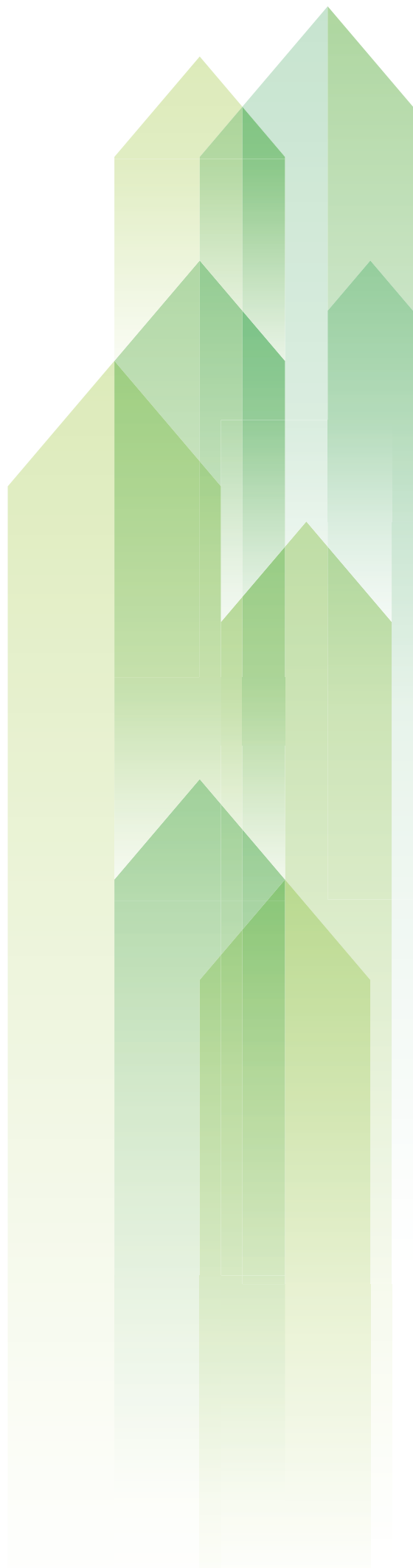


SEI CSR Report 2013



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

- With reference to "Environmental Reporting Guidelines 2012" and "Environmental Reporting (Summary)" issued by the Ministry of the Environment of Japan, as well as Integrated Reporting and other approaches, we prepared the first half of this report so that it also serves as a summary. (P3 to P27)
- We created a new section that introduces main topics for fiscal 2012 in order to present our business and CSR activities performed in the year in a more comprehensible manner. (P13 to P14)
- As we established a mid-term management plan "VISION 2017" in fiscal 2013, we selected new CSR core categories and priority themes with the aim of enhancing integration of our efforts to promote CSR initiatives with our business activities. This report presents the process leading to the selection, along with the future direction of our activities in each of the themes. (P15 to 21)

We have continued to make the following efforts for better understanding of the contents of this report.

- In P27, the main targets and actual results in fiscal 2012, as well as the targets for fiscal 2013, are summarized to present our major activities in the CSR core categories for the Group.
- In P72, the Global Reporting Initiative (GRI) Content Index is presented to show the comprehensiveness of the disclosed information.
- To ensure the accuracy and completeness of the performance indicators, we have engaged an independent third party to provide assurance on them, and the indicators subject to the assurance are marked accordingly. In addition, comments on our initiatives and disclosure from an external expert in this field are published to enhance the credibility.
- A list of awards given by external organizations is published on our website in Japanese (<http://www.sei.co.jp/award/index.html>)
- The acquisition of ISO 14001 certification is published on the following website: (<http://global-sei.com/csr/environment/data.html>)

■ Period Covered by This CSR Report

April 1, 2012 through March 31, 2013 (fiscal 2012). Some activities conducted in fiscal 2013 are also covered.

■ Boundary of This CSR Report

Sumitomo Electric Industries, Ltd. and its consolidated subsidiaries (315 companies)

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

- When quantitative information is disclosed, Tokai Rubber Industries, Ltd., Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd., which are listed in stock exchanges in Japan, and their consolidated companies are excluded, and Sumitomo Electric alone or only the Company and limited consolidated subsidiaries are included in some cases. The items referenced within such a specifically limited boundaries are indicated in the text or footnotes in the table or graph.
- For details of the scope of data collection for environmental indicators, see Explanation of the Boundary in P55.
- The boundaries of the data compilation for "Corporate and Business Outline" (P11 to P12) are Sumitomo Electric and 353 consolidated companies.
- The data in "Social Contribution" (P68) also cover some of the equity-method companies.

■ Guidelines Referenced

GRI's Sustainability Reporting Guidelines Version 3.1, and Environmental Reporting Guidelines 2012 issued by the Ministry of the Environment of Japan.

■ Date of Publication

November 2013

(Last CSR Report: published in November 2012; and next CSR Report: scheduled for release in October 2014)

Responses to findings by the independent third party

Analytical explanation should be made for environmental and other targets and results management.

- » We reviewed the target setting for our Action ECO-21 campaign (Phase VI) before starting activities for the new phase (Phase V) in fiscal 2013, and this report shows the main revisions. We will continue to consider how we can disclose our environmental management activities in a more comprehensible way. (P53 to P54, P57)

Efforts should be made to explain the meaning of the results concerning the trend in the average total working hours.

- » While the average number of paid holidays taken by employees per year declined from the previous fiscal year, the average total working hours recorded a year-on-year decrease. We will be continuously committed to SWITCH Plus campaign and aim to report the efforts and results in a more analytical manner. (P47)

In order to enhance objectivity and transparency, the information disclosed in this report has been reviewed by an independent third party for assurance. The results are presented in P73. As a result of the assurance, we have been authorized to use the mark shown on the right. This mark is the registration proof that "SEI CSR Report 2013" satisfies the Environmental Reporting Assurance and Registration Criteria designated by the Japanese Association of Assurance Organizations for Sustainability Information (<http://www.j-sus.org/english.html>).



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Making Efforts to Become a Glorious Excellent Company

■ Preface

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

We are striving to maintain our "Glorious" state, which is an unchanging value for us as a corporate person based on the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, and to achieve "Excellent" business results. Through these efforts, we aim to become a "Glorious Excellent Company," which is our ideal state in the future, and as a milestone on the way to the goal, we have set our "VISION."

■ Mid-term Management Plan "VISION 2012"

Reviewing our initiatives for VISION 2012, the five-year management plan that we were to achieve by fiscal 2012, we made steady progress in optimizing Group management worldwide and strengthening our business structure through the full implementation of capital and financial strategies. On the other hand, we failed to achieve the net sales and operating income targets due to the issues that cannot be predicted and controlled by one company alone, including global financial crisis, natural disasters and the super strong yen, in addition to various other changes in social and economic conditions.

■ About “VISION 2017”

In VISION 2017, which was launched in fiscal 2013, we set “innovation” as the fundamental concept for our growth strategy.

To win the intensifying global competition, it is important not to just follow the paradigm shift but to create unique features and future potential by developing strategies that take into account the new needs of society. Based on this idea, we will promote innovation that helps the Group enhance its corporate value to reform our current business structure and create new business.

The Sumitomo Electric Group has a wide range of materials and products in the business fields in which the Group has been involved. For the plan toward fiscal 2017, we selected “mobility,” “energy” and “communications (ICT)” as the three key fields where we can take advantage of the Group's strengths. We will seek business reform and growth in these fields including the materials and products that support them.

We will also integrate them to expand our business domain into the fields of environment and infrastructure. Moreover, we will address challenges of developing two new business fields, namely life sciences and resources, in response to social changes such as ageing and life-span extension, population growth and urbanization on a global scale.

Under VISION 2017, we thus strive to achieve innovation based on our core technologies, and to develop new products that will accommodate future social needs. On top of that, we aim to realize a business model innovation. In our efforts to meet these objectives, we will firmly uphold the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, which was defined based on the Sumitomo Spirit, as foundations for our business activities, and focus on strengthening of strategic marketing, increase of our global presence and enhancement of our leading technology, while maintaining the three bases of human resources, manufacturing and finances.

Needless to say, further enhancement of corporate structure, as well as compliance, is essential for the sustainable growth of the business.

■ Compliance

As mentioned in P25, concerning automotive wiring harnesses and related products, in addition to the surcharge payment order from the Japan Fair Trade Commission (JFTC) in January 2012, Sumitomo Electric

was under scrutiny of overseas competition authorities, and in July 2013, received notification from the European Commission of its decision finding infringements of EU competition law. We would like to offer our sincere apologies to our stakeholders for this situation. In response to the on-site investigation by JFTC in June 2009 concerning optical fiber cables and related products, we have taken corrective actions including strict compliance with the Antimonopoly Act and prompt recruitment of outside experts to conduct studies into other infringement behavior, if any, in order to identify and eliminate conduct that violates the Act. Additionally, we have conducted intensive training, enforced Competition Law Compliance Regulations, and established a system to ensure the administration and management of the Regulations by specialized organizations, in order to reinforce competition law compliance by the entire Group. While the surcharge payment order of January 2012 from JFTC and the decision of July 2013 by the European Commission concerning automotive wiring harnesses and related products apply to violations that predate those preventative measures, we recognize the gravity of the situation with sincerity and will strive to implement fair business activities that merit the trust of society, identifying competition law compliance as a top priority issue in our business management.

■ Closing Remarks

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

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

Masayoshi Matsumoto
President & CEO
Sumitomo Electric Industries, Ltd.



Slogan for VISION 2017

With a Global view and Enhanced skills, we Create the future

Overall Strategy

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

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

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



Target

	FY2012 Results	FY2015 Targets	"VISION 2017" FY2017 Targets
Nets sales	2,159.9 billion yen	2,600 billion yen	3,000 billion yen
Operating income (ratio)	76.8 billion yen (3.6%)	130 billion yen (5.0%)	180 billion yen (6.0%)
ROA	4.8%	7%	9%

Other indicators

- We plan to increase the proportions of overseas sales and production to 60% or more.
- We aim to target a new product sales ratio of 30%.
- ※ Our goal for integrated and new business fields is total sales of the order of 150 billion yen.

Growth Strategy in Three Domains

New Growth in Current Business Fields

By overhauling and developing each of the five established business segments — Automotive, Environment & Energy, Information & Communications, Electronics and Industrial Materials — we aim to create new value in the business fields of "Mobility," "Energy" and "Communications (ICT)," as well as in the materials and product groups that support them.

Expansion into Integrated Business Fields

We plan to integrate these business fields on a group-wide scale across divisional boundaries, and use our all-round strengths to develop our "Environment & Infrastructure" business.

Challenging New Business Fields

We are also addressing the challenge of opening up two new business fields, "Life Sciences" and "Resources," by making full use of the Group's wide-ranging technological capabilities.

Core Initiatives

1 Strengthen "Strategic Marketing" (Creating New Markets)

In addition to strengthening our services for both established and new markets and customers, we are focusing on strengthening our solutions proposal capability, and continuously creating and fostering new markets.

2 Increase Our "Global Presence" (Promoting Diversity of Personnel)

We are strengthening our global organizational systems and promoting diversity.

3 Enhance Our "Leading Technology" (Accelerating Commercialization)

In addition to accelerating the commercialization of research and development projects, we are building the core businesses of the future.

Three Bases

Human Resources Base

- » Carrying out recruitment, evaluation, treatment, assignment and promotion, as well as human resources development, based on our Global HRM* Policy
- » Promoting diversity

Manufacturing Base

- » Strengthening competitiveness
Strengthening QCD*, accelerating mass production and commercialization and enhancing technological development
- » Strengthening basic manufacturing infrastructure and systems
Building secure, safe, clean, stable and reliable production systems
- » Developing personnel with practical capabilities

Financial Base

- » Striving for robust, solid financial footing
(shareholders' equity ratio of 50% and dividend payout ratio of 30%)

The Sumitomo Spirit

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

Business Principles

Article 1

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

Article 2

Sumitomo's business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

Traditional Beliefs and Principles

● Attaching Importance to Technology

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

● Respect for Human Resources

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

● Long-Range Planning

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

● Mutual Prosperity, Respect for the Public Good

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

Monjuin Shiigaki (the Aphorisms of Monjuin)

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

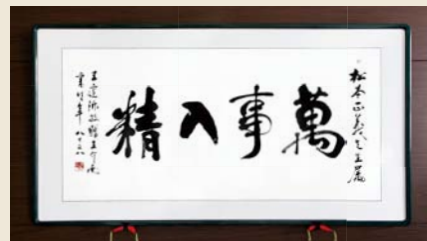
Banji-nissei (do your sincere best in not only business but also every aspect of your life)

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

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



Monjuin Shiigaki*



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

* Collection of Sumitomo Historical Archives

The Sumitomo Electric Group Corporate Principles

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

Each company of the Sumitomo Electric Group shall

- Offer the very best goods and services to satisfy customer needs.
- Build technical expertise, realize changes and strive for consistent growth.
- Contribute to creating a better society and environment, with a firm awareness of our social responsibility.
- Maintain high corporate ethics and strive to become a company worthy of society's trust.
- Nurture a lively corporate culture that enables employee self-improvement.

The Sumitomo Electric Group Charter of Corporate Behavior

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

1. Provision of Useful and Safe Products and Services

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

2. Development of New and Original Businesses and Products

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

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

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

4. Contribution to Preservation of the Global Environment

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

5. Observance of Laws and Regulations

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

6. Fair and Proper Business Activities

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

7. Conduct as a Member of Society

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

8. Harmony with the International Community

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

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

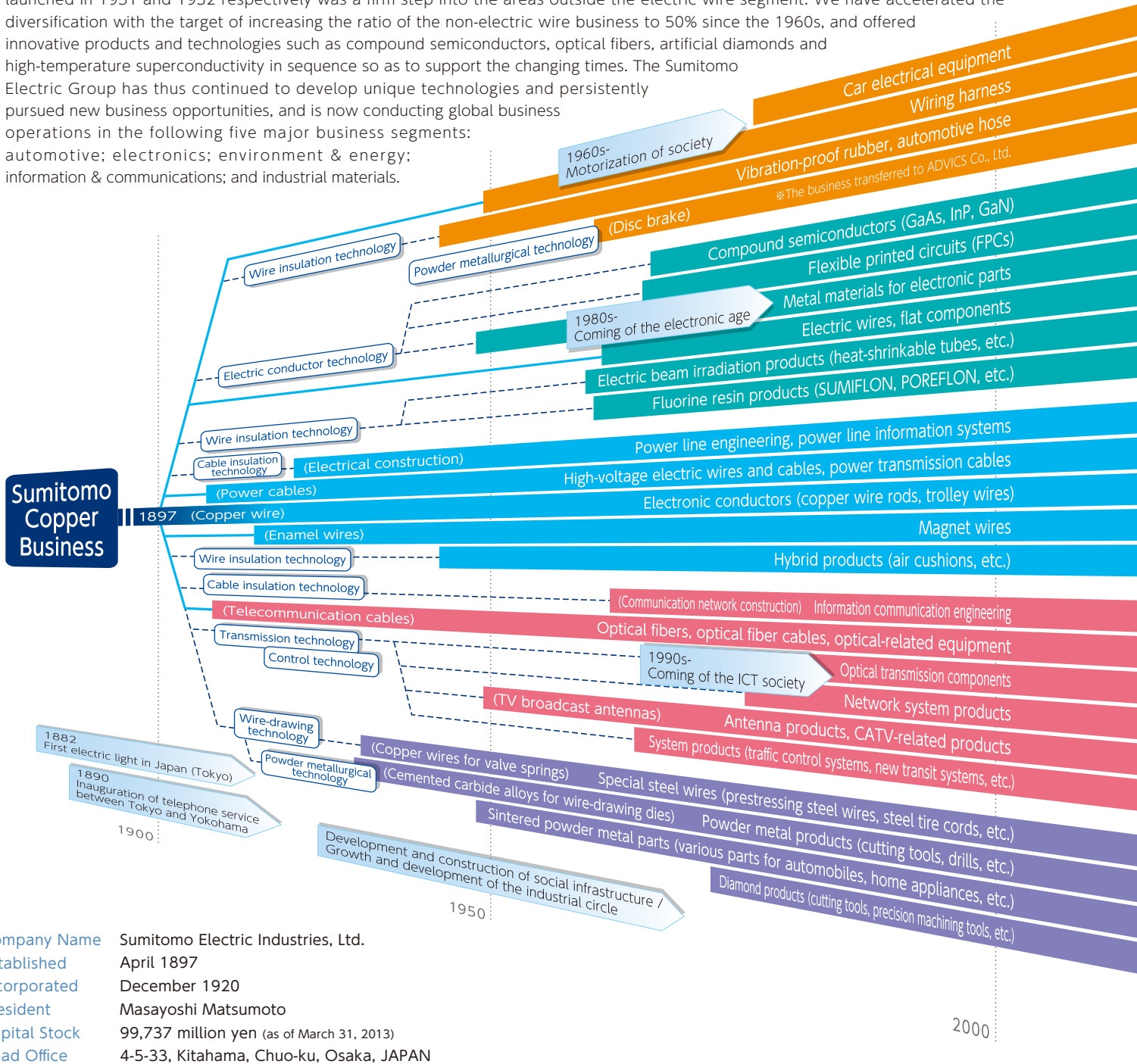
- We respect the rights of all individuals and will endeavor to make our workplaces safe, sound and energetic.
- We will strive to respect personality and individuality of the employees and support their professional development and career to enable self-realization.

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

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

Our History and Business

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



History

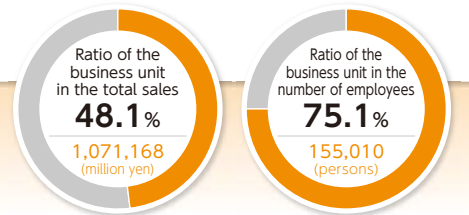
- 1897 • Sumitomo Copper Rolling Works was founded.
- 1900 • Started production of coated wires.
- 1908 • Started production of power cables.
- 1909 • Started trial production of telecommunication cables.
- 1911 • Established Sumitomo Electric Wire & Cable Works (the foundation of the Company). Manufactured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

- 1932 • Started production of special steel wires.
- 1939 • Company name changed to the current name, Sumitomo Electric Industries, Ltd.
- 1941 • Opened the Itami Works.
- 1943 • Started production of vibration-proof rubber and fuel tanks.
- 1946 • Opened a branch office in Tokyo (now the Tokyo Head Office).
- 1948 • Started marketing sintered powder metal products.
- 1949 • Entered into the business of construction of overhead transmission lines.
- 1957 • Supplied the first Japan-made television broadcasting antennas.
- 1961 • Opened the Yokohama Works. Delivered the wiring harnesses for four-wheel vehicles for the first time in its history.
- 1962 • Started production of IRRAX™ Tube electron beam irradiation tubes. The Head Office was moved from Osaka's Konohana Ward to the present address in Chuo Ward.
- 1963 • Started production of disc brakes.
- 1964 • Started production of electron beam irradiation wires.
- 1968 • Entered into the business of traffic control systems.

Automotive

Supporting the realization of a safe, comfortable and eco-friendly car society

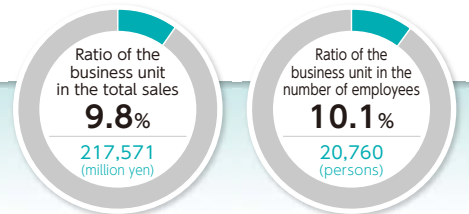
Motorization progressed rapidly in the 20th century and has developed to a higher level. Cars are now required not only to serve as safe and comfortable living space but also to have environmentally-friendly design. The Sumitomo Electric Group is contributing to the realization of an ideal car society by meeting the needs of the times through the development of wiring harnesses and automotive parts and systems.



Electronics

Supporting the evolution of the electronics industry

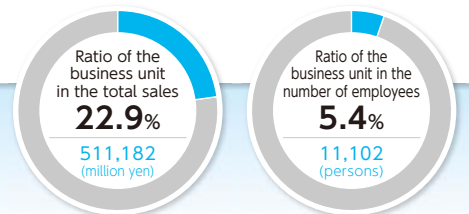
Electronic products are used in every aspect of our life. Reduction in size and weight and sophistication are keys to the electronic age. The Sumitomo Electric Group supports the development of the electronic society with diverse product groups using our original material technologies such as electric wires, FPCs, compound semiconductors and fluorine resin products.



Environment & Energy

Supporting stable energy supply

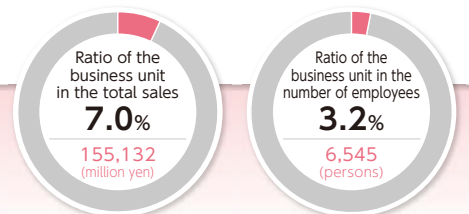
The Great East Japan Earthquake reminded us of the importance of stable power supply. The Sumitomo Electric Group has continuously provided products used in various aspects of the energy transmission, including power transmission cables, railroad trolley wires and magnetic wires contained in home appliances and automobiles, to support social infrastructure since its foundation. We will continue to lead the time with high-temperature superconductivity and smart-grid related technologies, among others.



Information & Communications

Supporting the development of the ICT society

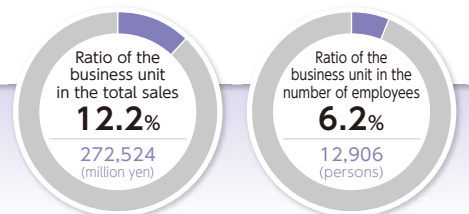
The spread of the Internet and mobile phones is changing our society dramatically. The Sumitomo Electric Group has been involved in the information communications industry since the spread of telephones. With the rich experience and know-how as well as original technologies, the Group has carved out a path to the era of optical communication as a pioneer. We are also leading the development of the ICT society through the supply of various network products and system products such as traffic control systems.



Industrial Materials

Supporting the foundation of industries with a wide range of technologies

The Sumitomo Electric Group supplies various industrial material products based on its original technologies accumulated through the production of electric wires and cables, including powder metal products, sintered powder metal parts, and special steel wires. These products are used in machining tools and machine parts in various industrial fields as well as the materials that support social infrastructure such as highways and bridges, in addition to automobiles and home appliances.



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

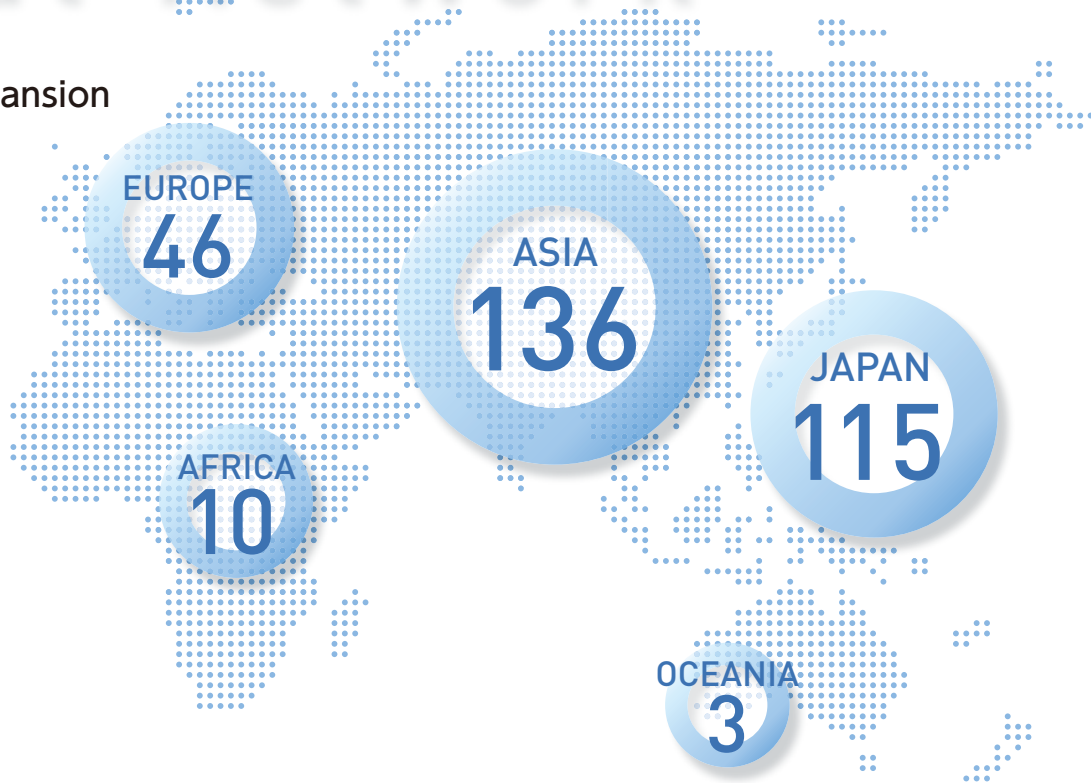
- 1969 • Established its first overseas production facility. Started development of flexible printed circuits (FPCs).
- 1970 • Started production of compound semiconductors.
- 1971 • Opened the Kanto Works.
- 1974 • Started production of optical fiber cables.
- 1975 • Contracted to construct a power transmission line in Iran.
- 1976 • Received an order for a large telecommunications network project in Nigeria.
- 1978 • Delivered and put into operation the world's first bi-directional fiber optic CATV system "Hi-OVIS."
- 1981 • Delivered the fiber optic LAN system for the first time in its history.
- 1982 • Succeeded in producing the world's-largest-class synthetic monocrystal diamonds (1.2 carats).
- 1996 • Developed a technology for producing long-length oxide high-temperature superconducting wires.
- 1998 • Developed and started marketing ecology wires and cables.
- 1999 • Sumitomo Electric Fine Polymer, Inc. (fine polymer products) started operation.
- 2001 • J-Power Systems Corporation (high-voltage power cables) started operation.

- 2002 • Sumitomo Electric Networks, Inc. (network equipment) started operation. Sumitomo (SEI) Steel Wire, Corp. (special metal wires) started operation. Sumitomo Electric Wintec, Inc. (magnet wires) started operation.
- 2003 • Sumiden Hitachi Cable Ltd. (wires and cables for buildings and industrial equipment) started operation. Sumitomo Electric Hardmetal Corp. (powder metal and diamond products) started operation.
- 2004 • A.L.M.T. Corp. was made a wholly-owned subsidiary.
- 2006 • The HTS cable used in a power transmission grid in the U.S. started supplying electricity.
- 2007 • Sumitomo Wiring Systems, Ltd. was made a wholly-owned subsidiary. Nissin Electric Co., Ltd. was made a consolidated subsidiary.
- 2008 • Opened the Technical Training Center. Sumiden Friend, Ltd. (Special subsidiary) started operation.
- 2009 • Sumitomo Electric Device Innovations, Inc. was organized.
- 2010 • Opened the WinD Lab, a new laboratory building. SEI Optifrontier Co., Ltd. was organized.

Global Network

Global Business Expansion

The Sumitomo Electric Group is a global corporate group with 353 consolidated companies and over 200,000 employees in more than 30 countries around the world--primarily in Asia, America, Europe and Japan. While providing superior products and services, we respect the cultures and customs of the countries and regions in which we operate. As a corporate entity we conduct business in harmony with society, so as to contribute to the development of the economy and society.



Business Conditions in Fiscal 2012

During fiscal 2012, the Japanese economy recovered only modestly. Although brisk investment in public works projects helped buoy the economy, exports slackened, due to decelerating demand in overseas markets and political conflicts between Japan and China. The global economy was also placed under downward pressure due to concerns over fiscal problems gripping some countries, including the so-called fiscal cliff in the United States and the debt crisis in southern Europe. Dragged down by sluggish exports, the pace of growth also decelerated in newly industrializing countries such as China and India, both of which had scored high economic growth in recent years. Although signs of an upturn began to be seen in the world economy at the end of this fiscal year, helped by the yen's depreciation, rising stock market in Japan and growing expectations of recovery in the United States, as a whole, the year was a challenging one. The business environment surrounding Sumitomo Electric was severe during this fiscal year. Global demand for automobile components and other products relating to our business increased. However, demand from Japanese companies operating in China declined due to the political

problems between the two countries. Domestic markets, especially those involving telecommunications infrastructure projects, slackened while price-cutting competition further intensified globally.

