independent
Officer**
Outside Corporate
Auditor
**Michiko
Uehara**
2016 Appointed as
Outside Audit &
Supervisory Board
Member



**Independent
Officer**
Outside Corporate
Auditor
**Ikuo
Yoshikawa**
2018 Appointed as
Outside Audit &
Supervisory Board
Member



**Independent
Officer**
Outside Corporate
Auditor
Tatsuo Kijima
2021 Appointed as
Outside Audit &
Supervisory
Board Member



Message from the Outside Directors

Outside Director

Hiroshi Sato

[Brief Personal History |](#)

Sato joined Kobe Steel, Ltd. in 1970, serving as General Manager of the Technology Development Division. He was the President of Kobe Steel from 2009 and then Chairman from 2013 until 2016. Currently, he is an advisor to Sumitomo Electric. He has been an outside director of Sumitomo Electric since 2016.

I see SEG as a company that has embraced challenges across a wide range of areas and achieved greater diversification as a result. Starting with copper as a material, the Group handles extensive layers of products and services, including components, parts, and systems, and has the potential to create many new innovations, as new creations are born from the interplay of these products and services.

We live in an era where we cannot survive without new products, and I would like the Group to create products that will contribute to the future society by fostering an environment for innovation, such as through greater interaction with different cultures and business areas.

To create something new, you need freedom to be creative and a wealth of information. One of the sources of such information is in the universities. Universities sometimes have wonderful technologies whose applications are yet to be determined. I would like the Group to take up the challenge of acquiring many such ideas as the starting point for technological development and, as the end point, apply them to its products through capturing customer needs.

I personally would like to support these efforts.

Outside Director

Michihiro Tsuchiya

[Brief Personal History |](#)

Tsuchiya began his career in 1976 at Tanabe Seiyaku Co., Ltd. (now Mitsubishi Tanabe Pharma Corporation) where he headed the R&D and Corporate Planning Divisions. He served as President of Mitsubishi Tanabe Pharma from 2009, and then Chairman from 2014 until 2017. He has been an outside director of Sumitomo Electric since 2018.

Since its establishment, SEG has developed a wide variety of technologies and built a solid position in a broad range of business areas.

In the midst of drastic changes in social and industrial structure, further evolution and intensification of the business is necessary to realize the "2030 VISION". To do so, it is necessary to benchmark and identify competitive advantages at each stage of commercialization. Based on the information obtained from benchmarking, effective collaboration with industry, government and academia, from basic research to application, is also important. In particular, basic research technology acquired externally/from third parties is an option to break free of the in-house approach. Attractive projects promoted in this way will draw attractive information.

On the other hand, the Group needs to further improve collaboration between and within Business Units as the organization grows larger. Strategic transfers of personnel between Units are an effective way to encourage seamless collaboration, creating new work experiences and human networks, as well as improving communication inside the organization.

We look forward for the Group to meet the challenge of continuing to build attractive businesses in a free and open corporate culture that is a source of new business creation, leveraging the unique characteristics of the Group.

Outside Director

Christina L. Ahmadjian

[Brief Personal History |](#)

In 1995 Ahmadjian was appointed as an Associate Professor at Columbia University Business School. In 2001 she was appointed as a Professor at Hitotsubashi University Business School, where her main research area is corporate management and corporate governance. From 2022, she has been appointed Professor Emeritus at Hitotsubashi University Business School. She has been an outside director of Sumitomo Electric since 2018.

SEG's strengths lie in each of the areas of "Automotive," "Info-Communications,"

"Electronics," and it is developing a wide range of businesses based on its technologies. In this context, one of the challenges is to improve profitability. It is important to raise the share price and ROE by further improving its profitability.

In order for the Group to continue to develop and grow, it is necessary to further promote diversity. One of the measures to achieve this is the active promotion of women. Depending on the attributes of each individual, some may be promoted to managerial positions, while others may be promoted to engineering positions. The Group must also take steps to enable more non-Japanese to play an active role. We will continue to exchange opinions and advice with related parties in order to create an environment and culture in which diverse talents can play an active role and contribute.

In the "Mid-term Management Plan 2025" announced this year, we have presented specific targets for each group of stakeholders. The setting of specific numerical targets is a landmark achievement, and we will continue to monitor progress to ensure that these targets are met.

Outside Director

Katsuaki Watanabe

[Brief Personal History |](#)

Watanabe joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation) in 1964, and was President of Toyota Motor Corporation from 2005, and then Vice Chairman from 2009 until 2011. He has been an outside corporate auditor of Sumitomo Electric since 2013 and an outside director since 2021.

I believe that the Group is a high-potential company that covers many of the important technological themes that society will need in the future, centered on the areas of "Energy," "Info-Communications," and "Mobility."

I would like to see the Group harness this potential to develop its business and realize the vision of society that it has outlined in its "2030 VISION."