Under these circumstances, the Sumitomo Electric Group redoubled its efforts to enhance its marketing power in response to global demand, and focused on cutting costs as much as possible while promoting the development and marketing of new technologies and new products. Consolidated net sales for the fiscal 2012 totaled 2,159,942 million yen, showing a year-on-year increase. However, profits decreased from the previous fiscal year, weighed by increased depreciation and amortization expenses in connection with large plant and equipment investment for global manufacturing activities, and higher research and development costs aimed at attaining future growth. Our operating income for this fiscal year decreased to 76,790 million yen, while both ordinary income and net income also recorded a year-on-year decline with 94,116 million yen and 37,955 million yen respectively.

AMERICA
43

Companies Consolidated

353 in total

Breakdown of companies consolidated (as of March 31, 2013)

- Consolidated subsidiaries (315)
- Equity-method affiliates (38)

EUROPE	
UK	7
Germany	9
Poland	6
Slovakia	2
Hungary	3
Italy	2
Netherlands	1
Romania	2
Turkey	4
Portugal	1
Bulgaria	1
Ukraine	1
Belgium	1
France	2
Serbia	1
Russia	3

JAPAN	
Japan	115

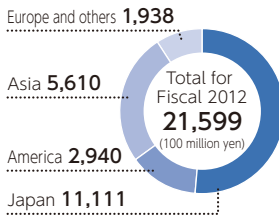
ASIA	
Singapore	5
Thailand	18
Malaysia	5
Indonesia	9
Philippines	11
Vietnam	9
China	59
Hong Kong	6
Taiwan	5
South Korea	4
India	5

AFRICA	
South Africa	1
Morocco	4
Tunisia	3
Egypt	2

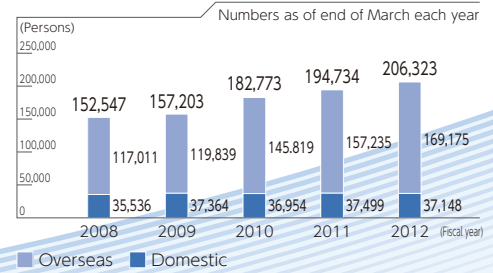
OCEANIA	
Australia	3

AMERICA	
USA	27
Canada	2
Mexico	8
Brazil	5
Argentina	1

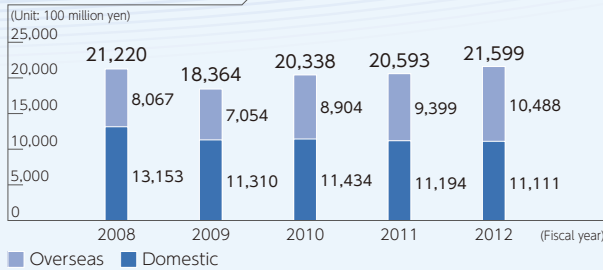
Net Sales by Region (Consolidated)



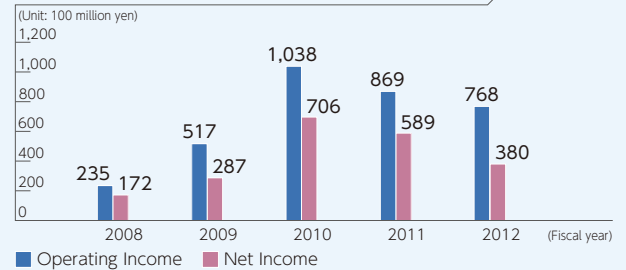
Number of Sumitomo Electric Group Employees



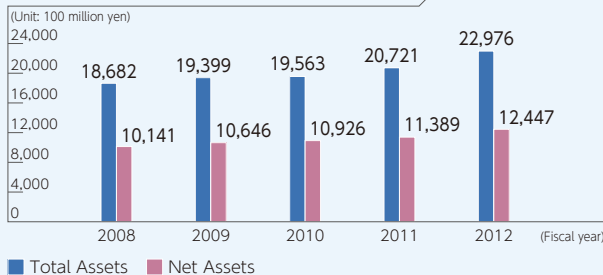
Net Sales (Consolidated)



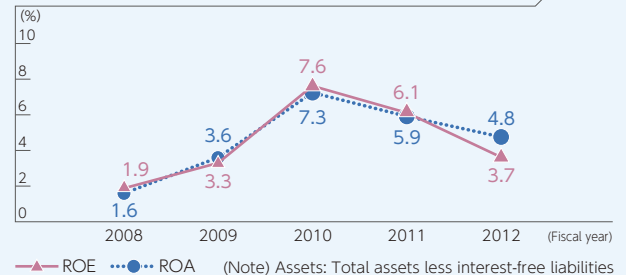
Operating Income and Net Income (Consolidated)



Total Assets and Net Assets (Consolidated)



Return on Equity (ROE) and Return on Assets (ROA)*



Glossary

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

April

Launch of Global HRM Policy Site in Japanese, English and Chinese in the Sumitomo Electric website



July

Commencement of the demonstration of a megawatt-class power generation/storage system



Sumitomo Electric started the operation of the system, which consists of the world's largest redox flow battery and Japan's largest concentrated photovoltaic (CPV) units, on the site of its Yokohama Works.

April

Fair to support areas affected by the Great East Japan Earthquake



Products from the affected areas were sold at the Osaka Head Office. Such a fair was also organized at the Works and affiliates.

July

Athlete track with all-weather type pavement donated to the athlete ground of Sumitomo Multi-Purpose Sports Field



The track was donated to Sumitomo Multi-Purpose Sports Field, which has been opened to the public and also used by local schools for disabled children and for athletic practice sessions for junior high school students since its construction in 1965. In October, Sumitomo Athletics Festa was held with Olympians to organize an athletics workshop and other programs.

August

Global Leadership Program (GLP)



GLP is a training program for managers of Sumitomo Electric as well as executives from our group companies across the world. Since the start in 2007, the program, which marked its eighth time in 2012, has received more than 200 trainees including those for this time.

October

Start of Japan's first superconducting cable demonstration test



At Tokyo Electric Power Company (TEPCO)'s Asahi Substation (Yokohama City), Japan's first superconducting power transmission test was started using a high-temperature superconducting cable interconnected to the power grid. This demonstration is part of NEDO's* High-Temperature Superconductor Cable Verification Project in cooperation with TEPCO and Mayekawa MFG.

November

Opening of Sumiden Hyosung Steel Cord (Thailand) Co., Ltd., a steel tire cord manufacturing and sales company in Thailand



February 2013

Ceremony to present donations to university courses



In addition to making monetary contributions to university courses, the SEI Group CSR Foundation supports academic and research activities and grants scholarships. In fiscal 2012, Sumitomo Electric donated a total of 635 million yen to the foundation.

March 2013

Won the Excellence Award of the Environmental Communication Awards



SEI CSR Report 2012 won the Excellence Award in the Environmental Reporting Category of the Awards, which was sponsored by Japan's Ministry of the Environment and the Global Environmental Forum.

April 2013

Opening of Yokohama Branch of Sumiden Friend, Ltd.



Our second special-purpose subsidiary* was opened on the site of our Yokohama Works, following the first one on the site of the Itami Works, to provide a place where people with disabilities can work actively.

Glossary

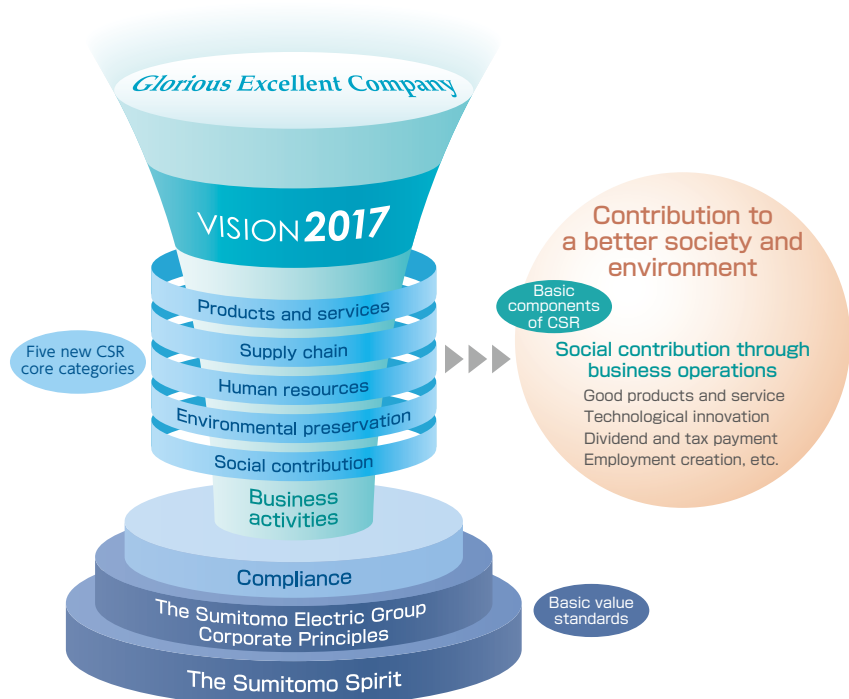
* NEDO
New Energy and Industrial Technology Development Organization

* Special-purpose subsidiary
Subsidiary that a company establishes for the purpose of hiring people with disabilities under the Law for Employment Promotion etc. of the Disabled.

CSR Basic Policy

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

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



Establishment of New CSR Core Categories and Priority Themes

In line with the formulation of the mid-term management plan VISION 2017 (to be executed from FY2013 to FY2017) in fiscal 2013, we realigned existing five CSR core categories to specify “new five CSR core categories” and “CSR priority themes” with the aims of pursuing more strategic CSR activities and showing more definite direction of the initiatives. We will promote CSR activities in a way to link them more closely to our business activities so that we can create social value unique to the Sumitomo Electric Group.

In the process of selecting the categories and themes, we focused on the two key aspects of “materiality for society” (level of expectation from society) and “materiality for the Sumitomo Electric Group” (contribution to problem solution and contribution to growth of the Group). We also referred to CSR guidelines and had interviews with managers in the divisions of the Company to prepare a draft plan, which was revised repeatedly through discussions in the CSR Committee. Then, the final plan was approved to eventually decide the new categories and themes.

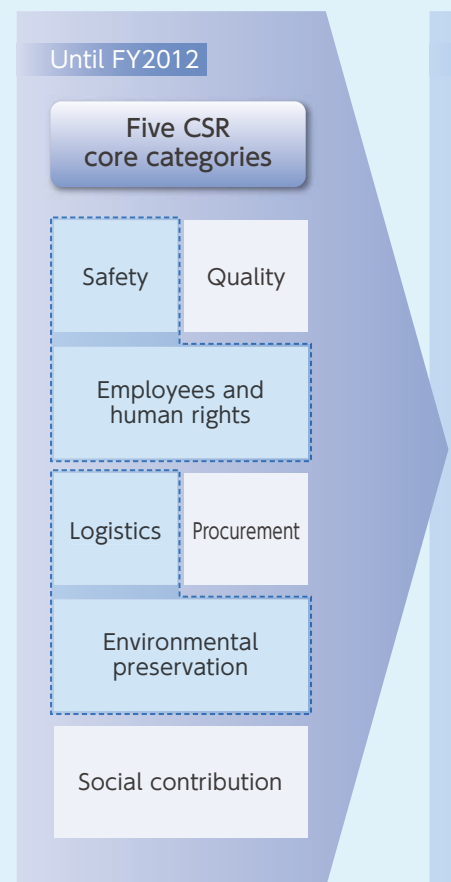
Discussions on the establishment of new CSR core categories and priority themes

Materiality for society (level of expectation from society)

- Analysis of ISO 26000, GRI Guidelines, the guidelines issued by the Ministry of the Environment of Japan, SRI survey items, survey reports in Japan and overseas, etc.
- CSR report questionnaire

Materiality for the Sumitomo Electric Group (contribution to problem solution and contribution to growth of the Group)

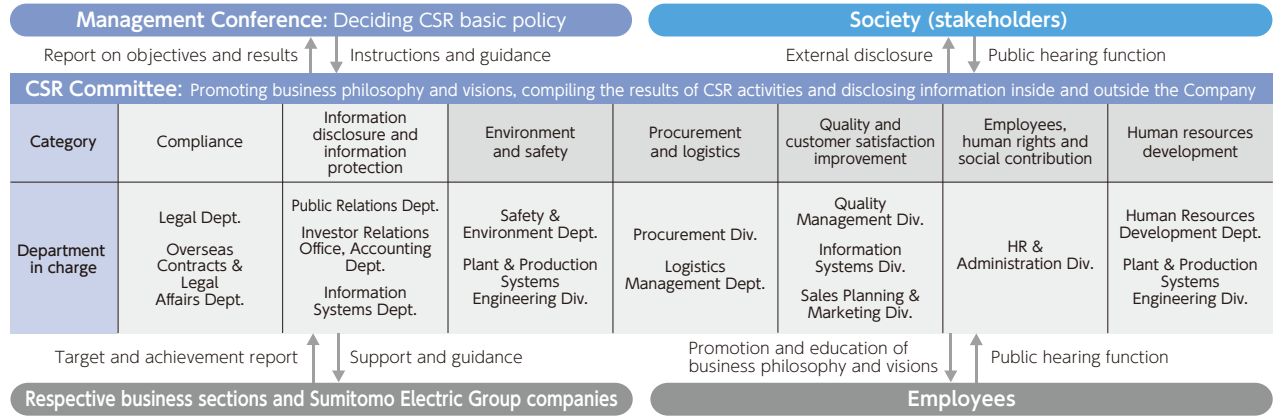
- Interviews with managers in the divisions of the Company
- Discussions in the CSR Committee



Sumitomo Electric Group CSR Promotion System

In July 2004, Sumitomo Electric established the CSR Committee, which is chaired by the officer in charge of personnel and general administration and comprised by the managers of the departments in charge of CSR-related areas (currently 14 members). Under the system shown in the figure below, the Committee conducts its activities as a cross-sectional organization to promote CSR initiatives in the Sumitomo Electric Group. The roles of the CSR Committee include:

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



From FY2013



Contribution to the establishment of a sustainable society



Glossary *KPI Key Performance Indicators

〈CSR Priority Themes〉

Innovation

While taking into account the new needs of society, we will continue to make social contribution through innovation.

The Sumitomo Electric Group positions “innovation” as a concept underlying VISION 2017. The Group has strength in the fields of mobility, energy and communications (ICT) as well as various technologies and products that support those fields. The Group’s material and information technologies will be also used in new business areas such as life sciences and resources. Under VISION 2017, we aim to raise the ratio of new products in sales to 30% and to earn combined sales of 150 billion yen from the integrated and new business fields in fiscal 2017.

Development of product lines with unique features and future potential from the strategic plan that takes into account the new needs of society in the future will also make sustainable social contribution through business activities. The Sumitomo Electric Group sets “innovation” as one of the CSR priority themes.

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



Strengthening our leading technology to continuously support society.

The growth strategy for VISION 2017 aims to create new value through perpetual “innovation,” to “overhaul and develop current business fields,” to “expand into integrated business fields” and to “enter new markets.” During the period for VISION 2012, we invested a total of about 400 billion yen in research and development. We also plan to invest 450 billion yen during the period for VISION 2017. Due to the nature of our business, many products require a very long development time, which imposes a major burden on us. Nevertheless, we believe that introduction of new products that support society and also meet new social needs into the market does not only bring long-term profits to the Group but also represents a CSR mission that only we can accomplish.

Shigeru Tanaka

Senior Managing Director,
General Manager of
R&D General Managing Unit

〈CSR Priority Themes〉 Promotion of CSR procurement

Promotion of CSR procurement is essential as the marketplace is expanding in various ways.

In terms of material procurement, we recognize three types of expansion in the marketplace. The first is territorial expansion. As the Sumitomo Electric Group develops its business in an increasing number of overseas markets, especially those in emerging economies, it is becoming even more difficult to control material procurement in a proper manner. The second is expansion of risk factors and other challenges. For example, we have to respond to new regulations on the disclosure of information on conflict minerals, as well as natural disasters such as the Great East Japan Earthquake. The final one is expansion of materials to be procured for the new business fields targeted under VISION 2017.

To respond to such circumstantial changes, we position supply chain as one of the five core categories. During the period for VISION 2017, we will strive to promote CSR procurement as a specific theme in our efforts in the category and enhance trust relationships with suppliers without too much emphasis on cost and quality.

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



We will promote CSR procurement with focus on vertical and horizontal development.

As relationships with suppliers expand and get more complex, we are required to have communication with them from a holistic perspective. While compliance with legislation in each country/region is an essential task, we also recognize that it is becoming more important to develop procurement activities in accordance with the rules and principles that are common throughout the Sumitomo Electric Group. During the period for VISION 2012, we satisfied the target of establishing procurement policies and CSR procurement guidelines. Under VISION 2017, we will continue to pursue CSR procurement activities on group-wide and global scales with focus on vertical and horizontal development of the activities.

Although we have not reached the stage to make an external commitment on specific KPI, we will make steady progress to share the significance of CSR procurement throughout the Group as well as with all suppliers.

Satoshi Maegawa

General Manager,
Procurement Division

〈CSR Priority Themes〉

Promotion of diversity

We consider that promotion of diversity is part of the business strategy to achieve competitive strength.

The Sumitomo Electric Group promotes diversity of personnel not only as a CSR initiative to meet social demand but also as a business tactic to acquire greater competitiveness in the marketplace. With accelerated changes in society and the market on a global scale, we need to respond flexibly to such changes and risks and seize new opportunities for making profits by recruiting and cultivating human resources with diverse values, abilities and backgrounds and bringing out their best potential. In addition, one of our challenges is to use excellent human resources on a global scale regardless of nationality, gender or age. Similarly in VISION 2017, we highlight the significance of promoting diversity in an effort to form a foundation of human resources. The Sumitomo Electric Group operates business with more than 200,000 employees at approximately 350 companies located in over 30 countries across the world.

We will continue to actively promote effective use of human resources in our group companies in Japan and overseas.

- » Establish a mechanism to develop a career path within the Sumitomo Electric Group beyond the boundaries of individual companies
- » Establish a mechanism to recruit global executives
- » Formulate common guidelines to be applied throughout the Group concerning international transfer and transfer between different group companies



We will create a new personnel system under the Global HRM policy.

In August 2011, the Sumitomo Electric Group formulated and released the Global Human Resource Management Policy (Global HRM Policy) to clarify its policy on the issue. We are now preparing for the development of specific measures and a new personnel system. The basic concept for the measures is to allow our excellent human resources to have career opportunities in the entire Group regardless of the company where they start their career, which will result in dramatic reform of our personnel system.

It is another major challenge to make effective use of female and elderly workers. We recognize the social trend that the ratio of women in managers at a company should reach a certain level, and will continue to promote active recruitment and appointment of female employees.

Masatoshi Nakata

General Manager,
Human Resources Department,
HR & Administration Division

〈CSR Priority Themes〉

Prevention of global warming

We will enhance our efforts to introduce energy saving measures into overseas establishments, and also improve our capacity to propose environmentally conscious products.

Prevention of global warming is a crucial issue for the Sumitomo Electric Group because it can also bring business opportunities while contributing to reduction of energy consumption. During the VISION 2012 period, we achieved some positive results from our efforts to promote the initiative mainly in domestic establishments. In our future efforts under VISION 2017, we will shift our focus to the introduction of initiatives into overseas establishments. As a quantitative target to be achieved in fiscal 2017, we aim to reduce overall greenhouse gas emissions from all of our establishments in Japan and overseas by 5% from the FY2012 level. It is also important to strive for development of products that can contribute to environmental conservation. To reduce the total environmental impact of products over their lifecycle, we will cooperate with R&D and manufacturing business units and make concerted efforts to continuously tackle this challenge head-on.

KPI
(target to be achieved in FY2017)

Reduce global greenhouse gas emissions by
5% from the FY2012 level

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



We will guide manufacturing divisions to be more environmentally conscious.

The Safety & Environment Department has a mission to specify standards and secure a solid foundation for manufacturing while also improving competitiveness so that the divisions can pursue production in a safe, secure and clean manner. Our three key activities are company-wide activities, support of business units and technical development. While environmental conservation technologies are evolving greatly year by year, and the Sumitomo Electric Group is expanding its overseas business activities, we have to respond to increasingly diversified environmental laws and regulations. In addition, such laws and regulations are also imposing more and more strict requirements over time. To address this situation, Safety & Environmental Department staff members need to improve their ability consistently. As professionals in safety and environmental issues, we must lead the divisions to the right direction.

Nobuya Ooka
General Manager,
Safety & Environment Department

〈CSR Priority Themes〉

Contribution through Our Business Locations and Foundation

We are promoting long-term social contribution to grow together with various stakeholders.

The Sumitomo Electric Group's business activities are characterized by their diversity in terms of technical domains, market areas and business fields. In consideration of our involvement with various stakeholders, we are continuously committed to long-term social contribution in a wide range of areas including contribution to society through business activities.

In the context of VISION 2017, our social contribution initiatives to support academic activities and grant scholarships to help human resource development will contribute to the R&D themes that will play major roles in the next generation and to the establishment of the human resources base, which will serve as foundations for VISION 2017. We will be committed to social contribution activities not considering the five years covered by VISION 2017 separately but based on an idea that we will add efforts for another five years to our social contribution accumulated since the establishment of the company.

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



We will make various contributions to society through two main vehicles: the CSR Foundation and the initiatives of Group companies.

Under the Sumitomo Electric Group Basic Policies on Social Contributions, the Group promotes social contribution through the initiatives of the SEI Group CSR Foundation and independent activities of our group companies.

Since its establishment in April 2009, the SEI Group CSR Foundation has added to its endowment every term, which has reached the initial target of 2 billion yen. Using the profit from managing the endowment as well as donations made separately for operation every term, the foundation operates programs including monetary contributions to university courses, support of academic and research activities and granting of scholarships to international students studying in Japan and local students studying at overseas universities. Independent social contribution activities of our group companies include contribution to local communities and volunteer activities, in addition to donations that cover a wider area than those of the foundation.

Yoshitomo Kasui

Managing Executive Officer
General Manager,
HR & Administration Division
Executive Director of
the SEI Group CSR Foundation

	Outline of the stakeholder	Main responsibilities of the Sumitomo Electric Group	Main means of communications	
Sumitomo Electric Group	Central and Local Governments	<ul style="list-style-type: none"> Compliance with laws, regulations, administrative guidance, etc. Tax payments Cooperation for government policies to solve public problems 	<ul style="list-style-type: none"> Communications through economic organizations and trade associations Notifications, response to surveys and questionnaires Consultation with competent authorities, public comments 	
	Global Environment	<ul style="list-style-type: none"> We promote environmental management based on our policy that places environmental conservation activities as a top business priority. 	<ul style="list-style-type: none"> Reduction of greenhouse gas emissions Promotion of energy saving and recycling Reduction of waste, reduction of hazardous chemical substances 	<ul style="list-style-type: none"> Comply with the relevant laws and regulations Environmental conservation activities in accordance with the PDCA cycle Stakeholder dialogue
	Customers	<ul style="list-style-type: none"> We provide customers across the world with a wide range of products and services in five categories: Automotive; Information & Communications; Electronics; Environment & Energy; and Industrial Materials. 	<ul style="list-style-type: none"> Supply of socially useful and safe products and services Improvement of customer satisfaction on all aspects including delivery time, etc. Provision of accurate and appropriate information on products 	<ul style="list-style-type: none"> Communication through daily operations Newsletters, e-mail delivery, websites Information exchange at exhibitions etc.
	Local Communities and NPOs/NGOs	<ul style="list-style-type: none"> The Sumitomo Electric Group conducts business activities through 354 companies located in more than 30 countries all over the world (as of March 2013). 	<ul style="list-style-type: none"> Respect for culture and custom, contribution to development Prevention of accidents and disasters, environmental conservation Cooperation and coordination for the solution of environmental and other problems 	<ul style="list-style-type: none"> Participation in events, support of traditional performing arts Factory tours, opening of facilities, joint hosting of festivals Employees' contribution to local communities Communication through cooperation and support Stakeholder dialogue
	Employees	<ul style="list-style-type: none"> The Sumitomo Electric Group has approx. 206,000 employees consisting of approx. 37,000 employees in Japan and approx. 169,000 employees in other countries. Around 80% of the Group employees thus work outside Japan (as of March 31, 2013). 	<ul style="list-style-type: none"> Respect for human rights, personality and individuality Development, use and evaluation of human resources Creation of a work environment where all employees can demonstrate their capabilities Contribution to occupational safety and health 	<ul style="list-style-type: none"> Surveys to create a lively work environment In-house magazines, Global Magazines Intranet, President's blog Management council meetings for discussion between labor and management Informal meetings between executives and employees
	Shareholders and Investors	<ul style="list-style-type: none"> The total number of our shareholders is approx. 70,000, and the number of shares issued and outstanding is about 800 million. By type of shareholders, financial institutions own 40.08% of the shares, followed by foreign holders (38.47%) and Japanese individuals and others (14.61%) (as of March 31, 2013). 	<ul style="list-style-type: none"> Maintenance and improvement of the corporate value Proper return of the profits (as dividends) Timely and proper disclosure of corporate information 	<ul style="list-style-type: none"> General meetings of shareholders Financial result briefings Reception of investors and interviewers Annual reports Investor relations website
	Suppliers	<ul style="list-style-type: none"> The Partners' Meeting held in fiscal 2012 gathered 270 of our main suppliers. 	<ul style="list-style-type: none"> Fair trade Support and cooperation for the achievement of CSR procurement 	<ul style="list-style-type: none"> Communication through daily procurement activities Partners' meetings Communication through the supplier evaluation sheet

Disclosure of Corporate Information

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

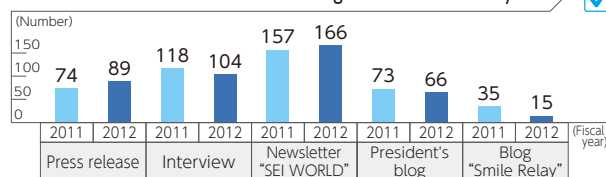
Communication with Shareholders and Investors

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

Efforts to Disseminate Information

Sumitomo Electric has continued to be committed to active dissemination of information on various Group activities in fiscal 2012 as well. While we had fewer interviews and posted less articles on "Smile Relay," our blog on social contribution activities, than in the previous fiscal year, we increased press releases by about 20% year-on-year. A wide range of information on our corporate activities was provided to help our stakeholders improve understanding of the Group.

Results of Information Transmission through SEI's Main Media By Year



On our websites, we increased contents on new products including EV Quick-Charger Connector Assembly, and also opened a new website to support the 68th Lake Biwa Mainichi Marathon, which Sumitomo Electric supported as a main sponsor. Meanwhile, "President & CEO Masayoshi Matsumoto's Blog," which was opened to disseminate the Sumitomo Electric Group's policies among Group employees and related persons and also encourage external stakeholders to understand our Group and feel closer to us, marked its sixth anniversary. In fiscal 2012, the blog had a monthly average of about 80,000 hits, while 66 entries were posted on the blog and 34 comments were received from the visitors during the fiscal year. This blog thus serves as an effective tool to promote interactive communication with stakeholders.

Basic Structure of Corporate Governance

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

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

Business Execution System

The Company holds monthly meetings of the Board of Directors, which comprises 13 directors, as well as extraordinary meetings when necessary. The meetings deliberate and take decisions on execution of important business with the President as chairperson because the position of chairman of the Board of Directors is vacant. Prior to meetings of the Board of Directors, to facilitate the Board's deliberation a management conference is convened to discuss important subjects. Directors (excluding the outside director) received 653 million yen in total as remuneration for the year ending March 2013. The business activities based on the decisions taken at the Board of Directors meetings are executed promptly by individual general managers as well as directors and executive officers in charge of the Corporate Staff Group under the President. In addition, to establish an internal check function in its corporate regulations, Sumitomo Electric has clarified the scope of authority of individual business units and persons in charge of certain business activities, and has stipulated appropriate business procedures. As to the gender of the directors, all of them are male.

Auditing and Supervision Systems

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

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

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

Outside Directors & Outside Corporate Auditors

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

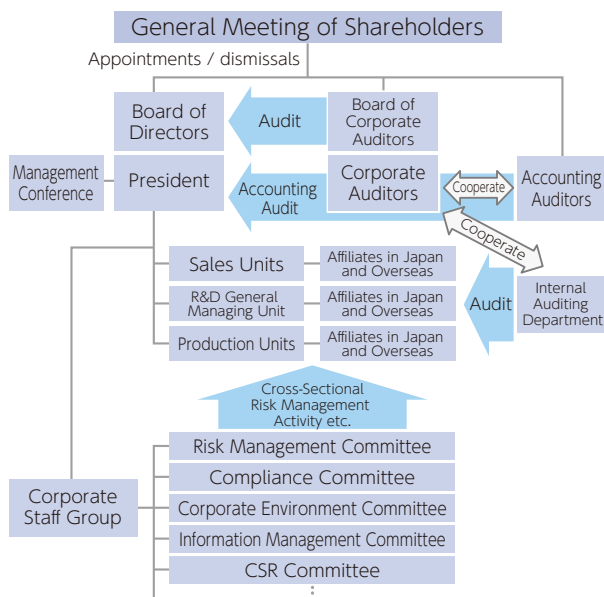
Sumitomo Electric has selected an independent outside director to further enhance the supervising functions of the Board of Directors with an external viewpoint and to improve the transparency and objectiveness of the management. We have also appointed independent outside corporate auditors with expertise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

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

System to Ensure Appropriateness of Financial Reporting

We have established the Financial Reporting Internal Control Committee, chaired by the President, and an organization to promote control in the Corporate Staff Group. Under their policy, guidance and support, we promote development and proper operation of the internal control system in each division and affiliate in accordance with the Securities and Exchange Law, as well as the assessment and audit criteria and enforcement criteria specified by the Financial Services Agency. Thus, we are committed to further improving the systems to ensure appropriateness of financial reporting.

Sumitomo Electric Group's corporate governance structure



Risk Management System

The Sumitomo Electric Group has established the Group-wide crisis management system based on the Basic Policy of Risk Management.

Basic Policy of Risk Management

- Giving top priority to ensuring quality and safety, as a product and service provider
- Maintaining favorable relations with stakeholders including customers, shareholders, local communities and employees
- Ensuring that compliance with laws and regulations and adherence to corporate ethics constitute the basis of the Sumitomo Electric Group's management
- Honoring the Sumitomo Spirit, the Sumitomo Electric Group Corporate Principles, and the Sumitomo Electric Group Charter of Corporate Behavior

In fiscal 2007, we set up the Risk Management Committee, as well as the Risk Management Steering Committee as its subordinate body. These committees make decisions on relevant issues ranging from risk management policies and the establishment of task forces and collection of information at the time of an emergency to education and training programs. The Risk Management Office serves as the organizer and annually plans and promotes the investigation of the risk management status at each corporate staff division. In addition, the office specially appoints a risk manager in each division as the contact person in charge of receiving and transmitting information at the time of an emergency to have a mechanism in place to ensure prompt and proper responses.

We will continuously promote the establishment of a more effective mechanism to respond to expansion of business domains and changes in the external environment.

Risk Management Activities

Risk management activities of the Sumitomo Electric Group are based on taking inventory of risks that is conducted by each unit and each affiliate every year. The Company has promoted planning and implementation of measures to cope with significant risks and the risks that need to be addressed with additional measures, resulting in steady implementation of the risk management cycle. We will continue to survey and analyze the common risks among the Group and the risks unique to each business unit and affiliate. In cooperation with executives and the corporate staff divisions, we are promoting group-wide risk management activities to further improve our capacity to address risks.

Risk Categories

Major category	Middle category	Minor category
Externally generated risk	Non-financial risk	<ul style="list-style-type: none"> ● Disaster risk, crime risk ● Political and country risks etc.
	Financial risk	<ul style="list-style-type: none"> ● Credit risk ● Market risk; e.g. interest rate, exchange rate and material prices, and liquidity risk, etc.
Internally generated risk	Strategic risk	<ul style="list-style-type: none"> ● Competitive strategy risk etc.
	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 ● Reputational risk etc.

Protection of Personal Information and Information Security

《Protection of Personal Information》

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

《Strengthening of Information Security Measures》

Sumitomo Electric regards internal information including business secrets to be important management assets and has developed a system to properly manage it through the formulation of the Information Security Policy and other activities.

Our information security measures include encryption of data in USB thumb drives and laptop computers, as well as a system to prevent the execution of file-swapping software and other prohibited software. The Company has also developed an e-mail system that can limit the destinations and file attachment on a per-user basis, and expanded the application scope. Since fiscal 2011, we have applied assessment and training on information security to overseas bases on a full scale to continuously raise our security level.

In fiscal 2012, Sumitomo Electric also sorted and reorganized relevant rules and manuals, and enhanced our system to prevent information leakages, involving our affiliates in Japan. We will continue to promote the management of the Group's information by establishing the system in our domestic and overseas affiliates and improving the internal training program.

Initiatives for Business Continuity

《Revision of Business Continuity Plans》

As part of the Company's risk management efforts, Sumitomo Electric has developed Business Continuity Plans (BCPs) since fiscal 2007 to ensure that our important businesses can be continued even in the event of an emergency, such as an earthquake and pandemic of influenza, and that we can swiftly resume operations should our operations be interrupted. In fiscal 2012, we revised the BCPs based on the review of the damage predictions by local governments, and organized a table top exercise to verify the effectiveness of the emergency response plan in order to raise the reliability of the BCPs.

《Continuous Implementation of Group-wide Joint Emergency Drills》

The Sumitomo Electric Group enhances disaster awareness of employees by confirming the safety of employees and checking the initial reaction twice a year (in the daytime and at night).

Our production facilities carry out evacuation drills, inspection of places where hazardous materials are used and simulation of emergency measures. In the meantime, headquarters of countermeasures also implement drills of information transmission and sharing with aims of acquiring and sorting out disaster information swiftly in a disaster situation to report it accurately and promptly to executives, and of sharing disaster information among the Group.

《Cooperation with Local Communities》

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

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

Sumitomo Electric believes that complying with laws and regulations and maintaining corporate ethics comprise the backbone of its management; these matters are its social duties as a corporation, and form the absolute basis for the Company's continued existence and development. In recognition of this understanding, Sumitomo Electric has developed the compliance system. Despite our efforts in this regard, in February 2003 Sumitomo Electric received notice from the Japan Fair Trade Commission (JFTC) advising us to end a practice that violated the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade. This has led us to redouble our ceaseless efforts to further strengthen our compliance. Nevertheless, in May 2010, we received Cease and Desist Orders and other orders from JFTC in connection to the sale of optical fiber cables and related products. In addition, concerning the supply of automotive wiring harnesses and related products, we received a surcharge payment order from JFTC in January 2012, and were also under scrutiny of overseas competition authorities. Among the authorities, the European Commission notified us of its decision finding infringements of EU competition law in July 2013. (The Commission granted immunity from fines to the Sumitomo Electric Group as a result of the Group's cooperation in the investigation. Sumitomo Electric has also been cooperating with authorities conducting investigations in the United States, Canada and Australia, and therefore, does not expect to be criminally or administratively fined or otherwise sanctioned by these authorities concerning the supply.)

In response to the on-site investigation by JFTC in June 2009 concerning optical fiber cables and related products, we have taken corrective action out of recognition of the seriousness of the matter, including the exhaustive compliance with the Antimonopoly Act and prompt recruitment of outside experts to conduct studies into other infringement behavior, if any, in order to identify and eliminate conduct that violates the Act. Additionally, we have conducted intensive training, enforced Competition Law Compliance Regulations, and established a system to ensure the administration and management of the Regulations by specialized organizations, etc., in order to reinforce competition law compliance by the entire Group. While both the surcharge payment order of January 2012 by JFTC and the decision of July this year by the European Commission concerning the supply of automotive wiring harnesses and related products apply to violations that predate these preventive measures, we fully recognize the gravity of the situation and are striving to implement fair business activities that merit the trust of society, identifying competition law compliance as a top priority issue in our business management.

Compliance Committee

The Sumitomo Electric Group has established the Compliance Committee, chaired by the President, as an organization that promotes measures necessary to develop and further strengthen the compliance system. The Committee engages in various activities, including preparing and distributing the Sumitomo Electric Group Compliance Manual and organizing compliance training seminars. In addition, the Committee identifies and analyzes group-wide compliance risks, disseminates preventive measures and monitors the compliance activities implemented by each division and subsidiary. In fiscal 2012, the Committee held four meetings (May, August and November 2012, and March 2013).

Compliance Manual

The Compliance Committee has prepared the Sumitomo Electric Group Compliance Manual, which explains specific instructions to be followed by employees in their daily work and other situations so that they can act in a socially acceptable way from legal and ethical perspectives. The Manual is also based on the Sumitomo Spirit, the Sumitomo Electric Group Corporate Principles and the Sumitomo Electric Group Charter of Corporate Behavior. We distributed this manual to employees in Sumitomo Electric as well as those in its subsidiaries in Japan.

Compliance Education

To check compliance risks, ensure implementation of preventive measures and develop and enhance awareness of compliance, the Compliance Committee organizes regular training seminars for all officers and managers every year. New employees and newly promoted personnel are also provided with training seminars. In fiscal 2012, instead of regular training seminars held for managers every spring, compliance special training seminars were organized for administrative staff along with managers in preparation for the start of the operation of the anti-bribery program mentioned in P26 to ensure prevention of bribery and compliance with competition laws. In fiscal 2012, compliance training seminars were held as shown in the table below.

Target	Period
Officers (including executive officers)	Dec. 2012
Managers and administrative staff of Sumitomo Electric and its subsidiaries in Japan	Feb. - Apr. 2013
Newly promoted personnel	Feb. - Mar. 2013
New employees of Sumitomo Electric	Apr. & Oct. 2012

The Sumitomo Spirit, which forms the basis of the Sumitomo Electric Group's compliance system, as well as our philosophies and code of conduct mentioned in the Sumitomo Electric Group Corporate Principles and the Sumitomo Electric Group Charter of Corporate Behavior are also disseminated by, for example, holding a variety of training programs and citing comments made and actions taken by top management.

Speak-Up System

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

Strengthening of the Competition Law Compliance System

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

1. Developing competition law compliance rules

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

2. Forming dedicated organizations and establish an auditing system

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

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

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

3. Enhancing and continuing compliance law training

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

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

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

4. Establishing action guidelines for competition law compliance

Sumitomo Electric has been considering competition laws to be a priority matter to be observed in the Compliance Manual. To more clearly specify prohibited conduct and matters to be observed, new sales-related Competition Law Action Guidelines were established in October 2010 as action guidelines for employees specialized for compliance with competition laws. These guidelines also take account of foreign competition laws. Training sessions were organized in October and November 2010 to familiarize the guidelines to all of the employees involved in sales. We will continue to make efforts to ensure compliance with the guidelines.

Anti-bribery Measures

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

regulations on bribery of domestic and foreign public officers in the US, Europe and emerging markets. One Bribery Prevention Officer and one Bribery Prevention Manager are also appointed in each unit to build a system to apply the rules. In line with the further globalization of the Group's business activities, we will establish similar regulations in our group companies in Japan and overseas and continuously promote the development and maintenance of the global anti-bribery compliance system through such measures as employee training, confirmation of implementation of the regulations and review of the program.

Developing the Compliance System among Overseas Group Companies

To develop a group-wide compliance system on a global scale based on a wider concept including compliance management, corporate ethics and the Sumitomo Spirit, Sumitomo Electric organizes a tour to visit overseas affiliates and provide compliance training seminars for local managers.

We provided Basic Course Seminars from April 2008 to September 2009, Advanced Course Seminars from January 2010 to June 2011 and Competition Law Basic Course Seminars from October 2011 to September 2012. Sumitomo Electric staff took a round of the main overseas offices to provide these seminars with the aims of infiltrating the awareness of compliance and creating a sense of unity as a member of the Sumitomo Electric Group. The results of past seminars are shown below.

Results of Overseas Compliance Training Seminars



	Basic course From Apr. 2008 to Sep. 2009	Advanced course From Jan. 2010 to Jun. 2011	Competition Law Basic Course From Oct. 2011 to Sep. 2012
Total number of seminars	72	90	98
No. of participating companies	121	135	137
No. of trainees	1,750	1,800	1,550

Countries where seminars are held: 19 countries (USA, Mexico, Brazil, UK, Germany, Italy, Hungary, China, Taiwan, South Korea, Hong Kong, India, Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines, Australia)

We also send the training materials, attached with the CD recording of the lectures in the previous seminars, to overseas affiliates, which include the companies that we could not visit due to the schedule or for a geographical reason, so that such affiliates can arrange compliance training programs in a voluntary and continuous manner.



Training seminar at an overseas affiliate in the US

In addition, to ensure autonomous management of the compliance system in overseas group companies, we have conducted investigation with a self-check sheet including questions related to legal affairs, contracts and compliance in collaboration with the Internal Auditing Department since fiscal 2008. We had discussions with the respective business units in charge of each overseas company on the development of the system in the company, based on the results of the investigation in fiscal 2011. We prepared a more practical self-check sheet for fiscal 2012, and completed the investigation. We will make continued efforts to further improve the compliance system of each overseas affiliate in cooperation with the relevant divisions.

Main Targets and Actual Results in Fiscal 2012 / Main Targets for Fiscal 2013

In the Sumitomo Electric Group, the departments in charge of the CSR core categories respectively set annual targets, prepare specific action plans based on the annual targets and work to achieve them autonomously. The table below shows the main targets and results in fiscal 2012 and targets for fiscal 2013 on the main initiatives in core categories. To meet the targets, we will continue to promote the initiatives based on the PDCA (plan-do-check-act) cycle.

As new CSR core categories were set in fiscal 2013, the targets and actual results in fiscal 2012 have also been realigned accordingly.

Core Category	Main Targets for Fiscal 2012	Results in Fiscal 2012	Evaluation	Page	Main Targets for Fiscal 2013
Products & services	Reduce complaints by 33% from the previous fiscal year	Reduce complaints by 27% from the previous fiscal year	△	35	Reduce complaints by 26% from the previous fiscal year
	Continue to promote own process quality assurance activities (third year) • Perform theme-based activities at each division • Establish and improve the assurance level assessment • Provide practitioner training and follow up those who have completed the training	Performed theme-based activities (122 themes in the first half and 120 themes in the second half) at each division, provided practitioner training (for 20 people in the first half and 10 people in the second half) and expanded the process quality assurance activities into overseas facilities, mainly in China (2 sites)	○	34	Continue to promote own process quality assurance activities (fourth year) • Continue activities based on important themes at each division • Develop the activities on a global scale • Improve the improvement process • Raise the assurance level: enhancement of checking stations (measuring techniques), foolproof mechanism
Supply chain	Continue to make requests based on the CSR Procurement Guidelines to individual suppliers and expand the initiative	Added a clause on compliance with the CSR Procurement Guidelines to the basic transaction agreement. In Japan, made requests to suppliers at the Sumitomo Electric Group Partners' Meeting. Overseas, made requests at a Suppliers' Meeting in Los Angeles IPO, at North and East China CEO Meeting, etc.	○	38	Continue to make requests based on the CSR Procurement Guidelines to individual suppliers and expand the initiative. Consider monitoring of suppliers
	Continue to implement the education program that supports compliance, and develop and apply common basic rules on procurement	Improved the curriculum by integrating "CSR procurement" into the "procurement-related laws and regulations" course to create a comprehensive one. Overseas, provided training sessions for affiliates at liaison committees of the staff in charge of procurement and outsourcing. Established common basic rules on procurement.	○	40	Continue the education program that supports compliance, and translate, develop and apply common basic rules on procurement
Human resources	Promote initiatives to realize the Global HRM Policy • Promote the human resource management cycle • Examine a common personnel system to be applied worldwide • Open the Global HRM Policy website and improve the content	Prepared a list of executives and discussed development policies, etc. Appointed an external consultant and made discussions to introduce a common system/concept according to position, and on assessment and treatment of executives Opened the Global HRM Policy website in April 2012	○	41	Promote initiatives to implement the Global HRM Policy • Steadily continue the human resource management cycle • Common personnel system for executives • Guidelines on international transfer, etc.
	Continue to develop the SWITCH Plus Campaign (second year) • Improve work efficiency and productivity • Promote communication • Enhance the health of employees • Develop the next generation	Administered a survey of differences between actual and reported working hours Held a town meeting 11 times Conducted a stress level test for all employees Invited an external lecturer and held Work & Life Forum	○	47	Continue to develop the SWITCH Plus Campaign (third and final year) • Improve work efficiency and productivity • Promote communication • Enhance the health of employees • Develop the next generation
	Reduce to zero the number of accidents resulting in lost work time, reduce the number of no lost work time accidents to 10 or less and reduce the number of accidents causing minor injury to 14 or less	Accidents resulting in lost work time: 10, no lost work time accidents: 23, and accidents causing minor injury: 19	△	51	Eliminate accidents resulting in lost work time, reduce the number of no lost work time accidents to 10 or less and reduce that of accidents causing minor injury to 10 or less
	Implement priority items • Establish the KKP as an everyday activity • Improve the accuracy of risk assessment • Enhance abilities to identify weaknesses through various inspections and diagnosis • Raise the abilities of sites to take voluntary measures in various safety support activities	Completed the KKP and started position-based training in the Works Performed risk assessment based on the work standards (which covered the processes preceding and following the process in question, along with measures for abnormal processing) Completed preparation for the second series of Group Global Safety Evaluation in Japan Continued activities specified for safety management and followed up the progress at two sites	○	50	• Establish activities involving all employees • Implement global safety evaluation • Enhance cross-sectional activities • Enhance plant disaster prevention activities • Supervise construction work and take safety measures for operation at a height • Develop and disseminate safety global standard • Continue education for human resource development in Japan and overseas • Continue and enhance management activities for safety and important issues
	Achieve the targets in all 23 items in the Action ECO-21 (Phase IV) campaign	Out of the 23 items, Performance improved (◎, ○, △): 20 items, Performance unchanged (▽): 0 item, Performance deteriorated (▼): 3 items	△	53	Achieve the targets in all items in the Action ECO-21 (Phase V) campaign
Environmental preservation	Conduct environmental audits In Japan: Start the second series of audits with focus on prevention of environmental accidents Overseas: Conduct audits at 13 group companies	Conducted the audits in 9 manufacturing facilities in Japan and 7 overseas facilities (3 Chinese sites and 4 Indonesian sites)	▽	52	Conduct environmental audits In Japan: Promote the second series of audits with focus on prevention of environmental accidents Overseas: Conduct audits at 8 group companies
	Improve environmental education Launch a more practical legal compliance training program using the environmental audit check list, the issues indicated in past audits, etc. as the materials	Provided professional education on laws and regulations, position-based environmental education, ECO Life education and sectoral education (energy saving, poisonous and deleterious substance management, etc.) for 570 persons in total	○	54	Improve environmental education In addition to the existing systematic education, introduce case studies using the past incidents of "hiyari", or near-miss
Social contribution	Increase monetary contributions to university courses, scholarships and grants to academic and research activities supplied through the SEI Group CSR Foundation in a planned manner	① Monetary contributions to university courses: 94 million yen in total for 7 courses ② Subsidies for academic and research programs: 20 million yen in total for 16 programs ③ Supply of scholarships: 22 million yen in total for 96 persons	○	66	Increase monetary contributions to university courses, scholarships and grants to academic and research activities supplied through the fund
	Take concrete actions to cooperate with other NPOs for support of the reconstruction of the Tohoku Region and other purposes	Held fairs of products from the Tohoku region at the Works to support the areas affected by the Great East Japan Earthquake	▽	67	Promote cooperation with NPOs for support of the reconstruction of the Tohoku Region and other purposes

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

Automotive



Under-floor pipe-shielded wiring harnesses for HEVs



Charging connectors for EVs for household use



Anti-vibration rubbers

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

The Sumitomo Electric Group has been providing wiring harnesses that convey power and information within a car, as well as various other products, for "interface between people and vehicles." With the background of growing demand for environmentally friendly vehicles, there is urgent need to supply automotive parts that utilize broader-based technologies for hybrid or electric vehicles. We will continue our efforts to develop new products with a view to "the next generation when vehicles and society are connected," thereby helping creating a comfortable motorized society.

Growth Strategies for VISION 2017

Aiming to be an all-round supplier of automotive parts

Market Status

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

Strategies

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

Growth in Non-Japanese Share

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

Acceleration of New Product Development

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

Cost Reduction

- Striving for optimally located production
- Development of automation technology



Aluminum wiring harnesses

Social challenges

- Resource and energy issues caused by the worsening of global environmental problems

Social expectations

- Creation of a low-carbon society
- Establishment of sustainable mobility

New products and technologies contributing to the solution of the challenges

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

A wiring harness is a wiring system to convey electricity and signals in cars. As the weight of harnesses used in a vehicle sometimes exceeds 20 kg due to an increase in the functions of cars, the reduction of their size and weight is an urgent task for the improvement of fuel efficiency. The Sumitomo Electric Group has developed new technologies for the electric wires and connectors and succeeded in mass production of aluminum wiring harnesses.

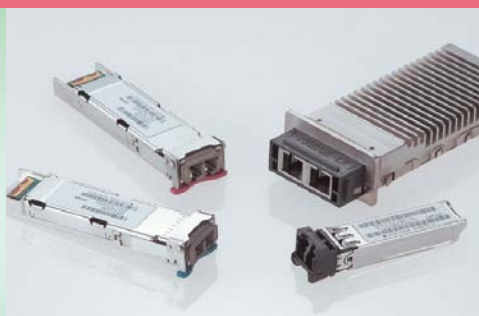
The harnesses have been adopted in Ractis, Vitz and other models of Toyota Motor Corporation. We will continue our efforts to contribute to energy saving through the improvement of automobile fuel efficiency.



Information & Communications



Multi-fiber optical cables



Optical data links



Broadband network service devices

Supporting communication

The Sumitomo Electric Group offers optical fibers and other products essential to the construction of Fiber To The Home (FTTH), as well as intelligent transport system (ITS) related products and network access products. These products are used for solutions that contribute to safe, secure and comfortable life. We will support development of infrastructure for the broadband network by continuing to develop and supply innovative technologies and products.

Growth Strategies for VISION 2017

Aiming to be a globally competitive product vendor in the markets for optical fiber and cable, optical interconnection, high-end transmission devices and optical network systems

Market Status

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

Strategies

Acceleration of Overseas Expansion

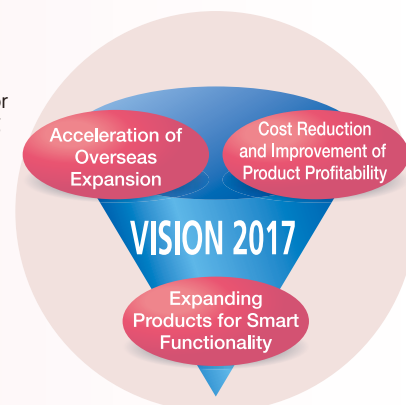
- Expansion of overseas production (local production for local consumption of optical fiber, etc.) and improving participation in overseas markets (CATV, ITS, etc.)
- Building a system for global procurement and quality control

Cost Reduction and Improvement of Product Profitability

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

Expanding Products for Smart Functionality

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



Telematics service

Social challenges

- Loss of time due to traffic congestion
- Environmental impact of driving and traffic accidents

Social expectations

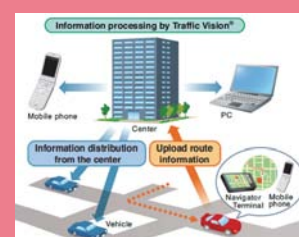
- Provision of information on traffic congestion and optimal routes
- Support for safe and environment-friendly driving

New products and technologies contributing to the solution of the challenges

- Traffic congestion forecasting technology
- Probe technology to analyze data from vehicles and generate accurate traffic information
- Technology to determine the optimal route to minimize fuel and battery consumption
⇒ Telematics service

In recent years, the construction of intelligent telematics that provides real-time information for automobiles and other mobile objects using communication systems has been required in order to improve the efficiency and convenience of traffic information services.

Sumitomo Electric offers engines for servers and smartphones that can help shorten the system development period and reduce costs (sorted by function, such as map drawing, probe and route search engine), as well as traffic information and map ASP* services and VICS* delivery services, in order to help car manufacturers and traffic information service providers construct a telematics system. We will also satisfy various needs by supplying systems for delivery management and dynamic management for carriers, logistics operators and other services.



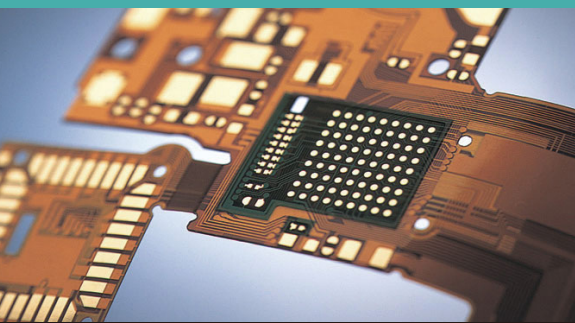
Glossary

* ASP
Application service provider (ASP) is a business that provides computer-based services to customers over a network.

* VICS

Vehicle Information and Communication System (VICS) is a system sending real-time road traffic information about congestion and regulation. This information is edited and processed by Vehicle Information and Communication System Center.

Electronics



Flexible printed circuits (FPC)



Micro flex coaxial harnesses



SUMITUBE™

Underpinning development of more sophisticated, high-performance electronic products

Electronic products are continuously evolving to have more compact and lightweight designs and enhanced functionality and performance. To satisfy the electronics industry's needs for producing such products, we develop advanced materials, wires and parts one after another, offering an extensive lineup of products. Sumitomo Electric Group's cutting-edge technologies are employed in various devices widely used in our everyday life, such as Blu-ray disks, home video game machines and mobile phones.

Growth Strategies for VISION 2017

Aiming to be the top supplier of high-functionality wiring materials and unique highly functional parts and materials

Market Status

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

Strategies

Strengthening of Global Manufacturing and Sales System

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

Strengthening of New Product Development

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

Expansion of Customers and Business Fields

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



Large gallium nitride (GaN) substrates

Social challenges

- Shortage in power supply in developed countries as a result of denuclearization
- Shortage in power supply in emerging economies as a result of economic development
- Prevention of global warming

Social expectations

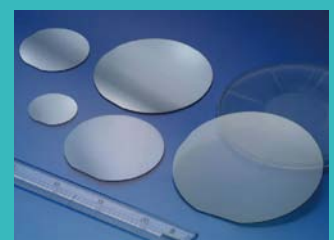
- Widespread use of energy saving devices
- Reduction of CO₂ emissions

New products and technologies contributing to the solution of the challenges

- Widespread use of high brightness LED lighting with a long life and high luminous efficiency as a result of price cuts realized with the reduction of cost for GaN substrate production, and contribution to reduction of CO₂ emissions
⇒ Large GaN substrate, thin film GaN substrates

High brightness light-emitting diode (LED) lighting with a long life and high luminous efficiency is attracting much attention as a product that helps reduce environmental impact by saving energy and cutting CO₂ emissions. However, its high price has inhibited the widespread use. To supply high brightness LED lighting at a reasonable price, it is necessary to reduce cost for the production of gallium nitride (GaN) substrates, one of the core components.

Sumitomo Electric succeeded in developing six-inch GaN substrates for white LEDs for the first time in the world in 2010. In the course of collaborative development with a French company, S.O.I. TEC Silicon On Insulator Technologies S.A. (Soitec), we also succeeded in four- and six-inch GaN thin film substrates in 2012. Under the licensing agreement concluded with Soitec in February 2013, we will sell the GaN thin film substrates manufactured with the Smart Cut technology owned by Soitec for high brightness LED lighting.



Environment & Energy



Copper wire rods



High-voltage power cables



Ultra-fine magnet wires

Supporting stable energy supply

Since its founding, the Sumitomo Electric Group has been engaged in the development of electric wire and cable technology, which is a key to the stable supply of electric power. In the future, we will focus on the creation of new business related to renewable energy and smart grid, and contribute to sophistication of infrastructure by supplying advanced, high-quality products and systems in energy and environmental fields.

Growth Strategies for VISION 2017

Helping to raise the level of social infrastructure by globally supplying highly functional, high-quality environmental and energy products and systems

Market Status

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

Strategies

Strengthening Development of Products Relating to Next-Generation Energy Systems

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

Strengthening Ability to Propose Solutions

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

Strengthening Global Supply System

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



❖ High-temperature superconducting (HTS) cables

Social challenges

- Decline in power availability in developed countries due to abolition of nuclear power
- Electricity shortage in developing countries as a result of economic development

Social expectations

- Development of renewable energy and promotion of the use
- Construction of efficient and optimal power grids

New products and technologies contributing to the solution of the challenges

- Concentrator photovoltaic
- Redox flow battery
- Power cables with less transmission loss
⇒ HTS cables

The electricity generated in a power plant is delivered through cables, which are made of copper as the conductor, to factories, houses, etc. In the process, however, approximately 5% of the electricity is lost.