To achieve this, the Group must strengthen its world-leading technology development capabilities, as well as the management of manufacturing and production strategies, and sales strategies for implementation and commercialization.

Going forward, I would like the Group to select important themes from the "2030 VISION" and establish a special project team to promote the following in order to move all of SEG forward:

- (1) Draw on the strengths of young people
- (2) Further strengthen cooperation not only among departments and business divisions but also among group companies
- (3) Utilize third party capabilities as necessary

We will support the promotion of these projects and would like all of you to work with courage, determination, and perseverance.

Outside Director

Atsushi Horiba

[Brief Personal History |](#)

Horiba joined HORIBA, Ltd. in 1972, and became President in 1992. He is currently Chairman and Group CEO of HORIBA. He has been an outside director of Sumitomo Electric since 2021.

In order to be a winner in the global competition going forward, I feel that there is a limit to what the Japanese can do alone in terms of "inspiration and creativity". It is necessary to actively promote overseas development and to organically link this/such initiatives with Japanese units to commercialize new products. In particular, collaboration with academia or university-launched ventures outside Japan can be an effective means to achieve this. Teams of talented and motivated people, even in small organizations, can be a valuable asset to an organization. In terms of regions, in addition to Europe and the U.S., I see China and India as promising development bases. India, in particular, will become indispensable in software development.

However, since such ventures/networks outside Japan cannot be established overnight, we believe that the Group must also work steadily to build a management that can implement such a strategy, centering on hiring local talent overseas.

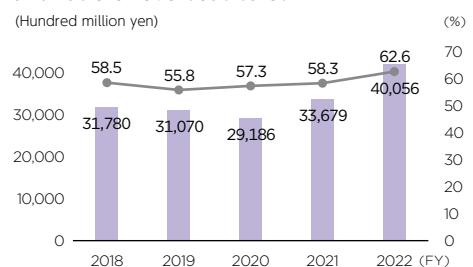
In R&D, there is always a "valley of death" that must be overcome before practical applications can be achieved. To overcome this hurdle, it is necessary to successfully apply the aptitudes each individual, and we believe that much can be achieved by identifying and appointing people who have the "aptitude for research and development" as well as people who have the "aptitude for practical application."



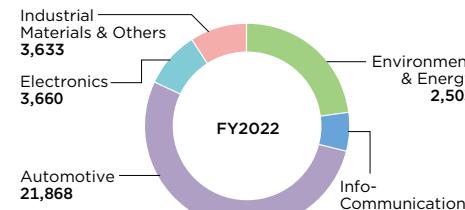
Corporate Data

At a glance

Sales in Japan and overseas and ratio of overseas sales



Net Sales by segment (Hundred million yen)

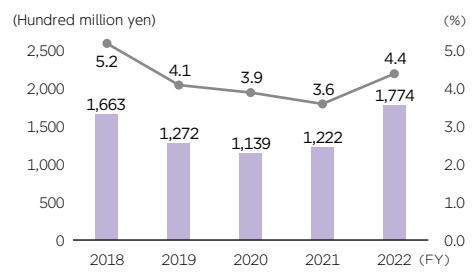


(Note) Total sales by segment do not match overall sales figures due to inter-segment sales are included

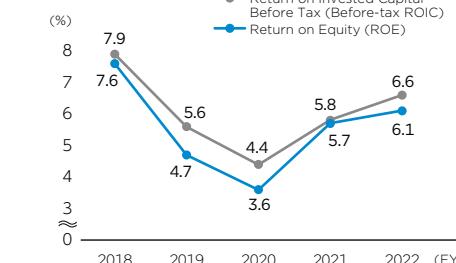
Sales From Growth Themes (FY2022)