This is mainly due to electrical resistance. If high-temperature superconducting (HTS) cables, which exhibit zero electrical resistance, are adopted, electricity can be conveyed without loss. A trial calculation indicates that replacement of all underground cables in Japan with HTS cables would reduce CO₂ emissions by 4 million tons in a year.

The power transmission system in a renewable energy-oriented society would involve low transmission voltage in principle and many power sources located in distant places. Accordingly, it is a major challenge to develop cables that can be used for the collection, transmission and distribution of low-voltage and high-current power with low loss. Superconductivity with zero electrical resistance is expected to help solve this issue as well.



Industrial Materials



Cemented carbide tools, IGETALLOY™



PC steel wires



Sintered Parts

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

Making use of its materials development capacity based on electric wire drawing technology, the Sumitomo Electric Group has successfully developed and marketed a wide range of distinctive products, including PC steel (which makes a large contribution to civil engineering and construction) as well as steel cords and other special steel wires. We have also introduced unique advanced materials, such as sintered parts used in automobiles and home appliances, along with synthetic diamonds (which can be considered as an "ultimate material"). Products containing these advanced industrial materials are vital to a variety of industries and contributing to the development of society in many ways.

Growth Strategies for VISION 2017

Globally supplying high-performance, high-functionality products to support the basic functions of industry, by using steel and rare metals as raw materials and exploiting our world-class materials and process technology

Market Status

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

Strategies

Core Technology Improvement and Innovation

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

Strengthening Raw Material Procurement

- Promoting global procurement and recycling

Accelerating Overseas Expansion

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



Efficient tungsten recycling technology

Social challenges

- Depletion of rare metals
- Generation of environmental impact in production processes
- Human right infringements etc. due to conflict minerals

Social expectations

- Recycling of rare metals with new technology
- Efficient and energy-saving technology
- Response to conflict mineral problems

New products and technologies contributing to the solution of the challenges

- Establishment of high-purity and efficient recycling technology
⇒ Efficient tungsten recycling technology

The Sumitomo Electric Group uses tungsten, a rare metal, as the main material in the production of cemented carbide tools. We have a system in place to collect the same amount of cemented carbide tools that are sold in Japan and recycle the tungsten in them. This initiative to procure the materials domestically and thereby stabilize the supply and price of the tools is becoming more significant. The establishment of the efficient and energy-saving recycling technology has also promoted the reduction of environmental impact and enabled the extraction of tungsten with similar quality with the refined ore.

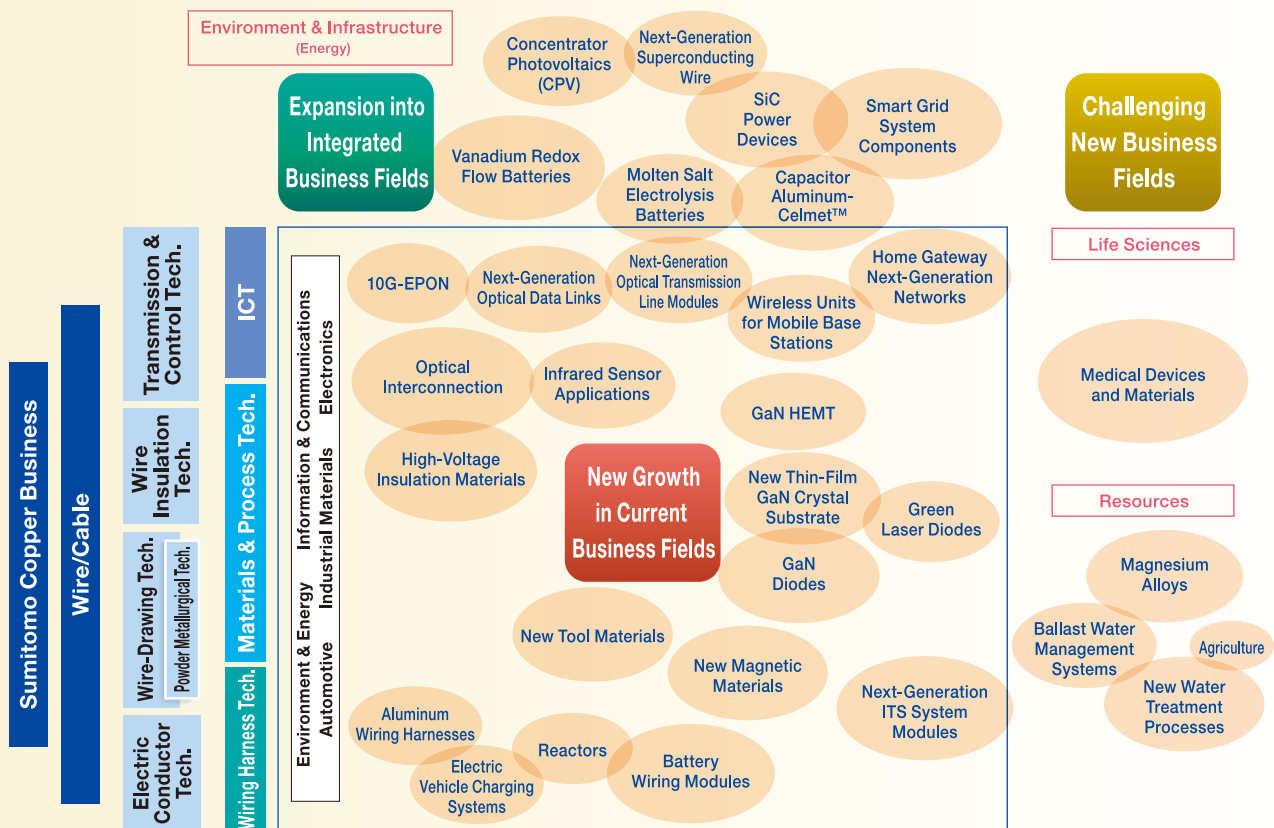


Research & Development

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

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

Research and Development Themes for the Next Generation

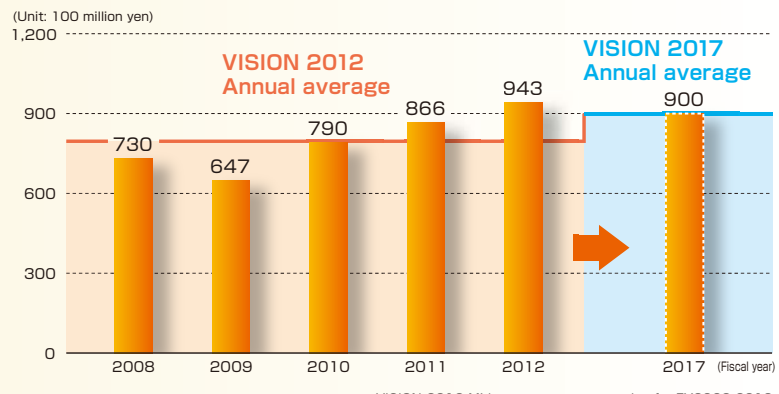


Research and Development Expenditures

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

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

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



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

Development of QR-1 Campaign

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

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

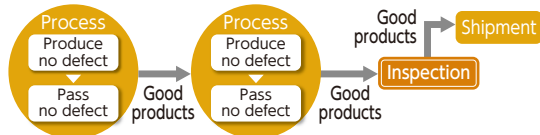


QR-1 campaign logo
QR: Quality & Reliability

"Own Process Quality Assurance Activities" Aiming for Zero Complaints

We introduced the assurance level assessment and applied it to facilities in Japan and overseas

We have promoted own process quality assurance activities as Phase IV of the QR-1 campaign for three years since fiscal 2010. Returning to the basics of "Do not produce defects, and do not pass down defects to the following process" in each process, we have been committed to the establishment of defect-free process conditions and the clarification of criteria for product quality judgment.



Each division has developed a system to promote the activities and worked for its important themes with on-site support from the Quality Management Division. We also helped the divisions revitalize their campaign activities through initiatives including practitioner training education to cultivate those in charge of the promotion in the respective divisions, as well as organization of exchange meetings with leading units and publication of booklets introducing good practices.

As an indicator for the action system, we also introduced the concept of "own process quality assurance level" and developed more quantitative promotion activities. To determine the own process quality assurance level, the quality-related items subject to assurance (e.g. dimension of the products) are evaluated on a four-point scale respectively from two aspects -- prevention of the occurrence of defects and prevention of defects from being passed to the following process. Based on the combination of the evaluation results, the level of how certain the quality can be assured in the own process is indicated with S, A, B, C, D or E.

We often identified chronic defects in processes as a common issue, and promoted measures to eliminate the defects from the sources such as product design and production engineering. The campaign was also developed in our global bases. We also prepared a checklist to improve problems in the action process, and started to use it.

Status of prevention of defects from being produced/passed to the following process

- Rank 1**
 - A sufficient foolproof mechanism* is in place and defects are prevented from being produced or passed to the following process.
e.g. The process is automated, there is no malfunction and the operation is stopped when an abnormality is detected.
- Rank 2**
 - No defect is produced or passed to the following process in a normal operation.
e.g. Judgment of good or bad products can be made easily, and the criteria and operation methods are standardized and followed.
- Rank 3**
 - There is a possibility that defects can be produced or passed to the following process.
e.g. Some works depend on the intuition and experience of the operator, defects cannot be prevented under abnormal conditions, etc.
- Rank 4**
 - Defects cannot be prevented from being produced or passed to the following process.
e.g. The operation is not standardized (or the standard cannot be followed), the accuracy of equipment is insufficient, etc.

		Rank of prevention of being passed to the following process			
		Rank 1	Rank 2	Rank 3	Rank 4
Rank of prevention of occurrence	Rank 1	S	S	A	A
	Rank 2	S	A	B	C
	Rank 3	A	B	C	D
	Rank 4	A	C	D	E

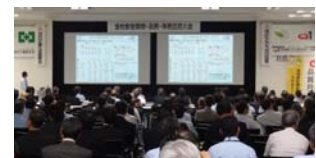
A total of 98 persons* have completed the practitioner training education, and their activities after the completion of the program are followed up to help them play a pivotal role in the own process quality assurance activities of their respective workplaces. We will continue these activities on a global scale in Phase V for two years from fiscal 2013.

* They are included in the number of those who completed quality control education programs (3,370 persons).

Activities to Enhance Quality Awareness

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

We are encouraging all employees of the Sumitomo Electric Group to understand the top management's approach to quality and thereby raise their own quality awareness. Sumitomo Electric held group-wide Quality Management Conventions on May 30 and November 6, 2012 for this purpose, and displayed banners with slogans on quality management. In November, which is specified as "Quality Month" every year in the Japanese industry, each of our Works displays quality-related flags and posters. Messages from the President are disseminated through in-house magazines, in-plant broadcasting, and other media at the beginning of each half-year term (April and October), and inspection of manufacturing sites by the top management is organized, to enhance quality management awareness among employees. Sumitomo Electric also established Quality Achievement Awards to commend divisions implementing activities that set a good practice for other divisions, and individual employees who have created excellent posters and slogans that encourage awareness of quality improvement at the Quality Management Conventions.



Quality Management Convention in November 2012

Glossary *Foolproof mechanism
Mechanism to prevent the operator from making mistakes or to detect any mistakes and warn the operator. This mechanism detects any defects in products and prevents them from being passed to the following process.

Enhancement of “Quality Management Education”

A total of 3,370 persons have completed quality management education programs worldwide

The Sumitomo Electric Group has provided employees with training programs at the “SEI University” based on the idea that development of the operational capabilities of individual employees is essential to improve and ensure the quality of products and services at higher levels. At the beginning of every fiscal year, we make annual education plans and provide position-based education for all employees, function-based and administrative-position-based education according to divisions or positions, and needs-based education to learn knowledge. We have also introduced many quality management education courses into practical training programs for designated personnel, such as MKP* and GKP*, and enhanced all employee quality management education as well as education programs based on job experience and job function in order to cultivate the culture of “Quality First.”

Furthermore, Sumitomo Electric has dispatched instructors to relevant departments upon request, to deliver “on-site seminars” to teach how to make use of quality control tools and improve the ability to identify problems and real causes. In the education of overseas personnel, we organize exchanges of information on model cases and provide training sessions on our own process quality assurance activities in the course of the Key Person Development Program and at the meetings of Quality Management Work Group of the Human Resource Development Committee in China.

By fiscal 2012, a total of 3,370 persons, including overseas employees, completed quality management education programs.



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

Global Quality Management System Audits

We completed audits of 43 Japanese bases and 2 overseas bases by fiscal 2012

The Sumitomo Electric Group adopts the Business Unit System, where individual business unit divisions and affiliates have managerial autonomy in principle. Also on quality issues, the divisions and affiliates have their own quality assurance departments and guarantee the products under their control. In order to evaluate these quality control activities of the units from the perspective of customers and improve weaknesses of their quality management activities and systems, the Quality Management Division is systematically conducting “global quality management system audits” in the main bases of each business unit. With the globalization of the market and production bases, reinforcement of quality control at overseas sites has become an important issue. In the global quality management system audits, we identify weaknesses of each unit in terms of management, design, manufacturing and “mother factory” function to provide an opportunity to improve its quality assurance system, and support to overcome the weaknesses.

In fiscal 2010, the global quality management system audits were started on a full scale. The audits were conducted once in major facilities in Japan, and the second round began in fiscal 2012. So far, a total of 43 bases have undergone the audits. The repetitive

audits aim to promote continuous improvement of the quality assurance system. We prepared for global quality management system audits in overseas facilities through such measures as creation of an audit check sheet in Chinese and English and examination of the auditing method in partnership with the mother companies. After the preparation stage, we conducted first audits in two Chinese sites of the priority divisions in fiscal 2012.

The level of customer demand for systematic quality management is increasingly rising. Considering the trends and weaknesses commonly identified in our facilities through the audits, we established the SEI Group Quality Management Global Standards, which specify the ideal state of the quality management system to be achieved by the Group, at the end of fiscal 2012. From fiscal 2013, while applying these standards to our facilities in Japan and overseas, we will check progress in compliance with the standards through global quality management system audits in order to disseminate them.

CSR VOICE

We will steadily promote quality audits

Takeshi Kyogoku

Senior Assistant General Manager, Quality Management Division

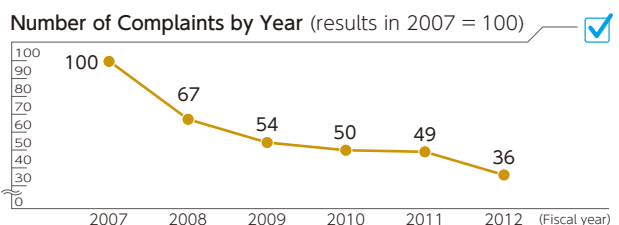
I am the leader of the auditing group, and conduct audits mainly in Japan. As our audits apply common group-wide standards to the quality assurance systems established independently by the respective divisions, we sometimes have difficulty in gaining their understanding for the necessity to conduct the audits. Nevertheless, our audits can identify their weaknesses that the divisions can hardly notice by themselves. I feel pleased and encouraged when they work actively to improve their systems based on findings in the audits and accomplish positive results. We will continue to conduct audits steadily to enhance quality assurance systems in the Sumitomo Electric Group.



Outcomes of the Quality Management Activities

We will continue to make steady efforts to eliminate complaints

Thanks to our ongoing quality management activities, the number of complaints has been decreasing every year. In fiscal 2007 we began to collect data on a global scale including data from overseas affiliates, and the number of complaints has declined by about 60% from the figure in fiscal 2007. However, there are still many issues to be improved to eliminate complaints.



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

Our customers evaluate our quality structure from various viewpoints, and we reflect such evaluations in our operations during the following fiscal year. With the current trend of increasingly stronger market demand for better quality, we will continue to make efforts to eliminate complaints with the three main pillars of “own process quality assurance activities,” “global quality management system audits” and “reinforcement of quality management education.”

Glossary

*MKP

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

*GKP

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

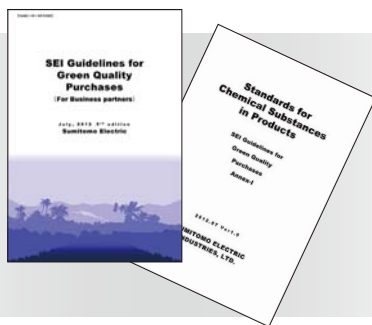
Management of Chemical Substances in Products

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

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

We have also established standards for chemical substances in products to be managed at each of the phases, and implement the "SEI Guidelines for Green Quality Purchases" ^(note) based on the standards, while conducting product assessment at the design and development stages. Through these initiatives, we strive to prevent hazardous chemical substances with large environmental impact such as mercury and cadmium from being contained in products.

The Sumitomo Electric Group also has the Chemical Management Task Committee in place to enhance coordination within the Group.



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

Compliance with Regional Regulations on Chemical Substances across the Globe

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

The Sumitomo Electric Group has taken measures to replace the substances listed in the EU RoHS* and ELV Directives*, and is meeting customer demand for products that contain no prohibited substances. We have also identified all of the products subject to CE marking mandated by the revised RoHS Directive prior to the enforcement by each member states, and are now performing activities to comply with the legal requirements.

At the same time, to comply with the REACH*, we are preparing for final registration of the chemical substances

subject to this obligation, and completed the registration of gallium arsenide (GaAs) in 2012. We are also making efforts to ensure appropriate response to the requirements of the REACH including reporting of the SVHC* contained in products.

In the meantime, to quickly respond to progressive tightening of regional regulations on chemical substances across the globe, we are continuously working to collect information on regulations in Europe, China and other countries and share the information within the Group.

Product Safety (Product Liability)

To pursue safety at the design stage, we are striving for the improvement of the safety level through practical training and voluntary inspection

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

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

《 Training on Product Safety 》

For product safety, we organize technical seminars annually on the Product Liability Act and the revised Consumer Product Safety Act through cooperation between the Quality Management Division and the Legal Department. Our efforts to secure safety are based on the idea that the safety standards established by companies should also take into account the predictable misuses. Practical training sessions are provided for all divisions to deepen their understanding of the laws, and cover subjects such as recent cases, product safety review and warning labels to ensure product safety, collection of product safety information and response to accidents.

《 Voluntary Inspection on Product Safety 》

As part of the Sumitomo Electric Group's product safety initiatives, we conduct voluntary inspection of the check items applied to the whole Group once every two years in order to identify any product safety risks. In fiscal 2012, we added "supply of information to affiliates" and "center function to provide support and guidance" to the check items in response to recent globalization of our business. Based on the inspection results, necessary measures are discussed and implemented autonomously to strengthen the system to promote product safety measures.

Glossary

* RoHS Directive

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

* ELV Directive

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

Improvement of Logistics Quality

We are working to eliminate transport accidents and improve logistics quality in concert with transport companies

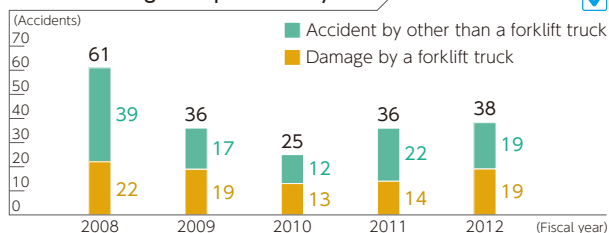
The Sumitomo Electric Group is committed to the elimination of transport accidents and the improvement of logistics quality in concert with transport companies delivering our products.

In fiscal 2012, while the number of accidents with damage to products due to insufficient fixation to the loading platform decreased by five, that of accidents with damage to products caused by a forklift truck increased by five. Overall, the total number of transport accidents increased by two from the previous fiscal year.

During fiscal 2012, emergency oil leak repair equipment was placed in almost all vehicles of the transport companies that we contract with as part of our measures to improve logistics quality and promote environmental conservation. At the forklift truck basic operation competition, we also provided a training session for truck drivers to learn an emergency measure to repair oil leak quickly and minimize pollution.

We will continuously organize a forklift truck basic operation competition for forklift truck operators of the companies delivering our products, while analyzing the causes of accidents by a forklift truck and taking proper measures to reduce them. Thus, we will make steady efforts to reduce transport accidents to zero and improve logistics quality.

The Number of Accidents of Products during Transportation by Year



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



Forklift truck competition held in December 2012 in Yokkaichi



Training session to learn an emergency measure to repair oil leak

Activities for Improvement of Office Work Quality

We started town meetings to help establish personal networks and share information for the promotion of office work quality improvement

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

In fiscal 2012, we started town meetings that gather the persons in charge of the office work quality improvement activities in respective divisions and the committee members of the Company. These meetings aim to further promote the office work quality improvement activities by building personal connections among the attendees and sharing information on example activities.

Since fiscal 2011, we have operated a program to assess the improvement activities of each division and will continue it to identify changes over time and evaluate outcomes.



Town meeting held at the Osaka Head Office

Customer Satisfaction Improvement Activities by the Sales Group

We conduct a 360-degree survey for persons in charge of sales to raise their capabilities

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

Based on this recognition, a 360-degree survey has been conducted since fiscal 2002 for persons in charge of sales. Specifically, the sales capabilities of the sales persons are determined and assessed with a questionnaire administered to themselves, their superiors and clients (3 to 5 companies). The assessment results are fed back to the sales staff and their superiors to encourage the staff to enhance their sales capabilities. In addition, the overall results are used to review the education and instruction methods so that Sumitomo Electric can strengthen its sales capabilities and further improve customer satisfaction.

Basic Procurement Policies

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

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

In November 2006, we also formulated "Procurement Action Guidelines" to take concrete actions based on the Basic Procurement Policies.

Basic Procurement Policies

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

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

2. Promoting fair and impartial procurement activities

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

3. Promoting compliance-based procurement activities

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

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

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

5. Promoting procurement activities friendly to the global environment

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

Group Procurement System

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

Based on the Basic Procurement Policies, the procurement measures and activities of the Sumitomo Electric Group are developed under the initiative of the Group Procurement Collaboration Office established in the Procurement Division, which is composed of the staff in charge of procurement and outsourcing in 23 divisions and group companies.

In addition, the Procurement Division regularly publishes an e-mail magazine for procurement and outsourcing staff in the Sumitomo Electric Group, which contains articles on practical topics such as compliance and environmental initiatives and related advice to enhance awareness of CSR among the staff in charge across the Group. Since the first issue in April 2005,

this magazine reached the 192nd issue by March 2013, and is now distributed to 422 persons across the Group.

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



Liaison committee meeting of overseas procurement staff

Commitment to CSR Procurement

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

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

Sumitomo Electric Group CSR Procurement Guidelines (extracted)*

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

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

In addition, as a result of a major revision of our basic transaction agreement in October 2012, we specify compliance with the CSR Procurement Guidelines in the agreement to ask our suppliers to understand and promote CSR procurement. To maintain the effectiveness of the initiatives, we will make continuous efforts to disseminate the guidelines and ensure thorough implementation. We also plan to check and monitor the CSR activities of the suppliers with their cooperation.

Organization of Partners' Meetings

A total of 270 suppliers, including overseas companies, participated in Partners' Meetings

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

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

To help overseas suppliers establish CSR procurement as well, we have presented them at the Partners' Meeting in Los Angeles IPO, as well as in reverse trade fairs* held in Shenzhen.

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

Partners' Meetings



	Sumitomo Electric Group	Osaka Works	Itami Works	Yokohama Works	Group companies
No. of participating suppliers	95	34	35	34	72



Partners' Meetings

Response with Business Continuity Plan (BCP)

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

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

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

In fiscal 2012, two major accidents occurred in chemical manufacturers and raised supply risk. Nevertheless, we were able to procure materials without large impact on our production thanks to the prior examination of alternative products in the above-mentioned activities, along with the cooperation of our suppliers. This incident reminded us of the significance of such activities.

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

CSR VOICE

We will continuously contribute to society through supply of products

Mr. Hirotake Tanaka CEO, Taiki Industry Co., Ltd.

Since its founding as a wooden drum production plant in 1942, Taiki Industry has manufactured general construction materials and packaging materials, as well as wooden drums, steel drums, wire drums and belt drums for electric wires and cables, in its four factories in Japan, and sold those products.



With "integrity" as our company creed since the founding, we hold a corporate principle of contributing to society through production and sales activities. The concept underlying this principle is that we hope to be continuously able to supply products with maintained or improved quality to customers in a stable manner, which is the idea developed through our history as a drum vendor. Our wooden and steel drum production and sales section, which delivers products to Sumitomo Electric, is committed to stable supply of the products that meet safety, quality and environmental standards through the following efforts:

1. Efficient and continuous maintenance and improvement of technologies based on active proposal of improvement methods by employees;
2. Search of overseas suppliers of high-quality materials for wooden drums at a reasonable price; and
3. Strengthening of commitment to recycled drums with less environmental impact.

Especially for environmental conservation, with "Contribution to Preservation of the Global Environment" in the Sumitomo Electric Group CSR Procurement Guidelines in mind, we are making efforts to adopt materials that are friendly to human health and the environment and prevent wasteful cutting of timber with focus on measures such as use of lead-free paint for steel drums, recycling of wooden drums and reduction of waste wood at the production stage.

We also consider that the supply of our drums to Sumitomo Electric for manufacturing products in the energy transmission field including power cables and railway trolley wires, as well as products in other fields, is a form of social contribution. Lastly, I would like to take this opportunity to express my gratitude for the patronage of Sumitomo Electric for more than 70 long years.

Glossary

* value analysis (VA)

VA is conducted to replace "Material X" with cheaper "Material Y" that still provides the quality required for the product.

* Reverse trade fair

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

Contribution to Preservation of the Global Environment

We support the environmental conservation activities of suppliers

To promote environment-friendly procurement activities, since fiscal 2003, the Sumitomo Electric Group has made efforts to eliminate the use of banned substances in its products and enhance control of other harmful substances contained in products, based on the "Sumitomo Electric Group Green Procurement Guidelines." We revised the guidelines in fiscal 2012 to improve the content, and are now promoting the new version, SEI Guidelines for Green Quality Purchases, which are also available on our website.

As a part of promotion of initiatives to contribute to preservation of the global environment through the joint efforts between the Sumitomo Electric Group and suppliers, we introduced the "ECO Factoring System" developed in collaboration with Sumitomo Mitsui Banking Corporation in fiscal 2009. As of the end of March 2013, 34 suppliers made use of the system. In this system, suppliers who meet our original criteria with regard to the environmental conservation activities are certified to be applied to a favorable interest rate when the suppliers convert accounts receivable into cash before the due date. With this system, we encourage our suppliers to perform environmental conservation activities.

Initiatives to Ensure Compliance with Laws Related to Procurement and Outsourcing

We will promote compliance in procurement through thorough inspection and training

In our efforts toward compliance, procurement divisions must pay special attention to observing the Act against Delay in Payment of Subcontract Proceeds etc. to Subcontractors (Subcontract Act) and to making appropriate payment of customs duties on items we import directly from overseas. In fiscal 2012, Sumitomo Electric also organized group-wide training seminars to ensure full compliance with the laws.

Results of training and inspection

		Subcontract Act	Customs Law
Training seminars	Locations	12 sites in Japan	
	Details	3 courses: a basic/beginner course, a course designed for the practice of procurement and outsourcing, and a course designed for the practice of purchase requests	
	Participants	1,329 in total	
Self-examination	20 divisions + 47 affiliates	17 divisions + 4 affiliates	
Inspection tour	3 divisions + 9 affiliates	17 divisions + 4 affiliates	

In order to comply with custom-related laws, we underwent a post-entry audit regarding authorized imports in June 2012, as well as a post-entry audit regarding correctness of the amounts in custom reports and storage of confirmation documents in November 2012. Approximately 19,000 import



Compliance training session

declarations submitted during the two preceding years were checked, and the inspection was completed without any particular findings. We will disseminate the proper custom clearance method at training sessions to ensure the thorough implementation of proper custom declarations, and also continue the inspection tour organized once a year to continuously ensure we receive no findings.

Education System

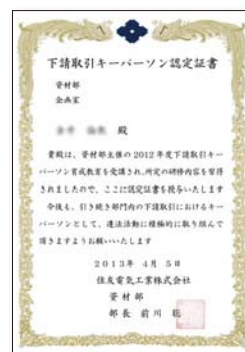
We organize training seminars to improve purchasing skills in overseas offices as well

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

The OFF-JT program in fiscal 2012 was composed of 7 courses including "procurement-related laws and regulations" and "CSR, environment and ethics," each of which was provided by an expert in the Procurement Division. The experts used textbooks they prepared, and gave lectures through the teleconference system connected to sites in Japan and overseas. In total, 284 persons from 27 companies attended the lectures.

Aside from these initiatives, we organized a training program to develop key personnel on the Subcontract Act, and provided a certificate for 20 persons who completed the program. This program develops core personnel for the establishment of an autonomous system to comply with the act in each division and company because the Subcontract Act has to be made known widely not only to procurement staff but also to manufacturing and development staff.

Overseas, we hold liaison committee meetings in the regions where our group companies and affiliates are concentrated. The meetings are attended by staff in charge of procurement and outsourcing of our affiliates in the respective regions, who are provided with training seminars concerning procurement and outsourcing. In the future, we will organize training seminars regularly to further disseminate the Basic Procurement Policies and consider providing such seminars at more sites.



Certificate for key personnel

Results of Education

	Date	No. of courses	No. of lectures	Total participants	No. of participating companies
Education program	1st half of FY2012	7	28 in total	145	21
	2nd half of FY2012	7	28 in total	139	20
Key personnel development program	2nd half of FY2012	1	5	20	18
Training seminars at overseas liaison committee meetings of procurement staff	1st half of FY2012	2	2	57	25
	2nd half of FY2012	3	3	27	21

Glossary

*OJT and OFF-JT

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

Diversity

Global HRM Policy

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

In the Sumitomo Electric Group, over 200,000 employees are working actively in more than 30 countries around the world. We believe that for Sumitomo Electric to win the global competition and grow further, it is essential that we fully mobilize the Group's technologies, products, business models and all other resources, and acknowledge that it is most important to secure and utilize the quality employees who support the efforts.

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

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

Global Human Resource Management (HRM) Policy

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

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

Dissemination of the Global HRM Policy

Various media are used to share awareness and information among employees

《Website to Disseminate the Policy》

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

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



Global HRM Policy Site

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

《Distribution of Global Magazine》

"Global Magazine" was first issued in fiscal 2008 as a communication tool for the Sumitomo Electric Group employees working outside Japan, and is now published in seven languages four times a year. This Global Magazine conveys the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, messages of executives and information on our business conditions, as well as business activities and social contribution activities of overseas companies. We use this magazine to allow Group employees to share information and create the sense of unity.

The Global HRM Policy stipulated in September 2011 has also been published in the Global Magazine to inform all Group employees in the world of it. The magazine also launched a series of interviews with the executives who are playing an active role in various parts of the world in the Autumn 2011 edition. Role models of self-actualization and career development in the Group are presented in this magazine to further enhance the sense of unity and motivation among Group employees.



Global Magazine

Number of Group Employees in the World by Year



Fiscal year	2006	2007	2008	2009	2010	2011	2012
Americas	18,201	23,962	15,744	13,852	15,164	19,712	24,273
Europe/Africa	27,634	31,406	32,667	33,834	41,230	47,735	47,644
Southeast Asia	25,766	27,167	34,792	34,310	37,538	43,000	49,868
China	29,367	34,939	33,808	37,843	51,887	46,788	47,390
Japan	32,885	36,251	35,536	37,364	36,954	37,499	37,148
Total	133,853	153,725	152,547	157,203	182,773	194,734	206,323

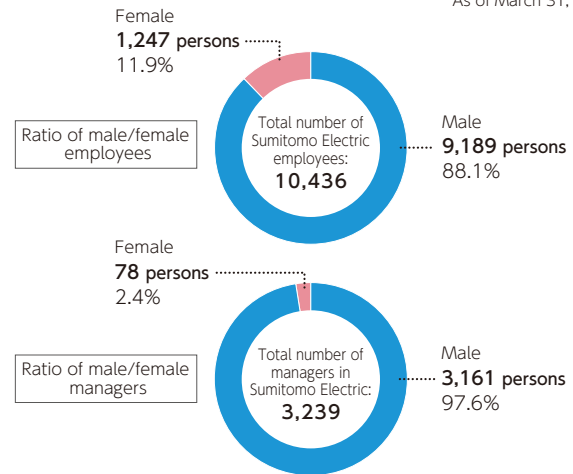
Recruitment of Diverse Talents

We hired seven new graduate employees who were international students in fiscal 2012

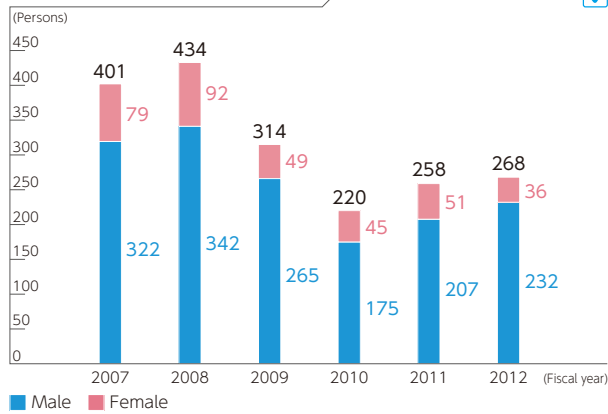
In fiscal 2012, Sumitomo Electric hired 138 new graduates for main career track in Japan, 16 of whom were female and seven were overseas students. We also hired 27 mid-career employees. To support the development of our various business activities including those in new fields and global markets, we continue to actively recruit women, persons who have studied overseas, foreign students, mid-career employees and other diverse personnel.

Ratio of Male/Female Employees and Ratio of Male/Female Managers

As of March 31, 2013

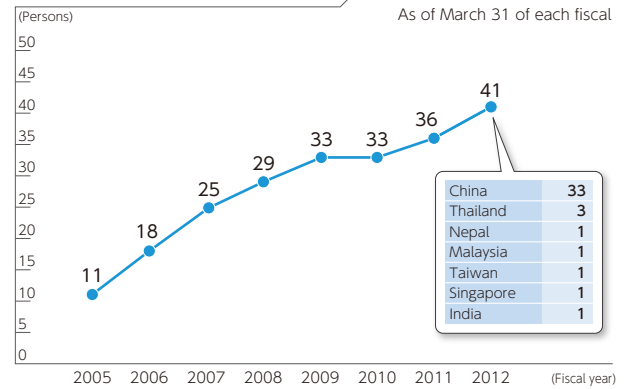


Number of Male/Female Employees Hired by Sumitomo Electric (All Functions)



Number of Employees Working for Sumitomo Electric Who Were International Students

As of March 31 of each fiscal



CSR VOICE

I will improve myself in a global arena

Ying Zheng Human Resources Development Department

I used to work for an American company in China. When I decided to search a job in Japan, I wanted to work for a manufacturer with excellent manufacturing capabilities because I had a strong impression that Japan is a country of manufacturing.

In 2008, I started to work for Sumitomo Electric and was assigned to the HR & Administration Division. With no work experience in Japanese companies or ability to speak Japanese fluently, I had little confidence to build my career in this company at first. But, soon after I joined the company, I had opportunities to use the experience I had gained in the previous company, as well as my Chinese and English language skills, in various projects including a program on global HR measures and recruitment of international employees. These jobs helped me expand the range of my work.

Then, I had two babies while working for the company. Each time, I used work & life support programs such as maternity leave, childcare leave and short-time work. When I was hospitalized suddenly during pregnancy, I was able to overcome the difficult time thanks to strong support from the company, along with a message from colleagues that I did not have to worry about the job but should focus on my health and baby.

I have moved from the HR & Administration Division to the Human Resources Development Department, and am now in charge of jobs such as planning of training programs in North America and operation of language training programs. While the company's business is being globalized, I am sure that I can have various experiences for my career and will continue to do my best.



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

Our special-purpose subsidiary, Sumiden Friend, is steadily expanding its operations

Sumitomo Electric has been constantly working to promote employment of persons with physical disabilities. To further promote employment of persons with physical or mental disabilities and increase their employment rate, we established a special subsidiary, Sumiden Friend, specifically for employment of persons with disabilities in July 2008 (certified in February 2009). Sumiden Friend has expanded its operations gradually, from loan and maintenance of the ornamental plants placed in the sites of group companies and production of buffer materials for packaging, to conversion of drawings and other paper documents into electronic files and shredding and recycling of waste paper. Its new office building and second greenhouse were completed in 2011, and a branch was established at the premises of Sumitomo Electric's Yokohama Works in 2013. Currently, 34 employees are working at the company, including 20 persons with disabilities and 14 support members. The employment rate of people with disabilities as of June 15, 2013 was 2.05% under the special-purpose subsidiary system, which exceeded the legally required percentage.



Office and greenhouse

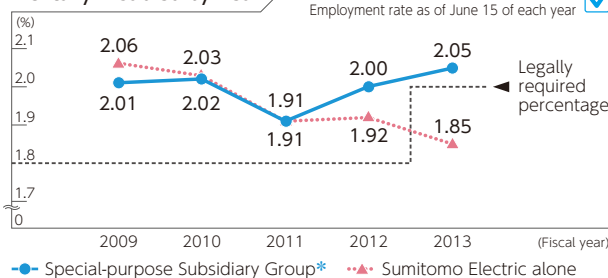
Number of Employees with Disabilities at Sumiden Friend by Year

	2009	2010	2011	2012	2013
Disabilities	5	5	12	12	20

Employment rate as of June 15 of each year

(Persons)

Employment Rate of the Physically or Mentally Disabled by Year



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

CSR VOICE

Joy and motivation are important -- Sumiden Friend is working with the local community

Mr. Yoshiaki Ueno Director, Challenge Koyariba

I have had opportunities to interact with people at Sumiden Friend through visits to the company and its practical training program. Witnessing smiles and active scenes of the employees with disabilities, I understood the meaning of "Joy and motivation are important," a comment from Mr. Dairaku, President of the company.

Sumiden Friend is open to the local community by keenly accepting any requests for inspection tours and practical training, while also planning to organize many interactive events with our institution for their employees in the future. With the policy to "work with the local community," Sumiden Friend is a very passionate company.

Our institution gives job hunting training for people with disabilities, and also provides practical training for the support staff to expand the range of their support. We will use the know-how offered by Sumiden Friend as a reliable tool to improve support activities and promote employment of people with disabilities. I appreciate further guidance from Mr. Dairaku and other staff of Sumiden Friend.



CSR VOICE

The potential for people with disabilities is growing

Mr. Yuki Kawakami Consulting Staff, Itami City Community Support Center

Itami Municipal Local Life Support Center provides people with disabilities living in Itami City with comprehensive assistance, including support for their life and employment. We have cooperated and coordinated with Sumiden Friend since its preparation stage before the establishment as the first special-purpose company in Itami in 2008.

Sumiden Friend is not just a place where people with disabilities work. Receiving visitors and attendants of practical training, the company allows many people with disabilities to envision themselves doing specific work and also experience the joy of working. It is not an exaggeration to say that the establishment of Sumiden Friend has given motivation to the people with disabilities who are trying to get an ordinary job and resulted in an increase in those who have actually obtained a job.

In particular, the practical workplace training at Sumiden Friend gives them opportunities to try various jobs under careful guidance of senior employees with disabilities. The training program has a very rich curriculum including maintenance of ornamental plants and production of buffer materials for packaging, which people with disabilities usually have few opportunities to experience. The program is also significant for us as a support institution because it gives us a chance to identify new potential occupational skills of the trainees. Sumiden Friend also assists people with disabilities who have joined the company through cooperation with us so that they can work continuously, which is very encouraging for them and their family.

Thus, the existence of Sumiden Friend gives large momentum to further support of job hunting by people with disabilities in Itami.

We hope that Sumiden Friend maintains close coordination with our institution for people with disabilities and provides us with support and cooperation unique to a private company.



Personnel to be Developed

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

Basic Concept of Human Resource Development

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



SEI University

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

SEI University represents the Sumitomo Electric Group's comprehensive training and education system. With the aim of becoming a Glorious Excellent Company, the entire Group is developing various training programs at SEI University to raise the human resource value of employees.

Fundamental Principles of SEI University

SEI University will serve as a venue for:

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

Training Programs at SEI University

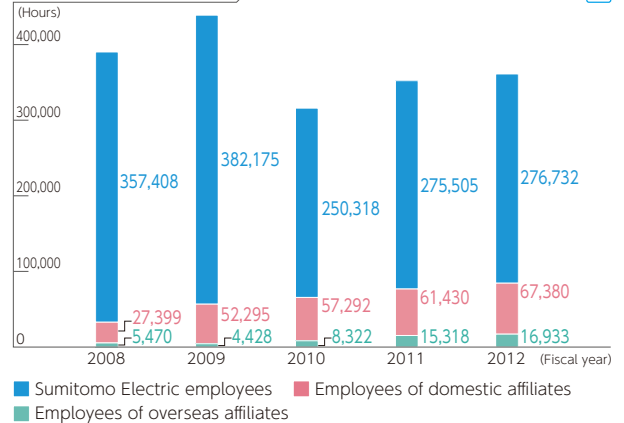
Roughly 310 programs were conducted in fiscal 2012

Sumitomo Electric provides various training programs for a wide range of positions from executives to newly hired employees. Including position-based (compulsory) training for the employees in specific positions or involved in specific operations as well as optional training available for applicants depending on their operational needs, approximately 310 training programs were offered in fiscal 2012. Training is also provided to teach necessary skills and knowledge in each division, including daily on-the-job training (OJT) centering on management by objectives.

Especially, the compulsory training for all employees is composed of the five basic subjects of (1) Sumitomo Spirit, Corporate Principles and CSR, (2) Management policies and visions, (3) Compliance, (4) Safety, environment and quality and (5) Diversity. This training is provided through video lectures and as part of various training programs.

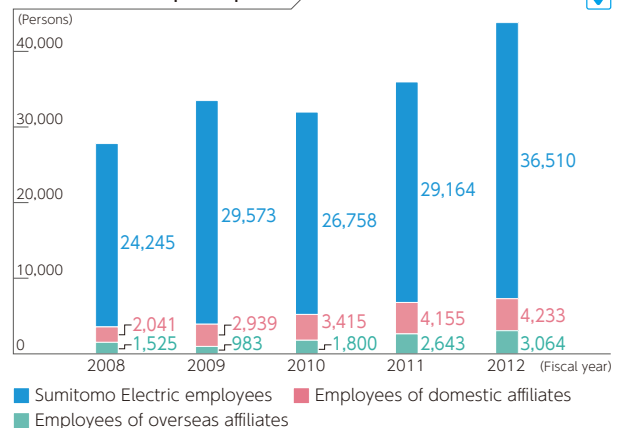
The number of Sumitomo Electric Group employees who participated in the training programs (sum of participants in each program) in fiscal 2012 was approximately 43,800, and the total length of training was about 360,000 hours.

Total length of training



(Note) Only the training seminars provided by Sumitomo Electric are counted in the figures for domestic and overseas affiliates.

Total number of participants



(Note) Only the training seminars provided by Sumitomo Electric are counted in the figures for domestic and overseas affiliates.

Addressing Globalization

We have set up the Human Resources Development Committee in each of China and other three countries in Asia to promote the development of personnel who can meet the local needs

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


We are also encouraging young employees to actively participate in our cross-border trainee program. Many young workers have been provided with opportunities to learn and grow in different cultures across national borders.

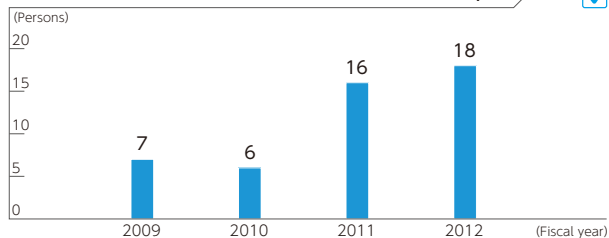
In fiscal 2012, we also launched a business English training course at our main offices in Japan as part of the group-wide initiatives to improve employees' English business communication skills. During the fiscal year, 149 persons appointed by general managers at eight sites received lessons for 80 hours in total to improve their English conversation skills.

Glossary *Exclusion rate

For enterprises engaged in specific types of business that have difficulty in employing persons with disabilities, a number of employees corresponding to the stipulated exclusion rate will be deducted from the total number of workers when calculating the number of regular employees. The exclusion rate is being reduced in a phased manner, and is going to be abolished in the future.

At the same time, to promote training programs at SEI University on a global scale, we have established the Human Resources Development Committee on a country basis, which aims to develop personnel, mainly national staff, who can meet local needs. In addition to China, where the committee has already been active, we launched the committee in the three countries of Indonesia, Malaysia and Thailand during fiscal 2012. The committee members include local HR managers of the companies and persons in charge of human resource development in the regional administration divisions, as well as human resource development staff of Sumitomo Electric. The committees design an education system in each company, and prepare and organize training sessions for the staff and workers while also engaging in information exchange activities, including collection of information on training needs from local companies and explanation of Sumitomo Electric's training programs to them.

Number of the cross-border trainees sent from Japan 



(Note) The data cover Sumitomo Electric.

Development of Future Global Leaders

Management personnel from our overseas affiliates participated in MPSS

At present, the number of the overseas sites of the Sumitomo Electric Group far exceeds that of the Japanese sites, which symbolizes ongoing globalization of our business. In such a context, for the growth of the Group as a whole, it is crucial that all employees including those who work at our overseas affiliates share the Sumitomo Spirit, the basic philosophy of the Company, as the foundation for their operations. To this end, we have launched the Sumitomo Electric Group Management Program based on the Sumitomo Spirit (MPSS) to disseminate the Sumitomo Spirit among management personnel who play pivotal roles in the respective companies and improve their skills to manage their subordinates. In fiscal 2012, this training program was provided for 16 management personnel in Europe (organized in Germany with participants from Germany, the UK, Italy, Czech and Hungary), 20 in Southeast Asia (organized in Singapore with participants from Singapore, Indonesia, Malaysia and Thailand) and 23 in North America. The program is also scheduled to be held in China. We will continue to provide this training to ensure that the basic philosophy is shared throughout the Group even amid rapid globalization.

CSR VOICE

I participated in the cross-border trainee program

Atsuko Shinomiya Sumitomo (SEI) Electronic Wire, Inc.

I received training at the R&D section of the US company Judd Wire Inc. for three months from October 2012. I learned of the cross-border trainee program during a training session for new employees, in which I heard about the experience of a senior who was dispatched in the program. I hoped to participate the program someday but never expected to have the chance just after six months with the company. Although at the beginning of the work period in the US, I had no idea about what I should do with little work experience, I did my best to work for improvement of materials, which was my project theme in the program, including submission of requests for trial production and assessment to Judd Wire staff and collection of information in English. Through the work, I learned that it is important to try to move forward by consulting people around you and take action even if you cannot speak English correctly. As I was always helped by others during the training program, I hope in return to gain experience in Japan and become an engineer who can support overseas facilities in the future.



CSR VOICE

I received training for management personnel (MPSS)

Detlef Gonia Sumitomo Electric Hartmetall GmbH.

The first Management Program based on the Sumitomo Spirit (MPSS) was held in Wiesbaden, Germany in 2012, and I was luckily able to participate in the program. A total of 16 attendants from Sumitomo Electric Group companies across Europe gathered for it.

The program was composed of two training sessions. In the first session held in October, we deepened our understanding of the Sumitomo Spirit and connected it to our everyday tasks and future challenges to prepare an individual action plan. After returning from the first session, an e-learning course to improve understanding of management skills was started, which I found useful. In fact, because it was the end of the year, namely a busy season, many of the participants including me took the course via their private PCs late at night after returning home from work.

In the second session held in December, we learned leadership and management abilities to pull a team together and lead it. In "Winning Team Simulation," which was the highlight of the session, we had to lead all team members to the goal in a large chess board-like maze without saying a word.

I also engaged in group work after that, and successfully completed the MPSS program in March 2013. The sticker provided as a certificate mentions the three articles of the Sumitomo Spirit. Every time I see the sticker attached on my PC, I remember the precious experience.



Education and Systems to Raise Awareness of Human Rights

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

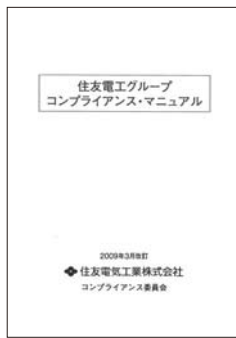
The Sumitomo Electric Group respects human rights in its business operations, in line with the global principle in the 1948 Universal Declaration of Human Rights that "All human beings are born free and equal in dignity and rights."

More specifically, the Sumitomo Electric Group Charter of Corporate Behavior (see P8), which was stipulated in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles in September 2005, specifies respect for human rights, professional development and establishment of safe and sound workplaces.

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

《 Compliance Manual 》

Respect for human rights and prohibition of discrimination are clearly stated in the Sumitomo Electric Group Compliance Manual, along with specific examples. The Sumitomo Electric Group established action guidelines for the group employees, in addition to the corporate principles, on the occasion of the Company's centennial celebration in 1997.



The guidelines were renewed as the SEI Employee Compliance Manual in 2002 and then revised as SEI Group Compliance Manual in March 2009. We are making efforts to disseminate the manual among Group employees.

《 Human Rights Training and Enlightenment 》

We are also making continuous efforts for human rights training and enlightenment to solve a wide range of human rights issues including discrimination and sexual harassment. In the internal training, "human rights" have been added as a subject of the SEI University training programs that are compulsory for all employees. Human rights training is also included in mandatory training programs respectively for executives, newly promoted personnel and new employees. In 2012, the total number of participants in the human rights-related seminars, including the education at the worksites provided mainly by Human Rights Task Committee members, was 9,130.

As part of the enlightenment activities, we organize an in-house contest for human rights slogans every year. The contest in 2012 received 4,062 slogans.



Training session

《 Establishment of Consultation Services 》

We have set up a service to provide consultation and receive reports, which is supervised by the Compliance Committee (Speak-Up System; see P25), as well as a consultation service in regards of sexual harassment. With these services, Sumitomo Electric has in place a system to quickly gather information on any human rights violations and take appropriate measures against them.

《 Cooperation with Human Rights Organizations and Governments 》

In Japan, Sumitomo Electric participates in human rights organizations including the Corporate Federation For Dowa And Human Rights Issue, Osaka. In cooperation with relevant governmental agencies and other organizations, we work toward the realization of a society in which human rights are guaranteed for all.

Labor-Management Relationship

We are committed to solving various problems through in-depth discussions

Sumitomo Electric believes that the development of a company goes hand-in-hand with the well-being of its workers' union members. On the basis of this belief, Sumitomo Electric strives to address various relevant issues by thorough discussion between labor and management, each party appreciating the other's standpoint. In particular, the Central Management Council Meeting, which is held four times a year, has been organized 268 times in its history of more than 60 years as of May 2013. This meeting, in which representatives of labor and management meet for opinion exchange concerning business environments and managing conditions, plays a central role in the establishment of sound labor-management relationship. We have also set up expert committees of various kinds, such as the Working Hour Reduction Expert Committee and the Health and Welfare Expert Committee. To facilitate adaptation to diverse work styles and create an environment where all employees can work lively with smiles, we are improving various working systems and reinforcing monitoring functions.

For the employees in the position of assistant manager or lower level, the ratio of those who belong to Sumitomo Electric Workers' Union is 100% (excluding affiliates).

SWITCH Plus Campaign

We aim to reduce working hours and improve work efficiency at the same time

Sumitomo Electric promoted the company-wide SWITCH Campaign for three years from 2008 to reduce working hours and improve work efficiency and productivity so that employees can make a clear distinction between work and life. Then, we started a new initiative named "SWITCH Plus Campaign" in fiscal 2011, which integrates measures closely related to improvement of the quality of both working and private lives, such as support for the development of the coming generations and support for nursing care, along with mental health measures and other health improvement measures.

Specific measures to promote the campaign include distribution of posters throughout the Company, as well as the appointment of persons in charge of the promotion of the SWITCH Plus Campaign and worksite leaders in the divisions to facilitate information sharing and smooth operation. In addition, each workplace sets targets for the initiatives of "encouragement to make a clear distinction between work and life and improvement of work efficiency and corporate constitution" and "further activation of the workplace" and works to achieve the targets under the initiative of the worksite leaders.

The fundamental initiative for fiscal 2012 was promotion of the autonomous efforts to meet the targets set in each workplace. Specifically, the Works and other sites performed independent activities to enhance the health of employees and help create workplaces where all employees can work lively, such as periodical announcement continuing from last year to encourage employees to take paid holidays, and broadcasting of a lecture given by an external specialist on improvement of work efficiency throughout the Company. We also published actual cases related to the SWITCH Plus Campaign in in-house magazines to disseminate them.

As a result of these efforts, average total working hours were on a downward trend, except in fiscal 2009 when the global financial crisis had a major impact. On the other hand, we need to improve the number of paid holidays from now on.

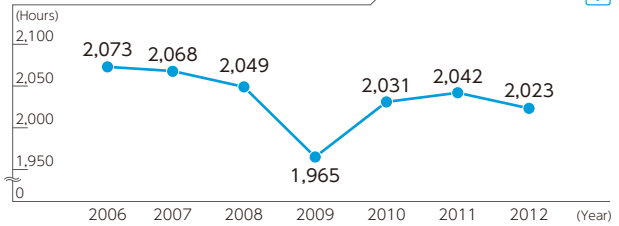
Through the SWITCH Plus Campaign, Sumitomo Electric aims to spread the basic target of "promoting the establishment of a workplace where the employees have mental and physical power to work efficiently, exercise their best abilities with a sense of responsibility for their jobs and work with smiles even more 'lively' than before" on group-wide and global scales. We also use this campaign to develop a sense of unity across the Group, help the employees realize their own growth based on the results of their work and support the growth and development of the Group as a whole. The campaign will be continuously promoted as a company-wide initiative

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

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

(Note) Average among SEI's labor union members

Average total working hours by year



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

Implementation of the Survey to Create a Lively Working Environment

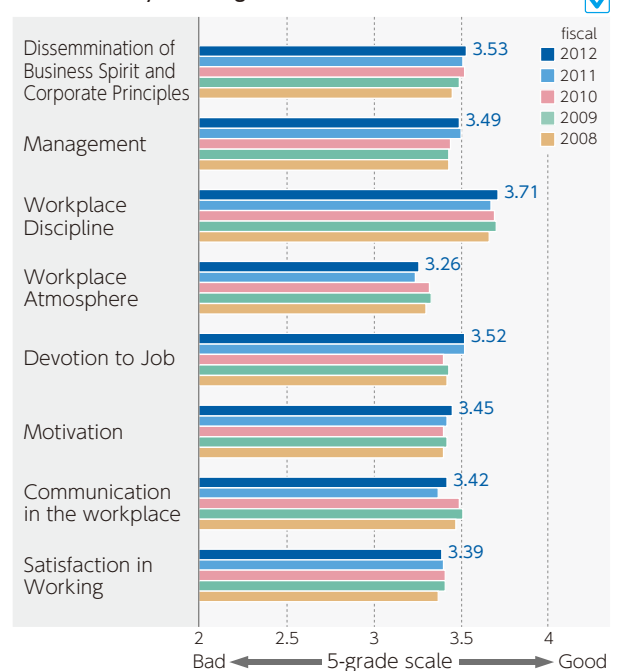
We introduced more specific questions for better understanding of current circumstances in the workplaces

Sumitomo Electric has been conducting "Survey to Create a Lively Working Environment," a questionnaire survey to investigate the awareness of employees, since fiscal 2006. In fiscal 2012 as well, about 16,700 employees were surveyed in June, including those of group companies.

The scores are presented in the figure below. From the survey in fiscal 2011, we ask more specific questions in some items in order to gain better understanding of current circumstances in the workplaces for the promotion of the SWITCH Plus Campaign.

While some questions were changed, there have been no major changes in the overall trend. The survey results are communicated through in-house magazines, and also fed back on a workplace basis to the persons in charge of the SWITCH Plus Campaign. Based on the survey results, each workplace specifically identifies possible problems and promotes measures to solve them and create an environment where employees can work lively.