700 billion yen

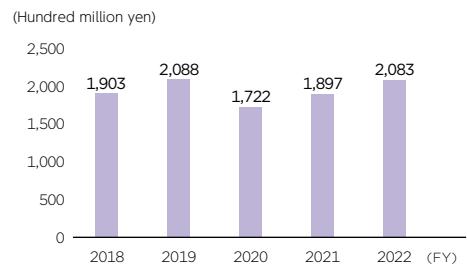
Operating Profit and Operating Margin



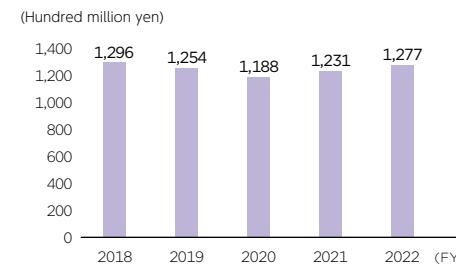
ROIC and ROE



Capital investment



R&D expenses



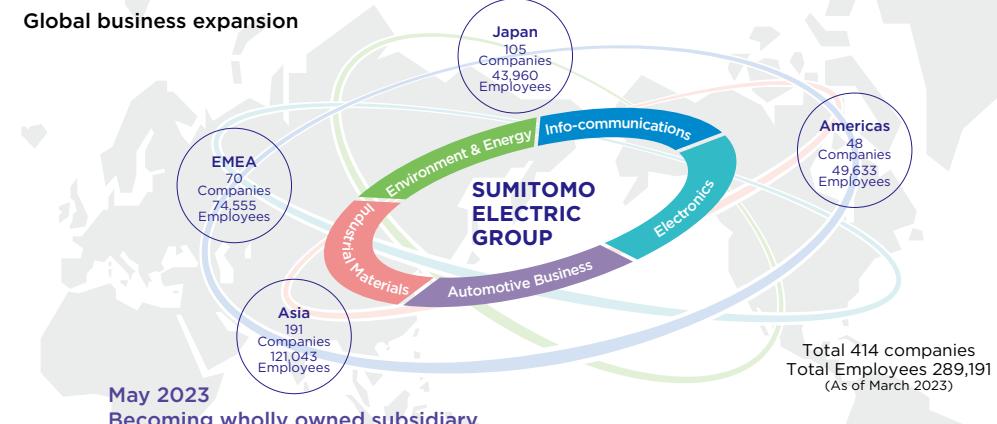
Donations (FY2022)
(Note) Sumitomo Electric Industries, Ltd.
Non-Consolidated

0.73
billion yen

CSR Procurement
Assessment Rate (FY2022)
(Note) Global transaction value
equivalent

65%

Global business expansion



May 2023
Becoming wholly owned subsidiary

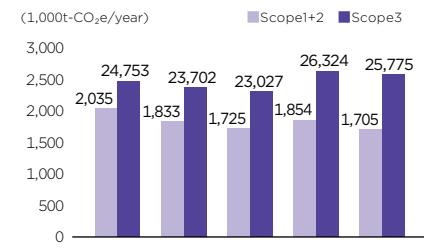
FORGE A BRIGHT FUTURE FOR BOTH PEOPLE AND TECHNOLOGY
NISSIN ELECTRIC CO., LTD.

- Enhancing the ability to provide solutions
- Providing total solutions for power transmission and distribution facilities
- Providing packaged services for the renewable energy market
- Integration and exchange of organizations and human capital
- Cross-utilization of overseas offices and customer base

CONNECT, COMMUNICATE AND CREATE
TECHNO ASSOCIE CO., LTD.

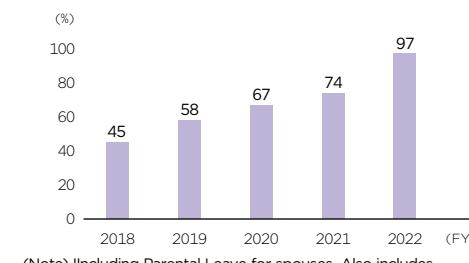
- Increase in Group added value and sales and earnings
- Deploying Solution Development Based Marketing more effectively
- Use of extensive supplier and processing networks
- Cooperation in procurement and logistics
- Shared corporate functions

Greenhouse gas emissions



(Note) For the calculation method for each fiscal year, please refer to the CSR report for that year
URL <https://sumitomelectric.com/csr-reports>

Percentage of male employees taking childcare leave



(Note) Including Parental Leave for spouses. Also includes employees of Sumitomo Electric Industries who are on assignment to affiliated companies, etc.

Number of industrial accidents (FY 2022)
(Headcount)

| | Japan | Overseas | 合計 |
|---------------------------------------|-------|----------|----|
| a serious accident | 0 | 0 | 0 |
| accidents resulting in lost work time | 8 | 3 | 11 |

(Note 1) Sumitomo Electric consolidated subsidiaries (excluding listed subsidiaries)
(Note 2) A serious accident is an accident resulting in death or other serious injuries.

Compensation growth

| April 2023 | 5.81% |
|------------|-------|
|------------|-------|

(Note) Sumitomo Electric Industries union member average

| Business | 40.0% |
|-------------|-------|
| Engineering | 10.6% |

Percentage of females among new graduate hires
(2023 new graduate Staff Positions)

(Note) SEI,Ltd.

Dialogues / sharing returns with shareholders / Investors (FY 2022)
Financial results briefings (twice a year) -
Total of 133 companies, 198 people
Individual dialogue -
Total of 282 companies, 381 people
Dividend payout ratio - 34.6 %



Our History

Corporate History



"Kodo Zuroku"
- Illustrated
Book on the
Copper
Refining
(Sumitomo Historical Archives)



(Sumitomo Historical Archives)

Around 1600
Perfected "Nanban-buki,"
a copper refining
technique for separating
silver from copper ore
containing silver

1690
Discovered the Besshi
Copper Mine (opened
the mine in the
following year)

1897
Started as the
Sumitomo Copper
Rolling Works

1911
Established Sumitomo
Electric Wire & Cable
Works



1916
Opened the Osaka
Works



1941
Opened the Itami
Works



1961
Opened the Yokohama
Works



1946
Opened a branch office
in Tokyo (now the
Tokyo Head Office)
Opened a local office in
Nagoya (now the
Chubu District Office)