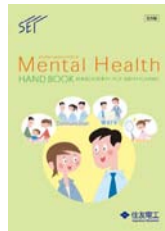
Results of the Survey to Create a Lively Working Environment



Mental Health

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

Sumitomo Electric is committed to dissemination of basic knowledge regarding mental health care through distribution of a related handbook and supply of relevant information on the corporate website and in-house magazines. We also work to manage mental health care for employees on a company-wide scale by providing "self-care" training to encourage employees to pay attention to any signs of their own mental health problems, as well as "care by superior" training for management level employees. We also station counselors at major operating sites, allowing employees and their family members to consult external counselors from May 2008. Thus, we have set up a system that helps us through daily communication to remain aware of employees and their family members with mental health issues, and enables us to take early measures to address these issues. To enhance the prevention of mental health problems, we are also striving to improve our support for self-care of employees by, for example, allowing all employees to have their stress levels tested. We also encourage employees to pay attention to any signs of mental health problems during daily communication and try to respond to them at an early stage. For employees who are on leave due to mental health issues, we maintain communication with them and provide step-by-step support to help them return to work. These measures are taken carefully in cooperation between workplaces, HR staff members and company doctor and other specialists, in close contact with the employees and their family members.



Mental Health Handbook

Number of Employees Who Took Mental Health Training Course

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

(Note) The data cover Sumitomo Electric employees.

Support for Balancing Work and Life

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

To support its employees in balancing work and life, Sumitomo Electric is committed to promoting the work style that makes a clear distinction between work and life and has also developed child and family-care related systems actively. For example, the Company attained the goals set under its four Action Plans, which were formulated on the basis of the Law for Measures to Support the Development of the Next Generation. Consequently, Sumitomo Electric has been certified by the Ministry of Health,

Labor and Welfare as a business that helps its employees balance work and childcare.

These efforts have been generating positive results, as exemplified by the fact that many female employees who have given birth take childcare leave, and return to work. We have also improved the system to develop an environment where male employees, as well as female employees, can participate in childcare more easily. For example, we have introduced a scheme to allow male employees to take leave when their spouses give birth, in addition to treatment of part of the childcare leave as paid holidays.

We are also making various other efforts to establish a work environment for balancing work and life, including the distribution of handbooks to all employees and the development of a website to enhance understanding by every employee.



Mark Certifying Corporate Support for Parenting, Kurumin *

Various Support Programs

We provide each of the employees with various types of support

《Reemployment System》

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

《Childcare Centers》

As a measure to foster a supportive environment for employees working full-time while raising children, Sumitomo Electric opened childcare centers at its Yokohama and Osaka Works in March and April 2008 respectively, and added a third center in Itami Works in March 2009. As of March 31, 2013, these three centers take care of 61 children in total. For employees who cannot use our childcare centers, we are taking other supportive measures such as subsidizing their use of other childcare centers.

《Expansion of the Holiday Program》

Sumitomo Electric introduced the "Anniversary Holiday Program," which allows employees to take two paid days off per year as they wish, on their birthday or other anniversary as designated by the employees. In addition, Sumitomo Electric has adopted the "Life Support Holiday Program," which allows employees to take five consecutive paid holidays after having completed a certain length of service with the Company, so as to support creating a working environment in which employees can take days off more easily. We also introduced a volunteer holiday system, which allows employees to use the expired paid holidays for performing volunteer activities, in order to help them participate in social contribution activities.

CSR VOICE

I had the option to "return to work" after dedicating myself to child care

Kazumi Nakamura Yokohama Support Group, Support Department, R&D General Planning Division

I resigned from Sumitomo Electric to concentrate on raising my first daughter in April 2008. As my job was a meaningful one, I thought about continuing to work by leaving her to a nursery school or a child care center in the Company. Nevertheless, after discussions with my family, I decided to resign because my desire to devote myself to child care was stronger. It was just when the reemployment system was introduced in the Company. Thinking of starting to work again after she grew old enough to require less care, I enrolled in the system. In April 2011, three years after retirement, I was contacted from the Company to ask about my will to be reemployed. After consulting with my family again, I conveyed my wish to return to work. In the period from retirement to reemployment, I had quality time with my family, and it also gave me opportunities to build new relationships with child-rearing mothers and other people. Above all, the experience of concentrating on child care while having plenty of time to think about my daughter's future is an invaluable treasure for me.

As my new workplace is different from the previous one, I have to work hard to learn many new things. Nevertheless, thanks to the understanding and cooperation of my colleagues in the workplace, and with support from many other people including my parents who pick up my daughter from school, I am living a fulfilling life.



Glossary

*Mark certifying corporate support for parenting, Kurumin

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

Correlation of Employee Support Programs with Relevant Laws

Item		Legal requirements	Activities of Sumitomo Electric	
Action plan		To be formulated for a period of 1 to 4 years	Formulated every 2 years since 2005, and the current plan is the 4th one	
Childcare	Period of childcare leave	Child-care leave until the child reaches 1 year (1 year and 2 months if both parents take child-care leave (Mom&Dad Child Care Leave Plus), up to 1 year and 6 months if day care is not available, etc.)	Before the 3rd birthday of the child	
	Number of times an employee can take childcare leave	The leave can be taken again by the father who took it within 8 weeks from childbirth	The leave can be taken in up to 3 separate periods irrespective of the reason	
	Pay during childcare leave	No pay	Paid for the first 3 days of the leave	
	Shortening of work time	Before the 3rd birthday of the child	Before the end of March when the child is a 6th grade elementary school student	
	Exemption from overtime	Same as above	Same as above	
	Limitation on overtime	Before the time of commencement of elementary school	Same as above	
	Limitation on night work	Same as above Not applicable if a person at the age of 16 or older lives together	Same as above Not applicable if a person at the age of 20 or older lives together	
	Sick/injured child care leave	5 days for a child before the time of commencement of elementary school, and 10 days for 2 or more such children	5 days per child before March 31 of the year when the child is a 6th grade elementary school student (e.g. 10 days for 2 such children, 15 days for 3 such children) Available on a half-day basis Accumulated holidays can be used	
	Encouragement of male workers to take childcare leave	Not specified by law	Male employees can take leave when their spouses give birth (five paid holidays)	
	Financial support	Not specified by law	Preferential treatment in the use of the childcare menu in the cafeteria plan (selective welfare system) Partial payment of bonus	
	Support of pregnant women	Maternity leave	6 weeks before childbirth and 8 weeks after childbirth	8 weeks (including 2 weeks with no pay) before childbirth and 8 weeks after childbirth for the second or subsequent child, 10 weeks after childbirth
		Other	—	Accumulated holidays can be used for fertility treatment, hospital visits, etc.
	Establishment of internal child care centers for children		Not specified by law	Establishment of internal childcare centers for children
Introduction of a reemployment system		Not specified by law	Introduction of the reemployment system (available within 3 years or, for those who moved overseas, 5 years from the retirement)	
Nursing care	Period of family care leave and number of times an employee can take it	Up to 93 days per person	1 year per person; the leave can be taken on a daily basis	
	Shortening of work time	Up to 93 days	During the period when a family member is in a condition of need for long-term care	
	Exemption from overtime	Not specified by law	During the period when a family member is in a condition of need for long-term care	
	Limitation on overtime	Not less than 1 month but not more than 12 months per application No limit to the number of times an employee can apply for the leave	Same as on the left	
	Limitation on night work	Not less than 1 month but not more than 6 months per application No limit to the number of times an employee can apply for the leave Not applicable if a person at the age of 16 or older lives together	During the period when a family member is in a condition of need for long-term care. Application can be made on a daily basis	
	Nursing care leave	5 days for a family member who is in a condition of need for long-term care, and 10 days for 2 or more such persons	5 days per family member who is in a condition of need for long-term care (e.g. 10 days for 2 such persons, 15 days for 3 such persons) Available on a half-day basis Accumulated holidays can be used for nursing care of a family member who is in a condition of need for certain care/assistance (on a daily basis)	
	Financial support	Not specified by law	Introduction of nursing care support service Preferential treatment in the use of the family-care menu in the cafeteria plan (selective welfare system) Partial payment of bonus	
Review of work styles	Encouragement of employees to take paid holidays	Guidelines to encourage employees to take paid holidays	Introduction of the Anniversary Holiday Program Introduction of the Life Support Holiday Program	
	Increase in the number of half-day paid holidays	Not specified by law	Increased to 24 times	
	Reduction of total actual working hours	Specification on maximum working hours, working hours management standards, etc.	Implementation of the SWITCH Plus Campaign	
	Volunteer holiday system	Not specified by law	Accumulated holidays can be used	
Enlightenment and dissemination	Dissemination of work conditions during and after childcare leave	Not specified by law	Introduction of the Work & Life Program system Distribution of Work & Life Handbook Disclosure on the corporate intranet (which can be browsed by employees at home)	
	Dissemination of systems, legal benefits, etc. and training	Not specified by law	In-house notification (posted on the corporate intranet) Published on the website of the Japanese Ministry of Health, Labour and Welfare to support work life balance Distribution of Work & Life Handbook Organization of Work-Life Forum, etc.	

Number of Users of the Employee Support Programs



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

(Note) The data cover Sumitomo Electric.

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

Basic Approaches

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

Sumitomo Electric Group Safety and Health Targets

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

Activity targets for fiscal 2012

- No. of accidents resulting in lost work time: zero
- No. of no lost work time accidents: 10 or less
- No. of accidents causing minor injury: 14 or less

Priority subjects for fiscal 2012

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

《Reinforcement of fundamentals in each division》

- **Strong leadership by top management**
Thorough adherence to "prioritizing safety above all else"
- **Establishment of activities involving all employees**
 - ① Identification of problems through inspection of manufacturing sites by administrative members (difficult operations, minor troubles) <1-2-3 Campaign, etc.>
 - ② Establishment of Kiban Kyoka training Program (KKP) as daily activities
 - Implementation of risk assessment based on work standards (which cover the processes preceding and following the process in question, along with abnormal measures)
 - Establishment of activities to keep work areas clean and tidy and to ensure that items are stored in the specified places in the specified amounts
 - Risk prediction through checking by finger pointing
 - ③ Elimination of accidents due to negligence such as trips and falls
 - Basic safety actions / health maintenance and management
 - ④ Improvement of the work environment (improvement of measures to prevent heat stroke and control hazardous materials)

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

- **Global safety & maintenance evaluation (to understand weak points and improve them efficiently)**
 - ① Safety evaluation
 - Check the progress of safety activities on actual facilities and support shop-floor improvement
 - Promote sharing of information on accidents involving injury in other companies across the Group
 - ② Facility inspection
 - Cooperate with the parent divisions and promote the fundamental safety of facilities (inspection and support of shop-floor improvement)
 - Enhance the inspection of safety covers and interlocks to remove the risk of being stuck or caught

• Plant disaster prevention activities

- ① Inspection of special material gas and combustible gas facilities, electrical devices and outdoor utilities to identify any problems and assess the degree of obsolescence
 - Inspection of the management status of poisonous and deleterious substances and dangerous materials
- ② Promotion of protection of plants from natural disasters

《Promotion of Structural Reinforcement on a Company-wide Scal》

- **Activities of priority management divisions**
 - Support the promotion of safety activities in cooperation with the parent divisions
- **Activities at the operation sites designated for safety management**
 - Follow up the activities after cancelling the designation
- **Real Cause Identification Committee**
 - Probe the real causes/background factors of accidents through interviews with managers and subordinates
 - Support activities to prevent recurrence and share the information across the Group
- **Development and training of human resources in Japan**
 - Follow up KKP and develop safety key-personnel at the strategic centers
 - Reexamination of the position-based training
- **Development and training of human resources outside Japan**
 - Development of global safety key-personnel (follow-up of KKP outside Japan and promotion of the Human Resource Development Committee and its Safety Work Group)

Strengthening of Global Safety Activities

We are promoting basic safety education and inspection activities on group-wide and global scales

We have operated Kiban Kyoka training Program (KKP), a manufacturing foundation reinforcement program, for mid-level employees at production sites since January 2009.

The trainees attend seminars, including exercises, on the basics of safety and health. Then, they perform activities to put the themes into practice for approximately one month.

Training using the KKP textbooks was launched in China, Malaysia, Thailand, Indonesia, Vietnam and the Philippines in 2011 after the translation of the textbooks into the respective local languages. We conduct the training in those countries in line with the local conditions. As a result of the efforts, the number of the trainees was about 4,800 in Japan (89% of the target number) during four years, and reached around 600 in other countries (54% of the target number) during two years. Through this program, the Company's basic safety education is being disseminated successfully.

《Group Global Safety & Maintenance Assessment Activities》

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

- ① Evaluation in terms of both soft and hard aspects in order to eliminate unsafe conditions and unsafe actions; and promotion of implementation of intrinsic safety through the safety inspection for facilities.
- ② Evaluation and assessment of manufacturing sites in Japan and overseas by common standards in order to identify weak points and improve them.

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

Safety Performance and Future Actions

In fiscal 2012, we reduced the number of the accidents involving injury by 10 from fiscal 2011

During fiscal 2012, we had 52 accidents involving injury in total, which were broken down into 10 accidents resulting in lost work time, 23 no lost work time accidents and 19 accidents involving minor injury. The total number decreased by 10 from 62, that in fiscal 2011 with 14 accidents resulting in lost work time, 20 no lost work time accidents and 28 accidents involving minor injury. Still, we failed to meet the targets of zero accidents resulting in lost work time, 10 or less no lost work time accidents and 14 or less accidents involving minor injury.

By situation, 60% of the injury occurred during “incidental and setup works” or “emergency measures and unplanned works.” In the former operations, insufficient standards, absence of risk assessment and/or failure to identify the risk caused insecure operation and resulted in injury. Meanwhile, the injury during the latter operations arose from malfunction and/or insufficient maintenance of equipment. By type of injury, the ratio of the accidents involving an employee stuck or caught in a machine remained high (40%). While the accidents involving an employee caught in a driving part has decreased as a result of the safety measures employed in such equipment, we failed to reduce the accidents involving an employee stuck in a fallen heavy object.

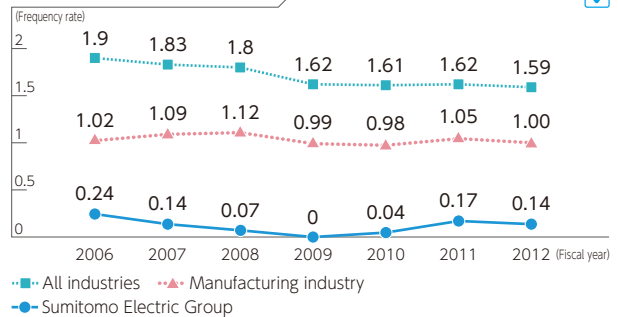
Based on these results, we will focus on enhancement of workplace inspection tours by administrative members (1-2-3 Campaign) and practical activities after KKP such as review of standards and improvement of risk assessment, as well as thorough implementation of safety measures and maintenance of equipment, in fiscal 2013 in order to

establish these initiatives as the activities involving all employees. We will also concentrate resources to the divisions with many accidents involving injury to take measures including continuous safety education, safety inspection and development of safety key-personnel in coordination with their parent divisions (Business Units). We will thus develop initiatives to meet the targets.

No. of occupational accidents

		Group employees		Temporary worker, subcontractor	Total
		Japan	Overseas		
Fiscal 2012	Accidents resulting in lost work time	7	1	2	10
	No lost work time accidents	13	7	3	23
	Accidents involving minor injury	8	6	5	19
	Total	28	14	10	52
Fiscal 2011	Accidents resulting in lost work time	8	4	2	14
	No lost work time accidents	18	2	0	20
	Accidents involving minor injury	10	16	2	28
	Total	36	22	4	62

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



(Note) The data cover Sumitomo Electric and its affiliates (73 in Japan and 41 in overseas), excluding the affiliates of the Sumitomo Wiring Systems Group in Japan.

CSR VOICE

The keyword is “Accidents are happening in the site”

Yoshio Suzuki Manager of the Safety & Environment Group, Yokohama Works

Yokohama Works is the main base for Sumitomo Electric's information and communications business segment, composed of three divisions, R&D Group and Corporate Staff Group with about 2,200 employees. The safety record of the Yokohama Works in fiscal 2012 was the worst in the past five years with three accidents resulting in lost work time, one no lost work time accident and three accidents involving minor injury. We also had environmental “hiyari” (near accident) and a disaster related to commuting. I assumed the position of Manager of the Safety & Environment Group at the Works in July 2012, and soon started to be occupied with responding to accidents everyday. I was drawn into a nightmarish situation.

The climax of the nightmare was the excessively-developed low pressure on January 15, 2013. Yokohama Works had the heaviest snow in 17 years, and two employees fell on snow on the day, resulting in lost work time. In fact, the accidents happened while we were in the middle of shoveling snow and taking measures to prevent road surface from freezing with cooperation of many people from the workplaces in the morning so that all employees could walk as safely as possible and avoid injury. When we heard of the first accident, everyone was so shocked. With the report of the second one, I almost lost consciousness.

We actively promoted safety activities to turn the tide somehow, but could not get out of the long dark period by February. One cold night, when I was on the way home, I remembered my favorite phrase I often said in my days as a factory director, “The crime is happening in the site, not in the conference room” (a phrase from a Japanese movie), and noticed that it can be applied to safety control, environmental management and disaster prevention. Next morning, I told my idea to the group members to go back to basics. With the keyword “Accidents are happening in the site,” we determined to go to the site and eliminate the sources of risks instead of just waiting for an accident involving injury or hiyari to happen and spending the whole day to respond to it. We thus replaced a passive stance with an aggressive approach.

Although our efforts are still at the development stage, Yokohama Works is currently promoting 1-2-3 inspection tours, safety evaluation, various training programs and other activities to meet the four main targets of: (1) thorough identification of accident patterns including those which have happened in other major works; (2) elimination of hazard sources; (3) full implementation of safety evaluation; and (4) enhancement of safety awareness of each employee (through education). Under the slogan of “Safety comes first,” we will reinforce cooperation with respective divisions and do our best to achieve the goal of “reducing each of accidents resulting in lost work time, no lost work time accident and accidents involving minor injury to zero.” As specialists in safety, environment and disaster prevention, we at the Yokohama Works Safety & Environment Group will make use of our “vitality, specialty, originality and personality (V.S.O.P.)” and work hard toward the goal.



Glossary * Frequency rate

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

Environmental Management

Environmental Policy

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

Environmental Policy (extract)*

Basic Philosophy

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

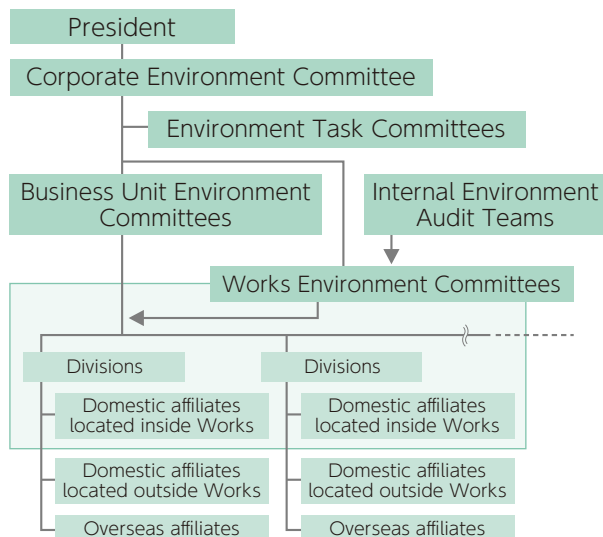
Action Guidelines

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

Organizations for Promoting Environmental Management

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

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



Environmental Audits

We have completed audits in Japan, and are now promoting audits of overseas sites

The Sumitomo Electric Group implements audits based on ISO 14001. In addition, to ensure compliance with relevant laws and reduce even more environmental impact, we have conducted environmental audits with a focus on compliance with environment-related laws and the efforts in the Action ECO-21 Campaign since fiscal 2008, and finished the audits of all 53 manufacturing sites in Japan by the end of fiscal 2011. Environmental audits of manufacturing sites outside Japan were also started in fiscal 2010. Following the audits of 11 sites in China in fiscal 2010 and of four sites in Thailand and four sites in Malaysia in fiscal 2011, we conducted audits of three sites in China and four sites in Indonesia in fiscal 2012. As a result, we have completed 26 of the 47 sites subject to audits as of the end of fiscal 2012. In fiscal 2013, we are scheduled to audit eight sites, which are three sites in China, two in the Philippines, two in Taiwan and one in Vietnam. For our domestic sites, to prevent environmental accidents, we launched the evaluation of facilities that may affect effluent quality in fiscal 2012, and evaluated nine sites during the fiscal year. In fiscal 2013, while continuing the evaluation of domestic sites, we will also start to assess overseas facilities.

《 Confirmation of Legal Compliance 》

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



Audit work in Indonesia

《 Action ECO-21 》

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

《 Evaluation of Facilities That May Affect Water Quality 》

We evaluate facilities that use any of the hazardous substances subject to the regulations of the Water Pollution Control Law, designated substances, oils, etc. and may thereby affect water quality. The equipment and ancillary facilities are inspected to assess the management status on the check items set for each of the parts such as liquid storage and pipes.

Compliance with Relevant Laws

No significant environmental violation was identified in the Group including overseas sites in fiscal 2012

According to the investigation of compliance with laws in our sites in Japan and overseas by the business units, no significant environmental violation was identified in the Sumitomo Electric Group in fiscal 2012.

Targets and Results of the Action ECO-21 (Phase IV) Campaign (Period: Fiscal 2010 -2012)

The Sumitomo Electric Group has obtained satisfactory results for 18 of the 23 environmental targets set under the Action ECO-21 (Phase IV) Campaign. We will continue to make efforts to meet the targets in the items in which we failed to satisfy the targets.

Item	Descriptions	Targets for fiscal 2012	Fiscal 2012 results	Evaluation	
Environmental efficiency	Monetary value of environmental impacts (CO ₂ , wastes, harmful substances, NO _x and SO _x) / Sales	Reduce 3% from FY 2009	Reduced 14%	◎	
Reduction of environmental impacts from business activities	Global warming prevention	(1) Reduce greenhouse gas emissions (in Japan) ·Target set to help Japan comply with the Kyoto Protocol	Reduce 25% on the average between 2008 and 2012 from the FY 1990 level	Reduced 27%	○
		(2) Reduce greenhouse gas emissions (in Japan and overseas) ·Global target of the Sumitomo Electric Group	Reduce 5% from FY 2007	Increased 1.8%	▼
		① Reduce energy consumption per unit of sales through energy saving [Consumption in crude oil equivalent / Sales]	Reduce 6% from FY 2009	Reduced 6.6%	○
		② Reduce non-energy derived greenhouse gas emissions ·Reduction of SF ₆ and other greenhouse gases (in CO ₂ equivalent)	Reduce 3% from FY 2009	Increased 15%	▼
		③ Save energy in the offices of the head offices and branch offices [Consumption in crude oil equivalent / Floor area]	Reduce 3% from FY 2009	Reduced 13%	◎
		④ Reduce greenhouse gas emission in logistics per unit of sales	Reduce 3% from FY 2009	Reduced 5.0%	◎
		⑤ Reduce CO ₂ emissions through the Eco-Life Activities	Reduce 5,000 tons per year from the FY 2007 level	Reduced 9,656 tons per year	◎
	Promotion of resource conservation and recycling	(1) Reduce the average zero emission rate in Japan	0.5% or less	0.09%	◎
		(2) Reduce waste discharged per unit of sales (in Japan) [Waste discharged / Sales]	Reduce 3% from FY 2009	Reduced 4.9%	◎
		(3) Reduce the average zero emission rate overseas	5% or less	16.5%	△
		(4) Reduce product packaging material use per unit of sales [Amount of packaging materials used / Sales]	Reduce 3% from FY 2009	Increased 10.2%	▼
		(5) Reduce water use [Water use / Sales]	Reduce 3% from FY 2009	Reduced 8.5%	◎
	Reduction of the release of harmful chemical substances	(1) Reduce emissions of volatile organic compounds (VOCs) (in Japan) ·For VOCs from the domestic sites whose atmospheric release is 2 tons/year or greater	Reduce 9% from FY 2009	Reduced 35%	◎
(2) Reduce emissions of VOCs (overseas)		Reduce 2% from FY 2010	Reduced 42%	◎	
(3) Discontinue use of trichloroethylene etc.		Discontinue use	Discontinue use	○	
(4) Continuously use no hazardous substances ·Mercury (Hg), Cadmium (Cd) and hexavalent Chromium (Cr ⁶⁺)		Continuously use no hazardous substances	Continuously use no hazardous substances	○	
Strengthening of chemical control	(1) Strengthen the control of chemical substances (including poisonous and deleterious substances, etc.)	Establish and operate the control system	Completed regular inspections in the three major works	○	
Expanding environmentally-conscious product range and meeting customer demand	Management of harmful substances contained in products	(1) Enhance the chemical substance management system ·Reinforce management of information on substances contained in products	Complete the establishment of the system to comply with the REACH regulations	Continue to properly comply with the regulations	○
		(2) Discontinue use of harmful chemical substances (to comply with the RoHS and ELV Directives) ·Meet customer demand for certification that no prohibited substances are contained in products	Proceed with the discontinuance of harmful substances contained in products (meet each customer's demand)	Proceed with the discontinuance of harmful substances contained in products	○
	Expansion of environmentally-conscious product range	(1) Increase registration of "Eco Mind" products (products having undergone product assessment) ·The indicator is the registration ratio [Number of registered items / total number of new items]	100%	Registered 100% of the new products (registered 109 items)	○
		(2) Increase the ratio of Eco-products in sales	More than 50% in FY 2012	40% (on the basis of shipment from production divisions in Japan)	△
		(3) Reduce CO ₂ emissions by products with less CO ₂ emissions	50 thousand tons per year in FY 2012	57 thousand tons per year	○

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

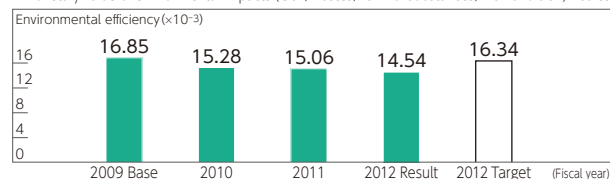
Environmental Management (Group-Wide Indicator: Environmental Efficiency)

In fiscal 2012, environmental efficiency was improved by 14% from the fiscal 2009 level

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

Environmental Efficiency

= Monetary value of environmental impacts (CO₂, wastes, harmful substances, NO_x and SO_x) / Sales



[boundaries of data collection] CO₂ and wastes: Group companies in Japan and overseas; harmful substances, NO_x and SO_x: Group companies in Japan only

(Note 1) The domestic CO₂ emission data for the previous years outside the boundaries of data collection that were included in the past reports are excluded in a retroactive manner.

The target for fiscal 2012 in the graph represents a 3% decrease from the fiscal 2009 level.
(Note 2) The value for fiscal 2011 has been adjusted retroactively.

Glossary *LIME

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

Goals of the Action ECO-21 (Phase V) Campaign (Period: Fiscal 2013 - 2014)

Main revisions to the goals for the Action ECO-21 (Phase IV) Campaign

Enhancement of environmental management on a global scale

- Setting significantly higher intensity targets on energy saving per unit of sales
- Introducing common CO₂ emission reduction targets in Japan and overseas
- Revising the indicator for waste reduction
- Revising the indicators for chemical control
- Excluding product packaging material use from the indicators

Item	Description of the initiative	Target for Phase V (Fiscal 2013 - 2014)	
Environmental efficiency	Monetary value of environmental impacts (CO ₂ , wastes, harmful substances, NOx and SOx) / Sales	Reduce 2% from FY 2012	
Reduction of environmental impacts from business activities	Reduce greenhouse gas emissions (in Japan and overseas)	Reduce 2% from FY 2012	
	① Reduce energy consumption per unit of sales through energy saving (in manufacturing sites)	Reduce 8% from FY 2012 (4% per annum; reduce 20% in 5 years)	
	② Reduce energy consumption per unit of sales through energy saving (in offices)	Reduce 2% from FY 2012	
	③ Reduce CO ₂ emissions in logistics per unit of sales	Reduce 2% from FY 2012	
	Promotion of resource conservation and recycling	(1) Reduce the zero emission rate (in Japan)	0.3% or less
		(2) Reduce the amount of waste (in Japan)	Reduce 2% from FY 2012 in an absolute value
		(3) Reduce the zero emission rate (overseas)	5% or less
(4) Reduce water use per unit of sales		Reduce 2% from FY 2012	
Reduction of the harmful chemical substances	(1) Reduce emissions of volatile organic compounds (VOCs) (in Japan and overseas)	Reduce 2% from FY 2012	
	(2) Discontinue use of hazardous substances (to comply with the RoHS and ELV Directives)	Prepare for discontinuing use of all of the substances to be potentially banned by the RoHS Directive (phthalates and some bromine-based flame retardants) Set the numerical target in Phase VI	
Expanding environmentally-conscious product	(1) Register "Eco Mind" products	Register 100% of new products	
	(2) Increase the ratio of Eco-products in sales	50% (divisions in Japan)	
	(3) Reduce CO ₂ emissions by products with less CO ₂ emissions	Contribute to reducing CO ₂ emissions by 100 thousand tons/year	

Promotion of the Action ECO-21 Campaign (Education and Training)

We provide systematic education programs on environmental conservation

To enhance every employee's environmental awareness and knowledge, the Sumitomo Electric Group provides all employees with education on the history of measures to protect the global environment as well as the Group's environmental policy and the Action ECO-21 Campaign. In fiscal 2012 as well, we provided systematic education on general environmental issues, environmental laws, chemical control and global warming as part of the position-based training program. A total of 570 employees participated in 34 sessions during the fiscal year.