1969
Established the first
overseas production base
(Siam Electric Industries
Co., Ltd.) in Thailand

1986
Established a harness
supply manufacturing
base in North America
(Sumitomo Electric
Wiring System, Inc.)

1997
Celebrated the 100th
anniversary by
establishing the
"Sumitomo Electric
Group Corporate
Principles"

2006
Acquired a German
automotive wiring
harness manufacturer
(now Sumitomo Electric
Bordnetze SE)

2007
Made Sumitomo Wiring
Systems, Ltd. a wholly
owned subsidiary

2008
Established Sumiden
Friend, Ltd. (a special
subsidiary)

2011
Formulated the Global
HRM^{*1} Policy, the
clarified fundamental
HR policy

^{*1} HRM: Human Resource Management

2019
Opened the Ibaraki
Works

2021
SEG has become
certified by the
international SBTi^{*2}
for the compliance of
the Group's greenhouse
gas (GHG) emission
reduction targets.

^{*2} Science Based Targets
initiative

2022
Developed and
published "Sumitomo
Electric Group 2030
VISION"

2023
Nissin Electric Co., Ltd.
and Techno Associe Co.,
Ltd. made into wholly
owned subsidiaries

Developed and
published "Mid-term
Management Plan 2025"

— Over 120 years of challenges and change —

| 1600 | 1890 | 1900 | 1910 | 1920 | 1930 | 1940 | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | 2010 | 2020 — |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|--------|
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|--------|

Business History

1900
Supplied the
Japanese Ministry
of Communications
with silicon copper
wires

1908
Started production
of power cables

1916
Started production
of enamel wires



1922
Manufactured and
installed 21 km of
submarine power
cable, the world's
longest at that time
(21 km between
Niihama, Ehime
Prefecture and
Shisaka Island)



1931
Started production
of cemented
carbide tools,
IGETALLOY®



1932
Started production
of special steel
wires



1943
Started production
of anti-vibration
rubber

1948
Started production
of sintered powder
metal products



1949
Started automotive
wiring harness
business

Entered into the
business of
construction of
overhead conductors

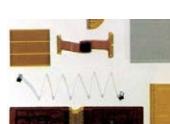
1958
Started production
of air spring
for railroad
vehicles



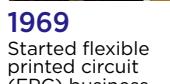
1964
Started production
of electron beam
irradiated products
(tubes/electric
wires)



1968
Started traffic
control system
business



1969
Started flexible
printed circuit
(FPC) business



1970
Started production
of compound
semiconductors
Started CATV
business

1973
Started production
of coated aluminum
(SUMIFLON®)

1974
Started production
of optical fiber cables



1976
Received an order
for a large
telecommunications
network project in
Nigeria

1978
Started operation
of the world's first
bi-directional fiber
optic CATV system
(Hi-OVIS)



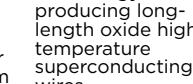
1981
Supplied the
world's most
advanced fiber
optic LAN system
(10 Mbps token
ring type)

2003
Started mass-
production of the
world's first gallium
nitride (GaN)
substrates



2006
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



2016
Started sales of the
world's highest
fiber count optical
cable (3456 fibers)

2017
Broke the world
record of low
transmission loss of
optical fibers (0.1419
dB/km, wavelength:
1560 nm)

2019
Completion of the
world's first 400kV
HVDC XLPE cable
between UK &
Belgium (NEMO Link)

2022
Started a commercial
operation of the
world's-largest-class
Redox flow battery
system





Summary of Financial and Employee Data

| | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Financial Situation and Business Results (Unit: Million yen) | | | | | | | | | | | |
| Net Sales | 2,159,942 | 2,568,779 | 2,822,811 | 2,933,089 | 2,814,483 | 3,082,247 | 3,177,985 | 3,107,027 | 2,918,580 | 3,367,863 | 4,005,561 |
| Overseas Net Sales Ratio (%) | 48.6 | 55.2 | 58.3 | 59.5 | 58.8 | 59.7 | 58.5 | 55.8 | 57.3 | 58.3 | 62.6 |
| Operating Profit | 76,790 | 120,058 | 134,457 | 143,476 | 150,503 | 173,139 | 166,260 | 127,216 | 113,926 | 122,195 | 177,443 |
| Profit before Income Taxes | 84,084 | 123,833 | 167,067 | 154,859 | 167,792 | 193,337 | 181,388 | 133,198 | 110,340 | 159,921 | 196,472 |
| Profit Attributable to Owners of the Parent | 37,955 | 66,748 | 119,771 | 91,001 | 107,562 | 120,328 | 118,063 | 72,720 | 56,344 | 96,306 | 112,654 |
| Total Net Assets | 1,244,695 | 1,379,912 | 1,646,913 | 1,561,289 | 1,628,615 | 1,764,086 | 1,776,313 | 1,766,647 | 1,892,506 | 2,052,938 | 2,110,819 |
| Total Assets | 2,297,567 | 2,554,819 | 2,925,785 | 2,742,848 | 2,907,292 | 2,999,903 | 3,053,263 | 3,100,260 | 3,381,914 | 3,807,390 | 4,013,008 |
| Interest-bearing Debt | 485,569 | 534,641 | 550,839 | 457,145 | 510,989 | 492,567 | 540,745 | 636,262 | 685,087 | 859,794 | 960,368 |
| Capital Expenditure | 147,900 | 150,800 | 148,200 | 167,300 | 183,700 | 171,100 | 190,300 | 208,800 | 172,200 | 189,700 | 208,300 |
| Depreciation and Amortization | 90,600 | 113,300 | 126,700 | 134,400 | 134,500 | 146,100 | 148,900 | 163,600 | 168,000 | 180,500 | 196,000 |
| R&D Expenses | 94,300 | 99,500 | 105,600 | 110,800 | 115,200 | 117,700 | 129,600 | 125,400 | 118,800 | 123,100 | 127,700 |
| Per Share Information (yen) | | | | | | | | | | | |
| Earnings per Share | 47.85 | 84.15 | 151.00 | 114.73 | 137.61 | 154.29 | 151.38 | 93.24 | 72.25 | 123.49 | 144.45 |
| Shareholders' Equity per Share | 1,352.09 | 1,499.46 | 1,804.34 | 1,715.28 | 1,815.32 | 1,973.95 | 1,988.58 | 1,946.93 | 2,088.51 | 2,269.31 | 2,436.14 |
| Dividends per Share | 20 | 22 | 30 | 35 | 40 | 46 | 48 | 40 | 32 | 50 | 50 |
| Dividend Payout Ratio (%) | 41.8 | 26.1 | 19.9 | 30.5 | 29.1 | 29.8 | 31.7 | 42.9 | 44.3 | 40.5 | 34.6 |
| Cash Flow (Million yen) | | | | | | | | | | | |
| Cash Flows from Operating Activities | 124,849 | 147,705 | 153,509 | 240,779 | 209,233 | 239,573 | 177,656 | 264,608 | 169,656 | 76,002 | 265,191 |
| Cash Flows from Investing Activities | △ 172,066 | △ 174,102 | △ 86,888 | △ 117,387 | △ 194,829 | △ 174,265 | △ 184,601 | △ 178,020 | △ 163,430 | △ 165,447 | △ 147,821 |
| Cash Flows from Financing Activities | 64,922 | 113 | △ 64,037 | △ 115,912 | △ 4,763 | △ 66,795 | △ 4,324 | △ 1,277 | △ 13,099 | 82,816 | △ 98,290 |
| Free Cash Flow | △ 47,217 | △ 26,397 | 66,621 | 123,392 | 14,404 | 65,308 | △ 6,945 | 86,588 | 6,226 | △ 89,445 | 117,370 |
| Cash and Cash Equivalents | 176,543 | 160,129 | 177,107 | 174,055 | 180,002 | 180,108 | 168,873 | 249,011 | 251,441 | 255,540 | 279,432 |
| Financial Indexes (%) | | | | | | | | | | | |
| Operating Income / Net Sales | 3.6 | 4.7 | 4.8 | 4.9 | 5.3 | 5.6 | 5.2 | 4.1 | 3.9 | 3.6 | 4.4 |
| Shareholders' Equity Ratio | 46.7 | 46.6 | 48.9 | 49.6 | 48.7 | 51.3 | 50.8 | 49.0 | 48.2 | 46.5 | 47.3 |
| Return on Equity | 3.7 | 5.9 | 9.1 | 6.5 | 7.7 | 8.1 | 7.6 | 4.7 | 3.6 | 5.7 | 6.1 |
| Operating Income / Invested Assets (ROIC) | 4.8 | 6.6 | 6.5 | 6.8 | 7.2 | 7.9 | 7.3 | 5.4 | 4.6 | 4.5 | 5.9 |
| Return on Invested Capital Before Tax (Before-tax ROIC) (%) | 5.2 | 6.8 | 8.1 | 7.3 | 8.1 | 8.8 | 7.9 | 5.6 | 4.4 | 5.8 | 6.6 |
| Debt / Equity Ratio | 45.3 | 44.9 | 38.5 | 33.6 | 36.1 | 32.0 | 34.9 | 41.9 | 42.1 | 48.6 | 50.5 |
| Employee Data | | | | | | | | | | | |
| Number of Employees | 206,323 | 225,484 | 240,798 | 240,865 | 248,330 | 255,133 | 272,796 | 283,910 | 286,784 | 281,075 | 289,191 |
| Japan | 37,148 | 37,715 | 38,892 | 38,537 | 39,236 | 39,637 | 40,231 | 42,418 | 42,629 | 43,623 | 43,960 |
| Overseas | 169,175 | 187,769 | 201,906 | 202,328 | 209,094 | 215,496 | 232,565 | 241,492 | 244,155 | 237,452 | 245,231 |