In addition, we will introduce case studies using the past incidents of "hiyari" (near accident) and other courses in fiscal 2013 to further improve the curriculum.

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

Explanation of the Boundary

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

When the comprehensiveness of the boundaries is assessed based on greenhouse gas emissions, a representative environmental indicator, the emissions from the boundaries of the environmental management of our Group, 1,328 thousand tons, account for the vast majority of 1,600 thousand tons, which are estimated greenhouse gas emissions from the boundaries of consolidation for financial reporting in fiscal 2012.

In the meantime, out of the 227 consolidated subsidiaries excluding the 3 listed companies mentioned above, the environmental management of our Group covers 147 companies in production units (45 in Japan, 32 in China, 34 in Asia (except China), 14 in the Americas and 22 in Europe and other in fiscal 2012). Our trial calculation indicates that environmental impact, such as greenhouse gas emissions, of the 147 companies is estimated to occupy more than 99% of that of the 227 subsidiaries.

Materials Flow (Environmental Impacts)

INPUT					
Materials	Copper	227 thousand tons	Resin	61 thousand tons	
	Iron	290 thousand tons	Chemical substances	13 thousand tons	
	Aluminum	19 thousand tons			
Energy	Electricity	2,087 million kWh	City gas	42 million m ³	
	LPG	9 thousand tons	Other fuels (converted into crude oil equivalent)	13 thousand kl	
	Water	12,137 thousand m ³	Paper	1,188 tons	
	Product packaging materials	47 thousand tons			
			Transportation fuel (converted into crude oil equivalent) *	14 thousand kl	

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

Environmental Accounting (New Approach to Calculation and Disclosure)

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

Boundaries of tabulation: Sumitomo Electric + domestic affiliates

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

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

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

(Note 4) Change due to boundaries change: Emissions in fiscal 2011 from the boundaries of collection newly added in fiscal 2012 (no boundaries were newly added in this fiscal year).

Change due to sales change: [Emissions in fiscal 2011 from the boundaries of collection for fiscal 2012] x (Sales in fiscal 2012 / Sales in fiscal 2011 - 1)

Actual change: Calculated by subtraction

	Financial items								
	Investment (million yen)			Expense (million yen)			Economic effect (million yen)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Reduction of greenhouse gas emissions	Investment in energy saving (Note 1)			/			Reduction of energy cost (Note 1)		
	642	1,382	1,303				414	353	384
Waste reduction	Investment in resource saving and recycling (Note 2)			Waste disposal cost (Note 3)			Sale of valuables materials (Note 3)		
	70	115	49	1,098	1,091	1,038	77	91	96
Cost of management activities	/			989	1,092	1,021	/		
Cost of social activities	/			12	10	9	/		
Cost of environmental remediation	/			28	14	12	/		



OUTPUT			
Greenhouse gas emissions	CO ₂	1,283 thousand tons	Other gases (converted into CO ₂) 45 thousand tons
	Air pollutant emissions	NO _x *	257 tons
Chemical substance emissions	Into the air	80 tons	As industrial waste 130 tons
	Into the water	3 tons	
Wastes	General wastes discharged	14 thousand tons	Industrial wastes discharged 48 thousand tons
		Recyclable materials 52 thousand tons	Wastewater 10,614 thousand m ³
	Product shipments	415 thousand tons	
	CO ₂ emissions *	37 thousand tons	

- CO₂: CO₂ emitted from the use of electricity, gas and fuels
- Greenhouse gases other than CO₂: SF₆, HFC, PFC and other greenhouse gases converted to CO₂ equivalent
- NO_x: Nitrogen oxides emitted from the use of gas and liquid fuels
- SO_x: Sulfur oxides emitted from the use of liquid fuels
- General wastes: Non-industrial wastes (including paper, wood, fibers and other trash) discharged through business activities
- Industrial wastes: Wastes specified in the "Waste Management and Public Cleansing Law," including sludge, waste oils, waste acids/alkalis, waste plastics, metals, glass, ceramics, cinders and other substances discharged through business activities
- Wastewater: Wastewater discharged from plant production processes, and household wastewater

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

Non-financial items

Performance (in Japan)	Change factors in fiscal 2012 (in Japan)	Strategy/opportunity and risk
<p>(Note 4)</p> <p>GHG emissions (thousand tons-CO₂e/year) Reduction rate (%)</p> <p>2010 543 23 2011 517 26 2012 515 27 Target (Fiscal year) 25</p> <p>■ GHG emissions ● Emission reduction rate (from the fiscal 1990 level)</p>	<p>(Note 4)</p> <p>GHG emissions (thousand tons-CO₂e/year)</p> <p>2011 517 3 Change due to boundaries change Change due to sales change Actual change 18 2012 (Fiscal year) 515</p>	<p>The power problem that occurred after the Great East Japan Earthquake in March 2011 has not been solved. To respond to the situation, we have significantly increased investment in introduction of more efficient equipment and other energy-related measures. We are aggressively making investments aimed chiefly at energy saving as well because we attach overriding importance to the absolute value of energy saving effect. Still, it is clear that energy cost is a risk factor. We will continue to do our best to promote energy saving and other activities to address the power problem.</p> <p>Our greenhouse gas emissions recorded a year-on-year decrease. While some factors such as an increase in operation and the expansion of private power generation to respond to the power problem after the earthquake have increased some emissions, we plan to offset them by further enhancing and maintaining energy saving activities. We will apply the experience and results to overseas to make achievements on a global scale.</p>
<p>(Note 4)</p> <p>Waste discharged (thousand tons/year) Reduction rate (%)</p> <p>2010 36.1 5.3 2011 37.1 1.8 2012 34.3 4.9 Target (Fiscal year) 3</p> <p>■ Waste discharged ● Reduction rate per unit of sales (from the fiscal 2009 level)</p>	<p>(Note 4)</p> <p>Waste discharged (thousand tons/year)</p> <p>2011 37.1 0 Change due to boundaries change Change due to sales change Actual change 1.5 2012 (Fiscal year) 34.3</p>	<p>The investment was mainly composed of an additional investment for reduction of waste liquid. We look forward to the effect. Our ongoing efforts to convert waste into valuable materials, one of the priority initiatives, have resulted in a slight drop in waste disposal cost and a slight increase in sales of valuable materials. We will continue to be committed to this initiative.</p> <p>In non-financial items, on the other hand, the amount of waste generated increased marginally although reduction rate per unit of sales increased slightly from the previous fiscal year. While fluctuations in operation by the divisions also affected the amount, generation of defects constituted a major cause. It is therefore necessary to continue to promote the improvement more vigorously. We will also focus on concentration of waste liquid as a waste reduction method.</p>
<p>Cost of environmental organization, ISO 14001 registration and maintenance, etc.</p>		<p>Although the cost marginally decreased year-on-year, it can be regarded as an average level when the figure in fiscal 2011 is also considered. We will continue to enhance environmental audits in Japan and overseas, energy saving activities and other initiatives.</p>
<p>Cleanup of areas outside company sites, external environmental education, etc.</p>		<p>We have traditionally participated in cleanup of the neighboring areas actively, and will continue the commitment.</p>
<p>Restoration of contaminated soil and groundwater</p>		<p>We continuously restore the contaminated soil and groundwater identified in our facilities.</p>

Reduction of Greenhouse Gas Emissions

We met the CO₂ emission reduction target in Japan but failed to reach the target for overseas affiliates

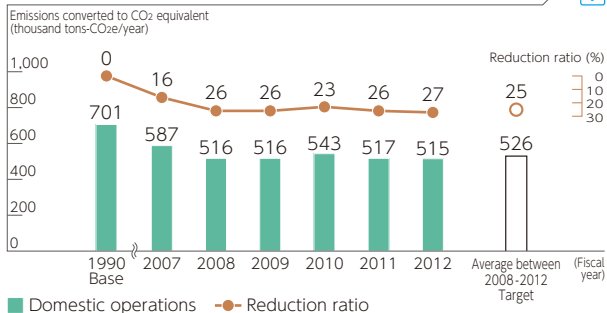
As a result of promotion of energy saving activities, our greenhouse gas emissions converted to CO₂ equivalent in Japan decreased by 27% from the fiscal 1990 level, which greatly exceeded Japan's reduction commitment under the Kyoto Protocol (by 6%), and even met the more ambitious internal target of 25% reduction from the fiscal 1990 level.

The greenhouse gas emissions in the whole Group, including overseas affiliates, increased by 1.8% from the fiscal 2007 level. Consequently, we failed to reach the internal target of reducing the emissions by 5%, which is mainly attributed to substantial expansion of our overseas production, especially in Asia.

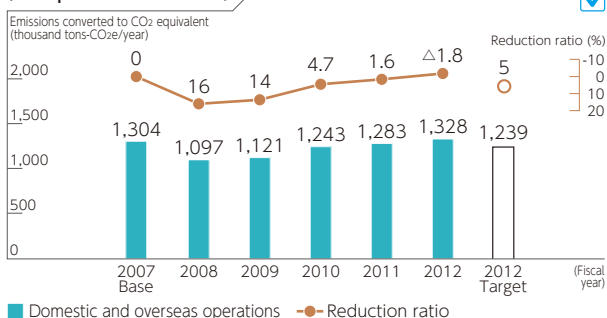
To reduce CO₂ emissions in the Group as a whole, we continue the energy saving diagnosis program, which was started in 2008, while also planning and promoting a 2.3-billion-yen investment in measures to address the rise in the power price in Japan.

Meanwhile, our greenhouse gas emissions converted to CO₂ equivalent are increasing in Asia and other foreign countries. As the energy efficiency in these countries tends to be lower than that in Japan, we will employ the knowledge we have acquired on a global scale to further reduce CO₂ emissions.

Greenhouse Gas Emissions and Reduction Ratio (in Japan)



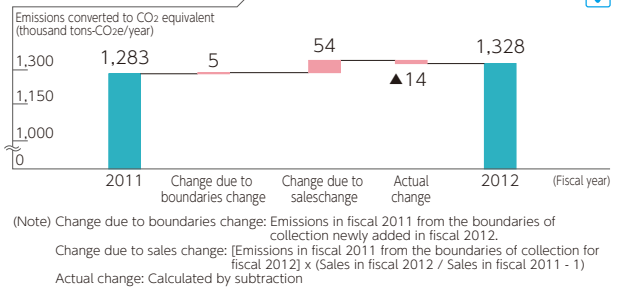
Greenhouse Gas Emissions and Reduction Ratio (in Japan and overseas)



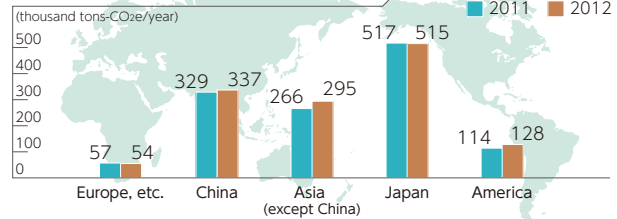
(Note 1) CO₂ emission factor for purchased electricity
 [In Japan] Emission factor for year 2000 published by the power company in each region (The data in 1990, however, are based on the emission factor for 1990.)
 [Overseas] Emission factor in each country for year 2000 mentioned in "Report of a survey to estimate CO₂ emission intensity in the power sector in different countries" (2004) by the Japan Electrical Manufacturers' Association (The data in 1990, however, are based on the emission factor for 1990.)
 CO₂ emission factor for other than purchased electricity
 [Both in Japan and overseas]
 Emission factor in "Guidelines for accounting and reporting of greenhouse gas emissions from industrial commercial sectors" (2003) by the Japanese Ministry of the Environment

(Note 2) The value for fiscal 2011 has been adjusted retroactively.

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



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

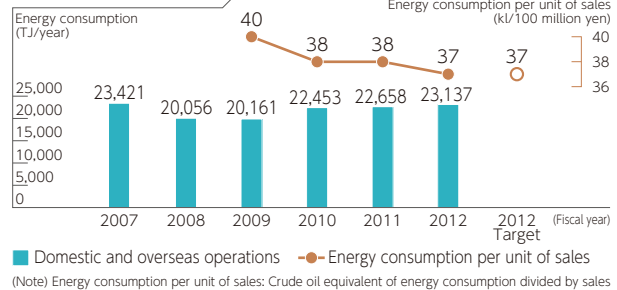


Reduction of Energy Consumption

We met the reduction target for energy consumption

We reduced energy consumption per unit of sales by 6.6% from the fiscal 2009 level, achieving the target of 6%.

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



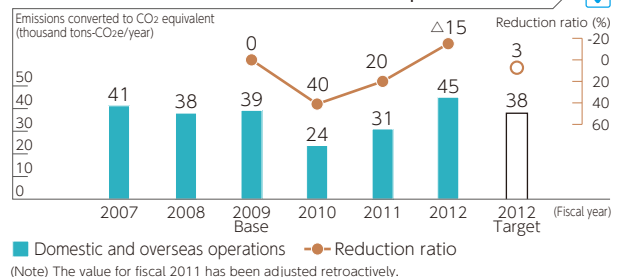
Reduction of Non-Energy Derived Greenhouse Gas Emissions

We are committed to raising sulfur hexafluoride recovery rate

We have promoted the improvement of sulfur hexafluoride (SF₆) recovery rate and other measures. However, the emissions increased to 45 thousand tons, 15% higher than the fiscal 2009 level, due to reasons such as equipment failure.

We will work to improve the equipment to prevent recurrence of such failure.

Emission of SF₆ and Other Greenhouse Gases (in Japan and overseas)



(Note) The value for fiscal 2011 has been adjusted retroactively.

Initiative to Provide Environmental Information

We are actively promoting disclosure of environmental information

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

Greenhouse Gas Emissions in Fiscal 2012 (thousand tons-CO₂e/year)

Scope 1	193
Scope 2	1,135
Scope 3	37

(Note 1) Scope 1: Direct emissions from the use of fossil fuels, etc. in our facilities (including SF₆ and other greenhouse gases)

Scope 2: Indirect emissions from the use of electricity and steam supplied from outside our facilities

Scope 3: Other indirect emissions from logistics, use of products, travel by personnel, etc.

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

Energy Saving in Production Units

Our energy saving efforts resulted in cost reduction by 620 million yen in a year

Power Saving REPORT

A key to the reduction of CO₂ emissions is visualization of the effect. We provide in-depth assistance to ensure implementation of energy saving initiatives in order to not only calculating the effect but achieve actual results.

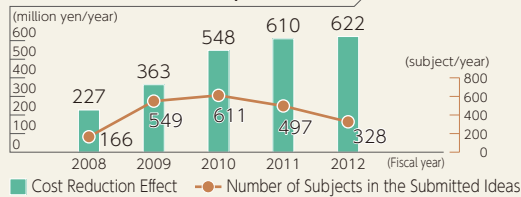
The Sumitomo Electric Group as a whole emits approximately 1.24 million tons of CO₂ and spends about 25 billion yen for energy cost in a year. Since the Great East Japan Earthquake, we have focused mainly on measures to reduce peak power consumption in Japan. From fiscal 2012, we are committed to energy saving efforts, such as elimination of wasteful power use and improvement of efficiency, partly because electricity charges have begun to rise.

During fiscal 2012, ideas for energy efficiency improvement were submitted on 328 subjects (34% decrease from the previous fiscal year) from the whole Group to the Energy Saving Office in the Safety & Environment Department, while energy saving efforts in the fiscal year resulted in cost reduction by a total of 620 million yen (1.4% increase from the previous fiscal year). The decrease in the number of the subjects in the submitted ideas is attributed to an increase in the scale of activities on each subject. Although the Group has set targets on energy consumption per unit of sales in the Action ECO-21 campaign, the indicators using sales as the denominator are not suitable for shop-floor management. Instead, we ensure across the Group that production sites use the number of the subjects in the ideas for energy efficiency improvement and cost reduction as the indicators that visualize the results of energy saving efforts.



Energy saving diagnosis

Number of Subjects in the Submitted Ideas and Cost Reduction Effect by Fiscal Year



Our energy saving measures are classified into two types: investments in energy saving efforts on a group-wide scale; and activities to identify the items that need to be improved through the energy saving diagnosis program conducted in each site.

(From left)

Hironori Matsumoto,
Group Manager of Osaka Engineering Group,
Plant Engineering Department, Plant & Production Systems Engineering Division

Atsushi Tomomoto,
Osaka Engineering Group, Plant Engineering Department,
Plant & Production Systems Engineering Division

Hirotake Komori,
Manager of the Energy Saving Office, Safety & Environment Department

Noriyuki Endou, General Manager

Junichi Isoda, Manager

Satoshi Ishiai, Engineer
Energy Saving Engineering Department, Plant Engineering Division,
Sumitomo Electric Technical Solutions, Inc.

Naoyuki Akakabe,
Assistant General Manager of Energy Saving Office,
Safety & Environment Department



One of the planned investments in energy saving initiatives on a group-wide scale is a capital investment worth about 2.3 billion yen to improve the efficiency of commonly used equipment for air conditioning, lighting, utilities, etc. in fiscal 2013. This project started with preparation of a list of the old air conditioners installed in or before 1996 (non-inverter air conditioners). We found that about 350 of the 1,700 air conditioners in Osaka Works were old models, and then completed construction works to replace each of them by a new type with an inverter in the three months to the end of June 2013.

The energy saving diagnosis program has been conducted in 115 sites in total, including 93 domestic sites and 22 overseas sites, through cooperation between the Energy Saving Office, Plant & Production Systems Engineering Division and Sumitomo Electric Technical Solutions, Inc. In energy saving diagnosis, it is crucial to visualize the effect of findings and proposals in a numerical form and thereby encourage personnel in the manufacturing sites to examine and implement specific initiatives. For example, measures to prevent air leak and steam leak can produce enormous energy saving effect. We also have a system in place to give comprehensive assistance, including on-site support for individual energy saving activities, in order to make sure that shop-floor workers do not end up only understanding the situation but actually take practical measures. While our support has been given mainly to the sites in Japan, we will start to provide on-site support in overseas facilities in fiscal 2013.

The know-how on energy saving acquired through these initiatives is shared across the Group through publications that introduce actual energy saving initiatives in English and Chinese as well as in Japanese.

Glossary

* CDP

CDP (Carbon Disclosure Project) is a collaboration of institutional investors that request companies to establish strategies against climate change and publish data on Greenhouse gas emissions.

The determination that we will not miss any sources of energy saving led to our original energy saving measures.

Satoshi Yamashita (right), Group Manager, and Masanori Yoshida (left) Plant Engineering & Maintenance Group, Production Engineering Development Department, Sumitomo Electric Hardmetal Corporation

Sumitomo Electric Hardmetal Corporation engages in manufacture and sales of cutting tools, materials, laser optics and other products in the site of Sumitomo Electric's Itami Works, which uses electricity supplied by the Kansai Electric Power Co., Inc. We introduced an electric power monitoring system in fiscal 2008 to identify wasteful power use. Based on the monitoring results, as well as calculation of heat inflow and emission in factories, and of illumination intensity, we adopt energy saving design and take energy saving measures, the effect of which is then checked with the electric power monitoring system. We repeat this cycle every year. In fiscal 2012 as well, we conducted initiatives such as replacement with LED lighting, adoption of high-efficiency air conditioners and water pumps and improvement of heat insulation. As a result, CO₂ emissions were reduced by 198 tons/year from the fiscal 2009 level.

In the initiative to improve heat insulation, which was started in 2006, we applied special heat insulation paint, which is also used for coating the outer surface of a space rocket, to the areas exposed to sunlight and subject to high temperature. Prior to the adoption of this initiative, we simulated hourly changes in temperature in factories during the daytime based on the solar radiation angle, and also measured surface temperature of



Water pump equipped with super high efficiency motors

Air conditioner outdoor units coated with heat insulation paint



uncoated and coated small steel sheets to confirm the effect. Then, we applied the paint on roofs as well as large iron doors at the southern and western entrances, which receive a large amount of solar radiation.

In fiscal 2012, we applied the paint to air conditioner outdoor units. As a result, CO₂ emissions from the two coated units during summer decreased by 2.2 tons in total per month. At present, five other production sites in Japan are also introducing the paint to coat air conditioners and cool water producing systems.

With a strong awareness of energy saving, which has been traditionally inherited in our company, we will make continuous efforts to identify any wasteful energy use and start new energy saving activities.

Energy Saving in Offices

(Osaka Head Office, Tokyo Head Office, Chubu District Office and Toyota Branch Office)

Committee members in charge of energy saving are playing an active role in each workplace

In fiscal 2012, we reduced greenhouse gas emissions in offices by 13% from the fiscal 2009 level, which satisfied the target of reduction by 3%.

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

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

Energy Saving Activities in Households

We started to operate a website where employees can participate in energy saving activities with their family members

To encourage households to participate in Eco-Life Activities, the Sumitomo Electric Group is promoting activities to "reduce CO₂ emissions from households by 5,000 tons" collectively in the Group.

In fiscal 2011, we launched a website for the Sumitomo Electric version of "Our Household Environment Minister" program, which was led by the Japanese Ministry of the Environment, using our original Eco-Life calculation tool. On the website, we are making efforts to stimulate activities in the program by providing the participants with points based on the use of the website and giving foliage plants and other potted plants as prizes.

As a result, as of March 31, 2013, 19,796 families participate in the program and have reduced 9,656 tons of CO₂ emissions in total, which greatly exceeded the target.

We will make continued efforts to raise awareness of our employees and their family members for the future of the earth.

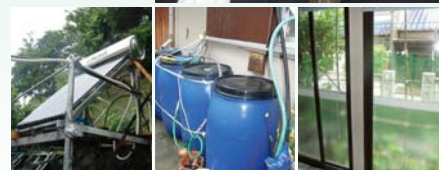
CSR VOICE

Eco-friendly DIY activities with my wife

Audit Department, Sumitomo Wiring Systems, Ltd.
Naomichi Masumura

After working in Brazil and Singapore as an expatriate for 12 years in total, I came back to Japan in 2011. At home in Japan, I enjoy do-it-yourself work on weekends as my favorite hobby, and have renovated my two-story house with painting of exterior walls, repair of piping and reinforcement of under-floor structure. When I heard of the Eco-Life Activities of the Sumitomo Electric Group, I thought that this is a perfect program for me. I now practice eco-friendly activities and post proposals on the Eco-Life Activities website. Fortunately, my wife is also interested in energy and resource saving, and we are making efforts together.

Examples of our eco-friendly DIY activities include purchase and installation of a solar hot water system, large rainwater storage tanks, double-glazed windows, etc. We have also taken measures that also generate profit, such as use of bathing water in a flush toilet and laying of eight layers of carpets on the floor for heat insulation. Moreover, I now use train to get to work instead of commuting by car. Always thinking about what I can do for the environment, I seem to be addicted to eco-friendly activities.



Solar hot water system

Large rainwater storage tanks

Double-glazed windows

To Reduce CO₂ Emissions from Logistics

We are working to improve efficiency in the transportation of diverse products according to their different characteristics

Per unit CO₂ emissions in the Sumitomo Electric Group as a whole in fiscal 2012 were reduced by about 1%* from the fiscal 2011 level and by about 5%* from the fiscal 2009 level, the base year for the Action ECO-21 (Phase IV) campaign.

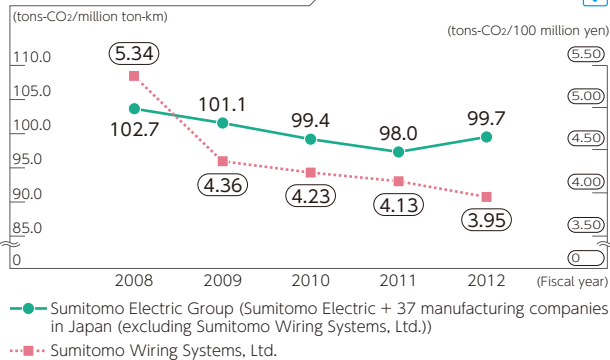
In Sumitomo Electric, CO₂ emissions per cargo transport amount (ton-km) increased due to the growth in the transportation of optical fiber, which is light but voluminous, as well as the decrease in the transportation of copper wire rod, which is heavy and can be transported efficiently.

On the other hand, per unit CO₂ emissions in Sumitomo Wiring Systems was reduced substantially through the active use of railway containers for the transport of wire harness products to the relay point in Tokyo. While such containers had been used once a day in the original plan, the frequency was increased to four times a day.

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

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

Per Unit CO₂ emissions by Year



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

Fiscal year	Total cargo transport (million ton-km)	CO ₂ emissions (tons-CO ₂)	CO ₂ emissions per cargo transport (tons-CO ₂ /million ton-km)
2008	227.4	23,352	102.7
2009	216.8	21,910	101.1
2010	228.6	22,720	99.4
2011	214.1	20,986	98.0
2012	208.0	20,734	99.7

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

CO₂ Emissions from Sumitomo Wiring Systems, Ltd. by Year

Fiscal year	Sales amount (100 million yen)	CO ₂ emissions (tons-CO ₂)	CO ₂ emissions per sales (tons-CO ₂ /100 million yen)
2008	3,480	18,570	5.34
2009	3,480	15,182	4.36
2010	3,761	15,903	4.23
2011	3,815	15,759	4.13
2012	4,127	16,290	3.95

(Note 1) CO₂ emissions are calculated on an improved ton-kilometer basis + a fuel-efficiency basis.
 (Note 2) The sales amounts of Sumitomo Wiring Systems, Ltd. used for this calculation exclude the adjustments made at the end of each fiscal year, and are therefore not necessarily equivalent to the sales amounts published by Sumitomo Wiring Systems.

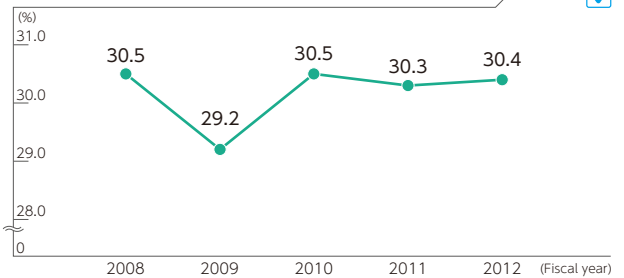
Initiative to Promote Modal Shift

We are striving for increased use of environment-friendly railroad and coastal transportation

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

In fiscal 2012, the use of railroad and coastal transportation increased as a result of production growth in the subsidiary of Sumitomo (SEI) Steel Wire Corp. in Muroran, Hokkaido. We also started to use Tokyo instead of Yokohama as the relay point for the transportation of trolley wires from Osaka to eastern Japan to promote the use of railway container services. Consequently, modal shift rate for the fiscal year rose slightly from fiscal 2011.

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



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

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

We Acquired Eco Rail Mark Certification

The certification was awarded in recognition of the fact that we used railway services for roughly half of our freight land transportation covering 500 km or more

Sumitomo Electric is actively using railway container services for the transportation of copper wire rod from Osaka to Miyagi and Tochigi. In recognition of the fact that 50.8% of our freight land transportation covering 500 km or more in fiscal 2011 was by rail, we acquired certification as a company engaged in the initiatives of Eco Rail Mark from the Railway Freight Association in February 2013.



The certificate was awarded



Eco Rail Mark is a certification mark awarded by the Ministry of Land, Infrastructure, Transport and Tourism. The use of the mark is allowed only for products or companies that use rail transportation in accordance with designated criteria. Rail is an environmentally friendly transportation mode that generates less CO₂ emissions than trucks. The mark affixed on products serves as a judgment standard for customers' purchase decisions.