Consolidated Financial Statements

Consolidated Balance Sheet

(Unit: Million yen)

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|--|--|---|
| Assets | | |
| Current Assets | | |
| Cash and Time Deposits | 259,581 | 283,425 |
| Trade Notes and Accounts Receivable | 784,647 | 842,794 |
| Securities | 30,030 | 32,838 |
| Inventories | 844,837 | 851,224 |
| Other | 140,152 | 154,802 |
| Allowance for Doubtful Receivables | △ 2,319 | △ 2,395 |
| Total Current Assets | 2,056,928 | 2,162,688 |
| Non-current Assets | | |
| Property, Plant and Equipment | | |
| Buildings and Structures | 305,414 | 319,613 |
| Machinery and Equipment (Net) | 444,397 | 446,390 |
| Land | 98,637 | 99,932 |
| Construction in Progress | 64,054 | 73,273 |
| Other, net | 114,282 | 123,571 |
| Total Property, Plant and Equipment | 1,026,784 | 1,062,779 |
| Intangible Assets | 36,062 | 36,682 |
| Investments and Other Assets | | |
| Investment Securities | 443,896 | 503,791 |
| Net Defined Benefit Assets | 173,434 | 175,997 |
| Deferred Tax Assets | 32,329 | 30,909 |
| Other | 38,810 | 40,885 |
| Allowance for Doubtful Receivables | △ 853 | △ 723 |
| Total Investments and Other Assets | 687,616 | 750,859 |
| Total Non-current Assets | 1,750,462 | 1,850,320 |
| Total Assets | 3,807,390 | 4,013,008 |

(Unit: Million yen)

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|---|--|---|
| Liabilities | | |
| Current Liabilities | | |
| Trade Notes and Accounts Payable | 444,985 | 445,951 |
| Short-term Debt | 482,212 | 601,237 |
| Commercial Papers | 8,000 | 7,000 |
| Current Portion of Bonds | 9,996 | — |
| Contract Liabilities | 46,355 | 50,168 |
| Other | 268,546 | 295,051 |
| Total Current Liabilities | 1,260,094 | 1,399,407 |
| Non-current Liabilities | | |
| Bonds | 84,900 | 94,864 |
| Long-term Debt | 222,188 | 195,578 |
| Deferred Tax Liabilities | 65,068 | 87,895 |
| Net Defined Benefit Liabilities | 46,037 | 45,794 |
| Other | 76,165 | 78,651 |
| Total Non-current Liabilities | 494,358 | 502,782 |
| Total Liabilities | 1,754,452 | 1,902,189 |
| Net Assets | | |
| Shareholders' Equity | | |
| Common Stock | 99,737 | 99,737 |
| Capital Surplus | 170,539 | 166,817 |
| Retained Earnings | 1,346,210 | 1,383,046 |
| Treasury Stock, at Cost | △ 20,781 | △ 20,793 |
| Total Shareholders' Equity | 1,595,705 | 1,628,807 |
| Accumulated Other Comprehensive Income | | |
| Net Unrealized Holding Gains or Losses on Available-for-Sale Securities | 76,687 | 135,032 |
| Deferred Gains or Losses on Hedges | △ 1,366 | △ 2,340 |
| Foreign Currency Translation Adjustments | 38,821 | 85,258 |
| Remeasurements of Defined Benefit Plans | 59,941 | 53,122 |
| Total Accumulated Other Comprehensive Income | 174,083 | 271,072 |
| Non-controlling Interests | | |
| Total Net Assets | 283,150 | 210,940 |
| Total Liabilities and Net Assets | 3,807,390 | 4,013,008 |



Consolidated Statement of Income

(Unit: Million yen)

| | Previous Consolidated Fiscal Year (April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023) |
|---|---|--|
| Net Sales | 3,367,863 | 4,005,561 |
| Cost of Sales | 2,793,919 | 3,335,585 |
| Gross Profit | 573,944 | 669,976 |
| Selling, General and Administrative Expenses | 451,749 | 492,533 |
| Operating Income | 122,195 | 177,443 |
| Non-operating Income | | |
| Interest Income | 1,022 | 1,533 |
| Dividend Income | 4,058 | 4,772 |
| Share of Profit of Investments Accounted for Using the Equity Method | 20,577 | 11,485 |
| Other | 12,819 | 14,206 |
| Total Non-operating Income | 38,476 | 31,996 |
| Non-operating Expenses | | |
| Interest Expenses | 5,559 | 16,107 |
| Other | 16,952 | 19,984 |
| Total Non-operating Expenses | 22,511 | 36,091 |
| Ordinary Income | 138,160 | 173,348 |
| Extraordinary Profits | | |
| Gain on sales of fixed assets | 4,683 | 5,832 |
| Gain on Sales of Investment Securities | 11,194 | 32,478 |
| Gain on sales of subsidiaries' stock | 3,409 | — |
| Gain on change in equity | 11,516 | — |
| Gain on return of retirement benefit trust | 6,894 | — |
| Fire-related payments and guarantees received | 2,668 | 2,508 |
| Total Extraordinary Profits | 40,364 | 40,818 |
| Extraordinary Losses | | |
| Loss on Disposal of Property, Plant and Equipment | 3,790 | 3,123 |
| Impairment Loss on Fixed Assets | 6,456 | 2,823 |
| Restructuring Expenses | 5,405 | 9,622 |
| Fire-related losses | 2,952 | 2,126 |
| Total Extraordinary Losses | 18,603 | 17,694 |
| Profit before Income Taxes | 159,921 | 196,472 |
| Income and Enterprise Taxes | 41,294 | 61,828 |
| Income Taxes-Deferred | 8,925 | 2,371 |
| Total Income Taxes | 50,219 | 64,199 |
| Profit for the Year | 109,702 | 132,273 |
| Profit Attributable to Non-controlling Interests | 13,396 | 19,619 |
| Profit Attributable to Owners of the Parent | 96,306 | 112,654 |

Consolidated Statement of Cash Flows

(Unit: Million yen)

| | Previous Consolidated Fiscal Year (April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023) |
|--|---|--|
| Cash Flows from Operating Activities | | |
| Profit before Income Taxes | 159,921 | 196,472 |
| Depreciation and Amortization | 180,508 | 195,999 |
| Share of Loss (Profit) of Investments Accounted for Using the Equity Method | △ 20,577 | △ 11,485 |
| (Increase) Loss on change in equity | △ 11,516 | — |
| (Increase) Decrease in Trade Notes and Accounts Receivables | △ 27,414 | △ 41,241 |
| (Increase) Decrease in Inventories | △ 195,098 | 26,540 |
| Increase (Decrease) in Trade Notes and Accounts Payable | 33,272 | △ 7,322 |
| Other | △ 18,570 | △ 48,094 |
| Subtotal | 100,526 | 310,869 |
| Interest and Dividends Received | 13,725 | 14,093 |
| Interest Paid | △ 5,389 | △ 14,988 |
| Income Taxes Paid | △ 32,860 | △ 44,783 |
| Net Cash Provided from Operating Activities | 76,002 | 265,191 |
| Cash Flows from Investing Activities | | |
| Purchase of Property, Plant and Equipment | △ 174,059 | △ 184,467 |
| Proceeds from Sales of Property, Plant and Equipment | 7,666 | 10,252 |
| Purchase of Investment Securities | △ 90 | △ 478 |
| Proceeds from Sales of Investment Securities | 15,155 | 43,810 |
| Payments for sales of investments in subsidiaries resulting in change in scope of consolidation | 1,329 | — |
| Other | △ 15,448 | △ 16,938 |
| Net Cash Used in Investing Activities | △ 165,447 | △ 147,821 |
| Cash Flows from Financing Activities | | |
| Net Increase (Decrease) in Short-term Debt | 134,065 | 86,272 |
| Net Increase (Decrease) in commercial paper | △ 6,000 | △ 1,000 |
| Proceeds from Long-term Debt | 77,479 | 39,868 |
| Repayments for Long-term Debt | △ 53,945 | △ 66,073 |
| Proceeds from Issuance of Bonds | — | 10,000 |
| Redemption of Bonds | △ 10,000 | △ 10,000 |
| Payment for Purchase of Treasury Stock | △ 12 | △ 3 |
| Cash Dividends Paid | △ 31,983 | △ 39,004 |
| Payments for Acquiring Subsidiary Stocks without a change in scope of Consolidation | △ 53 | △ 91,624 |
| Other | △ 26,735 | △ 26,726 |
| Cash Flow from Financial Activities | 82,816 | △ 98,290 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 10,578 | 4,812 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 3,949 | 23,892 |
| Cash and Cash Equivalents at the Beginning of Year | 251,441 | 255,540 |
| Increase in Cash and Cash Equivalents Resulting from Merger with Unconsolidated Subsidiaries | 150 | — |
| Cash and Cash Equivalents at the End of Year | 255,540 | 279,432 |



Company Overview as of March 31, 2023

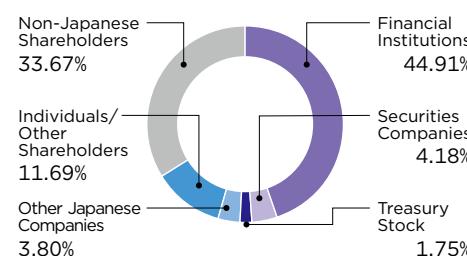
| | | | |
|--------------------------------------|---|--|---|
| Trade Name | Sumitomo Electric Industries, Ltd. | Number of Employees (as of March 2023) | Consolidated: 289,191 Non-Consolidated: 7,144 |
| Head Office | 4-5-33 Kitahama, Chuo-ku, Osaka, JAPAN (Sumitomo Bldg.) | Settlement Period (fiscal year) | April 1 to March 31 each year |
| Established Businesses | April 1897 | Securities Code | 5802 |
| | Environment & Energy Business, Information & Communications Business, Automotive Business, Electronics Business, Industrial Materials Business & Others | Stock Exchanges | Tokyo, Nagoya, Fukuoka |
| Capital Stock | 99,737 million yen | Annual General Meeting of Shareholders | Every June |
| Net Sales (period ending March 2023) | Consolidated: 4,005,561 million yen Non-Consolidated: 1,431,971 million yen | Shareholder Register Manager | Sumitomo Mitsui Trust Bank, Limited. 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan |
| | | Stock Unit Accounting Auditors | 100 shares KPMG AZSA LLC |

Stock information as of March 31, 2023

Current Status of Stock

| | |
|------------------------|--|
| Total issuable shares | 3,000,000,000 |
| Total shares issued | 793,940,571 (No change from the end of the previous period) |
| Number of shareholders | 68,719 (Decrease of 4,502 from previous period) |

Breakdown of Shareholders



Largest Shareholders (Top 10)

| Shareholder | Shares owned (thousands) | Percentage* (%) |
|---|--------------------------|-----------------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 129,626 | 16.62 |
| Custody Bank of Japan, Ltd. (Trust) | 73,666 | 9.44 |
| Nippon Life Insurance Company | 24,703 | 3.17 |
| BBH/BBH+ Co Sumitomo Mitsui Trust Bank, Limited (London Branch) | 18,655 | 2.39 |
| For Simplex Value Creation Fund JPY A CLT A/C | 15,556 | 1.99 |
| Sumitomo Life Insurance Company | 12,590 | 1.61 |
| State Street Bank and Trust Company 505001 | 12,139 | 1.56 |
| State Street Bank West Clien-TRATY 505234 | 12,139 | 1.56 |
| Kochi Shinkin Bank | 11,303 | 1.45 |
| CEP LUX-ORBIS SICAV | 11,265 | 1.44 |

*1 In addition to the above, Sumitomo Life Insurance Company has established a retirement benefit trust for 8 million shares of the Company's stock (shareholding ratio: 1.03%) and has reserved the right to instruct the exercise of voting rights.

*2 Shareholding ratio is calculated by deducting 13,865,579 shares of treasury stock from the total number of shares issued and outstanding.

Sumitomo Electric Group Initiatives and Certifications

Our Group is disclosing information on climate-related risks and opportunities in accordance with the recommendations of the "Task Force on Climate-related Financial Disclosures (TCFD)."



We have been certified as a "Sports Yell Company 2023" by the Japan Sports Agency for actively promoting measures to improve employees' health through sport. 2023 marks the fifth year we have been certified.



In June 2019, we acquired certification from the Ministry of Health, Labor and Welfare as a company that is making considerable efforts to support work-childcare balance for employees.



As of September 1, 2022, we have been certified as a "DX (Digital Transformation) Certified Business Operator" by the Ministry of Economy, Trade, and Industry.

In May 2021, we received certification from the "SBTi" (Science Based Targets initiative) regarding our 2030 GHG emission reduction target.



Our efforts to support health and productivity to date have been highly evaluated. For the second time in three years, we were selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a "2023 Health and Productivity Stock" within the non-ferrous metal sector. Additionally, we were selected for the fifth time by the Nippon Kenko Kaigi as a "2023 Health and Productivity Management Organization (White 500)" in the large organization category.



In August 2016, we received the "Eruboshi" certification, a system in which the Ministry of Health, Labor, and Welfare certifies companies that have made excellent efforts to promote the active participation of women, in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace. We have obtained the third level of certification, which is the highest level.



Evaluation by Third Parties

In June 2023, we were selected by FTSE Russell, a subsidiary of the London Stock Exchange Group, for the FTSE4Good Index Series, the FTSE Blossom Japan Index, and the FTSE Blossom Japan Sector Relative Index, which are representative indexes for ESG investment.



In March 2019, we received the highest environmental rating from the Development Bank of Japan Inc. (DBJ), which indicates that our environmental efforts are particularly advanced, and we have received loans based on this rating.



Rating Information (as of May 2023)

| | Rating | Outlook |
|---|------------------|---------|
| Japan Credit Rating Agency (JCR) | AA | Stable |
| Rating and Investment Information (R&I) | AA- | Stable |
| S&P Global Ratings | A | Stable |
| Moody's Investors Service | A2* ³ | Stable |

*3 Equivalent to an A rating by other agencies



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