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

Through thorough implementation of resource saving and recycling, we achieved the target again in fiscal 2012

《Zero Emissions》

In our efforts to lower the zero emission rate, we achieved the target of maximum 1% zero emission rate in the Group as a whole in fiscal 2009, and then worked to decrease the rate to 0.5% or less from fiscal 2010 to fiscal 2012.

In fiscal 2010, we established a system to recycle sludge, used oil, plastics, refractories and other waste that was generated in a relatively large amount and had been incinerated without heat recovery or landfilled. As a result, the zero emission rate has been kept below 0.5% since fiscal 2011.

We will continue our initiatives to meet the new target of reducing the zero emission rate to 0.3% or less from fiscal 2013.

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

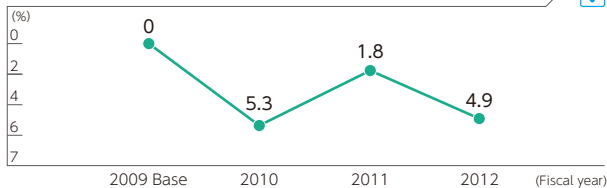
(Note) The amount of waste includes the amount of that which was originally generated as waste but converted into valuable materials through our efforts since fiscal 2001, while the amount of waste discharged does not involve valuable materials.

《Reduction of the Amount of Waste Discharged》

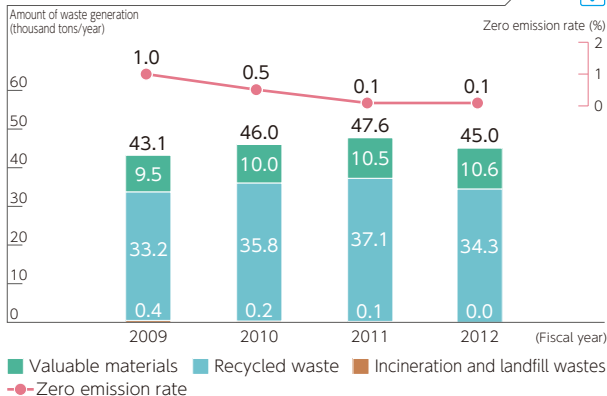
In our efforts to reduce waste discharged, we set the amount of waste discharged per sales as the indicator, and worked to achieve reduction by 3% from the fiscal 2009 level by fiscal 2012. As a result, waste discharged per sales in fiscal 2012 decreased by 4.9% from the fiscal 2009 level, which satisfied the target.

We are committed to reduction of defects and review of the process to prevent defects in production sites as fundamental activities for manufacturing. For the generated waste, we make efforts to reduce the amount disposed of as waste by reusing it internally, reducing the volume and converting the waste into valuable materials through separation and search of uses.

Reduction Rate of Waste Discharged Per Unit of Sales (in Japan)

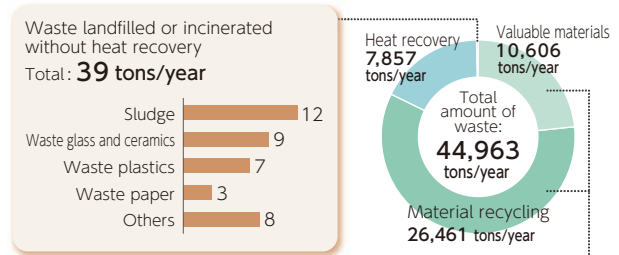


Amount of Waste and Zero Emission Rate (in Japan)



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

Amount of Waste by Type in Fiscal 2012 (in Japan)



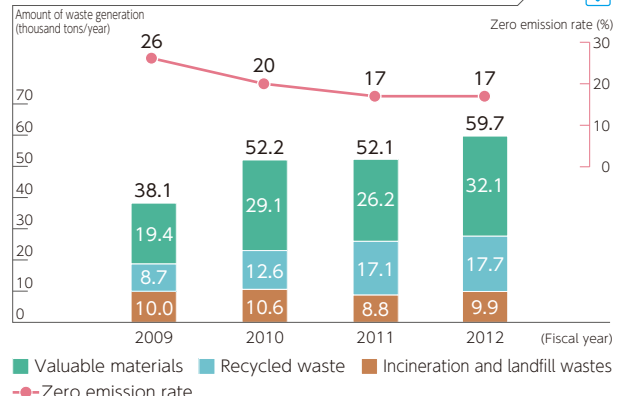
Reduction of the Waste to Be Incinerated Without Heat Recovery or Landfilled (Overseas)

In response to failure to meet the target in fiscal 2012, we will continue to promote our activities to reduce the zero emission rate

We have been making efforts to reduce the zero emission rate in overseas group companies since fiscal 2010. While our target was to reduce the zero emission rate to 5% or less in fiscal 2012, we failed to meet the target with the rate of 16.5%. We have been committed to activities to reduce the zero emission rate, including search for recycling manufacturers and promotion of waste separation in the divisions that have not been involved in the efforts to achieve zero emissions, in addition to recycling of waste, while disseminating such activities. Nevertheless, the target was not satisfied due to the factors such as issues on disposal of general waste and recycling of sludge in China and Southeast Asia, as well as the situation in North America that waste landfill cost is lower than recycling cost.

We will continue search for recycling manufacturers, and steadily promote waste separation as well.

Amount of Waste and Zero Emission Rate (Overseas)



Reduction of Product Packaging Materials

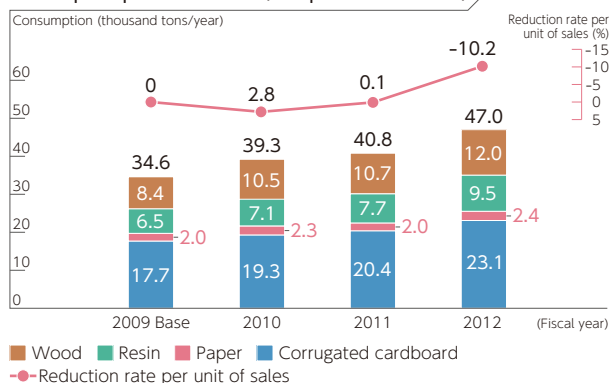
Consumption of packaging materials increased with overseas production growth

We are taking meticulous measures to reduce the use of product packaging materials, such as the decrease of the weight of corrugated cardboard boxes by modifying the design, the development of reusable containers by changing the raw materials, the review of excessive packaging and the reuse of packaging materials.

In fiscal 2012, the consumption of product packaging materials increased by 36% from the fiscal 2009 (base year) level to 47.0 thousand tons per year. The increase in overseas production especially increased the consumption. The amount per unit of sales also deteriorated with an increase of 10.2% although the target was 3% reduction.

While it is also becoming harder to reduce consumption of packaging materials partly due to specifications of the products, we will work to reduce the amount in overseas production.

Consumption of Product Packaging Materials and Reduction rate of consumption per unit of sales (in Japan and Overseas)



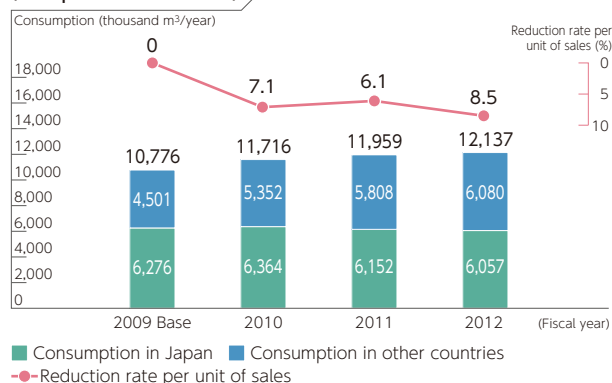
(Note 1) The data cover 133 companies that manage product packaging materials on a weight basis.
 (Note 2) Values for the past years have been adjusted retroactively to improve the accuracy.

Water Use Reduction

While water consumption increased, the volume per unit of sales was reduced

We have been actively committed to reducing water consumption as an action item since fiscal 2008. While water consumption in fiscal 2012 increased from the fiscal 2009 (base year) level because of production growth, the volume per unit of sales was reduced by 8.5% from the fiscal 2009 level, which surpassed the target of reduction by 3%. As water leakage accounts for a surprisingly high percentage of the water consumption, we are making steady efforts for prevention of water leakage and management of water use. Introduction of water reuse facilities is also promoted. In addition, we are committed to improvement of water use efficiency in gas washing columns, water-cooled air conditioners and other facilities using water in parallel with efforts to reduce energy consumption in these facilities.

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



Waste Treatment in Overseas Affiliates (in the United States) — Sumitomo Electric Lightwave Corp. (SEL)

SEL manufactures optical fiber cables in North Carolina. The process of producing optical fiber cables by binding optical fibers, plastic materials, metal and other materials generates waste cable containing a mixture of these materials, most of which used to be landfilled without being recycled. To promote efforts to achieve zero emissions, SEL started with segregation and sale of waste metal and plastics, which are relatively easy to segregate. In fiscal 2012, SEL found a manufacturer that provides services to extract metal and plastics from waste cable and reuse them for metal and plastic production, and promoted recycling through the manufacturer. While waste cable is usually crushed and recycled as cement materials in Japan, recycling cost is higher than landfill cost in the US, and it is also necessary to ensure compliance with the strict segregation standards for recycling. Through these efforts, SEL have reduced the monthly amount of landfilled waste from nearly 50 tons to around 20 tons per month.



CSR VOICE

We installed an electrolytic scale removing system to save energy and resources

Koji Morishige (left), Plant Chief, and Makoto Ido (right) Plant Engineering Section, Sumiden Semiconductor Materials Co., Ltd.

As a semiconductor production plant, the Itami Plant of Sumiden Semiconductor Materials consumes a large amount of water for the cleaning process and air conditioning of the clean rooms. About 20% of the water is used for cooling towers of turbo freezers, which discharge condensed wastewater. In October 2012, we installed an electrolytic scale removing system in the piping system near a cooling tower. As a result, we successfully reduced the blow water by approximately 700 tons per year. The heat exchange efficiency in cooling towers used to drop gradually as the scale deposited from the water condensed by evaporation was attached on the pipes and other parts. The use of electrolyzed water has removed the scale and has led to discharge of less condensed water from the cooling tower and consumption of less energy for the turbo freezer. We plan to apply this measure to other cooling towers as well.



Reduction of VOC Emissions

We have discontinued the use of chlorinated VOCs in the whole Group including overseas affiliates

The Sumitomo Electric Group has been committed to discontinuing the use of trichloroethylene and other hazardous chlorinated volatile organic compounds (VOCs) designated as substances requiring priority action in the Air Pollution Control Law. The only domestic affiliate in the Group that had still been using trichloroethylene as a detergent completed switchover to an alternative detergent in fiscal 2011. Consequently, the whole Group, including overseas affiliates, has discontinued the use of chlorinated VOCs.

The Group has also promoted activities to cut the atmospheric release of any VOC whose emissions from a site were 2 tons or more per year in Sumitomo Electric and its affiliates in Japan. In fiscal 2012, we set the target of reducing VOC emissions by 9% from the fiscal 2009 level and made efforts to satisfy it. As a result of the efforts, including discontinued use of chlorinated VOCs, the emissions in fiscal 2012 were 149 tons and the reduction rate from the fiscal 2009 level was 35%, which exceeded the target.

We also promote the initiative in the overseas affiliates that discharge 5 tons or more of VOCs yearly. While the target for 2012 (calendar year) was the reduction of the emissions by 2% from the 2010 level (calendar year), we reduced the emissions by 42%, higher than the target, to 91 tons in 2012 (calendar year).

Release and Transfer of Chemical Substances Specified in the PRTR Law

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

Sumitomo Electric and its domestic affiliates, using the chemical substance management system developed by the Company, measure the monthly generation rate of chemical substances specified by the PRTR Law*, and calculate the amount of these substances released and transferred in order to report annually in accordance with the law. A total of 42 plants of Sumitomo Electric's Osaka and Yokohama Works and 26 group companies submitted such reports for fiscal 2012. Sumitomo Electric Group's total release and transfer of PRTR-designated substances in Japan were 63 tons and 100 tons, respectively.

Four of our overseas affiliates submitted reports to regulatory agencies in accordance with the applicable local laws equivalent to the PRTR Law. The total release and transfer of designated chemical substances reported in 2012 (calendar year) were 13 tons and 16 tons, respectively.

Chemical Substance Management System

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

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

In fiscal 2012, some of the domestic affiliates outside the three Works also launched the operation of this system to control poisonous and deleterious substances and PRTR-designated substances. The system has been improved to enable the search of the companies using poisonous and deleterious substances and SDS(Safety Data Sheet) concerning all poisonous and deleterious substances used in affiliates in Japan.

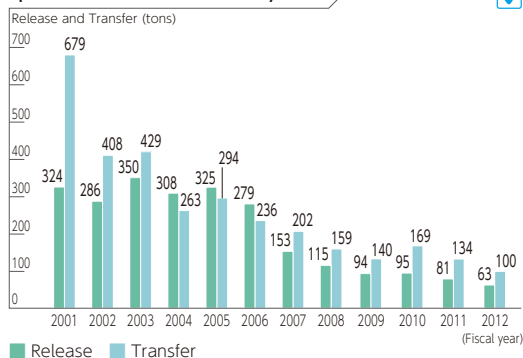
We will continuously introduce this system to more affiliates in Japan and overseas, and add dangerous materials and others to the substances to be managed by the system, with an aim to unify and enhance the management of chemical substances throughout the Group.

Soil and Groundwater Remediation

We are continuously conducting soil and groundwater remediation and groundwater monitoring

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

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



*Revision to the law involved addition and exclusion of the designated substances required to be reported from fiscal 2010. As a result, the number of the substances increased by 108.
 *The boundaries of data collection included the Sumitomo Wiring Systems Group from fiscal 2010.

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

Chemical substance	Release					Transfer			Total amount
	Into air	Into water	Into soil	Into landfill	Total release	By sewage	By disposal	Total transfer	
Toluene	24.0	0.0	0.0	0.0	24.0	0.0	9.3	9.3	33.3
Phenol	5.4	0.0	0.0	0.0	5.4	0.0	11.0	11.0	16.4
Dichlorobenzene	2.8	0.0	0.0	0.0	2.8	0.0	12.0	12.0	14.8
Cresol	5.3	0.0	0.0	0.0	5.3	0.0	8.1	8.1	13.4
Lead	0.0	0.0	0.0	0.0	0.0	0.0	11.0	11.0	11.0
Xylene	5.0	0.0	0.0	0.0	5.0	0.0	4.4	4.4	9.4
n-hexane	9.3	0.0	0.0	0.0	9.3	0.0	0.0	0.0	9.3
Nickel compounds	0.0	0.1	0.0	0.0	0.1	0.0	8.6	8.6	8.7
2-aminoethanol	0.0	0.0	0.0	0.0	0.0	0.5	8.1	8.6	8.6
1-bromopropane	5.5	0.0	0.0	0.0	5.5	0.0	0.6	0.6	6.1
Other 35 substances	3.1	2.0	0.0	0.0	5.1	0.4	25.6	26.0	31.1
Total	60.4	2.1	0.0	0.0	62.5	0.9	98.7	99.6	162.1

Chemical substance	Release					Transfer			Total amount
	Into air	Into water	Into soil	Into landfill	Total release	By sewage	By disposal	Total transfer	
Dioxins	0.00	0.00	0.00	0.00	0.00	2.00	0.00	2.00	2.00

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

Expansion of Environmentally Conscious Products

We are actively promoting assessment and development of environmentally conscious products

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

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

《 "Eco Mind" Products 》

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

By the end of fiscal 2012, a total of 411 items have been registered as "Eco Mind" products.

《 Eco-Products (Eco Symbol Program) 》

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

By the end of fiscal 2012, a total of 156 items have been registered as Eco-products. The sales ratio*1 in fiscal 2012 was 40%.

*1 The sales data are based on shipments from manufacturing departments in Japan. However, they exclude shipments from electronic conductor departments, which mainly work to supply intermediate goods within the Group.

《 Anti-Global Warming Products 》

In this system, we register the Eco-products that especially contribute to the reduction of CO₂ emissions from society, and calculate and disclose the reduction effect, in order to contribute to the prevention of global warming.

Among the products shipped in fiscal 2012, the products for which the calculation method has been established contributed to the reduction of CO₂ emissions by 57 thousand tons-CO₂/year*2 in total, according to our estimate. In the Action ECO-21 (Phase V) campaign, we set the target of reducing 100 thousand tons-CO₂/year.

*2 Even when the products have multi-year reduction effect, only the effect per year is included.

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



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

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



Lightweight wire harness
Sumitomo
Wiring Systems, Ltd.

Contributing to resource saving by extending the service life



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

• **CELMET** The contribution is calculated by multiplying the amount of CO₂ emissions reduced with a hybrid car (estimated based on "Automobile Fuel Efficiency List (March 2012)" published by the Japanese Ministry of Land, Infrastructure, Transport and Tourism and other data) by the contribution rate of CELMET (estimated by Sumitomo Electric).

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

• **Cemented carbide tools with longer service life** The contribution is calculated based on resource saving by the extension of the service life and reduction of CO₂ emissions from the production using the "Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables" of National Institute for Environmental Studies.

Eco-Product REPORT

Our TYPE-201 series, the world's lightest optical fiber fusion splicer, was developed to meet the demand for the smallest and lightest possible tool from site workers who connect optical fibers at high places.

Hiroshi Takayanagi (left), Group Manager, and **Kensuke Ito** (right), Counselor
Mechatronics Production Engineering Group,
Mechatronics Products Department, Products Division, SEI Optifrontier Co., Ltd.

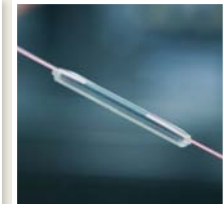
Construction work to provide an optical communication system for office buildings and households involves connection of optical fibers at the work site. This task requires the three steps of stripping of the jacket of the optical fibers, cleaving of the ends and fusion splicing, which need to be carried out in a limited working space on a crane at high places. Therefore, the tools to be used in the operation have to be small, light and environmentally resistant. To meet such customer demand, we released the world's lightest compact optical fiber mass fusion splicer "Handy Splicer TYPE-201 series" in April 2013. In comparison with TYPE-25e, a conventional model, the weight and height have been reduced by more than 50% (the width and depth are also smaller than those of TYPE-25e).

While reducing the size and weight, we also made efforts to minimize energy consumption during use. The product is well received by site workers for its user friendliness and improved work efficiency.

Overseas, installation of optical fiber cable will soon begin in



Handheld mass fusion splicer
"Handy Splicer TYPE-201 series"



Connection part protected
with a sleeve

earnest. We hope that Handy Series, which consists of the three products of Hot Jacket Remover JR-6 for stripping of the jacket, Optical Fiber Cleaver FC-7R for cleaving of the ends and TYPE-201 series for fusion splicing of optical fibers, will continue to make contributions to the development of optical fiber communication networks in the world.

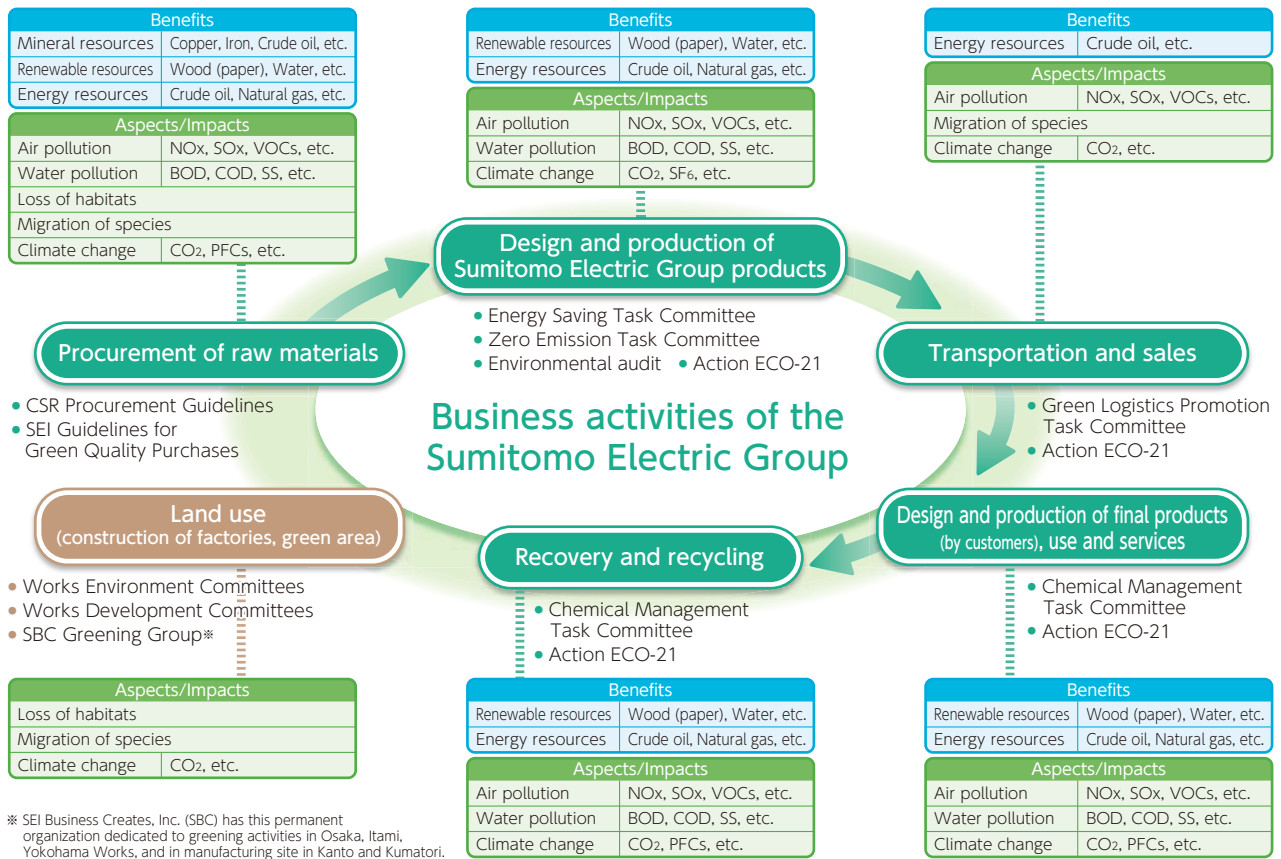
Activities to Conserve Biodiversity

Basic Approach

The Sumitomo Electric Group aims to procure raw materials and design and manufacture products in a way that protects the ecosystem and maintains sustainable resource use. We also seek to contribute to the environment preservation on a global basis by providing high-performance products.

» The business activities and environmental activities of the Sumitomo Electric Group are related to biodiversity as shown below.

Relationships between biodiversity and the Sumitomo Electric Group



Our POREFLON™ Membrane Module is supplied for treatment of oilfield produced water in the Caspian Sea

Located on the boundary between Central Asia and Eastern Europe, the Caspian Sea is the world's largest lake. The water area has a unique ecosystem including Caspian seals and sturgeon, whose eggs are a delicacy as caviar, but the ecosystem is endangered as a result of overhunting and development. As the ecosystem is closed with no effluent, contaminants accumulate in it. To protect the ecosystem and its precious biodiversity, regulations on wastewater flowing into the Caspian Sea have become very tight. At the same time, regulations have also been tightened on treatment of oil-containing water generated from oil extraction process, which has long been active in the Caspian Sea.



Sturgeon



Caspian Sea

Sumitomo Electric has conducted demonstration tests of an oilfield produced water treatment system using POREFLON™ membrane module, which was developed in collaboration with a water treatment equipment manufacturer. In the tests, we successfully reduced oil contained in treatment water to below 1 mg/L, which was far below the standard set for discharge water. As a result, we received orders to deliver the system to oilfields in the Caspian Sea. We will continuously work to ensure stable operation of the system. Currently, field tests are also being conducted or planned in oilfields in China, North America and the Middle East toward the practical use of the system in the respective regions. We intend to make optimal use of the POREFLON™ membrane module which exhibits stable performance in the treatment of oil-contaminated wastewater to preserve the environment surrounding oil drilling sites as well as its biodiversity.

Basic Policies on Social Contributions

Sumitomo Electric stipulated the Sumitomo Electric Group Basic Policies on Social Contributions, which are based on the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, on the occasion of the 110th anniversary of its founding in 2007.

The Sumitomo Electric Group Basic Policies on Social Contributions

The Sumitomo Electric Group will proactively address voluntary social action programs, as a member of society, focusing on "respect for human resources," "attaching importance to technology," and "creating a better society and environment" in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, as well as widely contributing to society through its business activities, including the provision of products, technologies and services that benefit society.

- Globally promote efforts toward the development of human resources, the promotion of research and learning and environmental conservation.
- Promote community-oriented social contribution activities in the Group's business locations all over the world.
- Provide continuous support to employees' voluntary social contributions.

Under the Basic Policies, we are committed to the social contribution activities suitable for the Sumitomo Electric Group, which is aiming to be a "Glorious Excellent Company," with focus on the establishment of the SEI Group CSR Foundation as a vehicle to contribute to encouragement of research and learning activities and human resource development, as well as on promotion of activities to contribute to local communities and support of volunteer activities and donations by employees.

Activities of the SEI Group CSR Foundation, a Public Interest Incorporated Foundation

In fiscal 2012, we donated a total of 635 million yen

Sumitomo Electric established the SEI Group CSR Foundation in April 2009 for the purpose of developing human resources and promoting academic activities in various fields both in Japan and overseas. It was officially recognized as a public interest incorporated foundation by the Prime Minister in February 2010.

In fiscal 2012, the SEI Group CSR Foundation received contributions of 635 million yen in total from Sumitomo Electric (about 500 million yen appropriated for its endowment and the rest of the contributions for operation).

■ Grant Programs of the SEI Group CSR Foundation

① Monetary contributions to university courses: 94 million yen in total

We invited applications for the program to make donations to university courses, and provided monetary support for the following seven courses (two new courses and five courses continued from previous fiscal year).

- "Laboratory of plant bioengineering for bioenergy" and "Manufacturing engineer and researcher training course" at Osaka University
- "Solution study of plant biomass" and "Nano-interface photonics institute" at Kyoto University

- "Research course on tsunami marine hazards" at Kobe University (new)
- "Research on neuroimaging" at Tohoku University
- "Course on environmental laws and policies toward reconstruction from the earthquake disaster and the nuclear power plant accident" at Hitotsubashi University (new)

② Support of academic and research activities: 20 million yen in total

We invited applicants to the program to support academic and research activities, and received 69 applications. Out of them, we have selected 16 research programs including basic science research that needs research funds and embryonic research by young researchers, and offered subsidies to them.

③ Granting of scholarships: 22 million yen in total

We provided scholarships for 16 international students studying in Japan and 80 local students studying at overseas universities.

For detail on the programs, see the Group CSR Foundation page of our website.

 <http://www.sei-group-csr.or.jp/e/business/index.html>

CSR VOICE

Receiving a scholarship

Mr. Sakvarint Dhirakulvanich

3rd year student, Department of Computer Engineering,
Faculty of Engineering, Thai-Nichi Institute of Technology

Hello. I am Sakvarint Dhirakulvanich, a third year student of Department of Computer Engineering, Faculty of Engineering, Thai-Nichi Institute of Technology in Bangkok, Thailand.

I was selected as one of the 10 students who receive the scholarship provided by the SEI Group CSR Foundation for Thai-Nichi Institute of Technology. Taking this opportunity, I



express my sincere gratitude to the Sumitomo Electric Group. In the Department of Computer Engineering, students learn the C Language in the first year, embedded systems in the second year and database and other subjects in the third year.

I like video games from my childhood and have been interested in computers. Now, I am most interested in Android, a software for mobile phones. I feel happiest when I am helping Dr. Wimon (a lecturer of intellectual system engineering at Faculty of Engineering) in his laboratory together with friends. If possible, I want to go to graduate school after graduation to continue research on Android. I am also interested in studying in Japan.

Thailand currently has only insufficient technology in these fields, which is a disadvantage for the country. So, when I have adequate experience in the future, I want to work to enhance technology in Thailand using the country's unique ideas and teach it to younger people.

I have learned that Sumitomo Electric has many group companies in Thailand and operates business to manufacture cutting tools, automobile parts and other products. Environmental problems are becoming major concerns in Thailand as well. I look forward to development of electrical cars and their peripheral technology to protect the environment and mitigate global warming. It will be wonderful if electric cars that use natural energy are developed and used widely so that energy transport becomes unnecessary. I hope that the Sumitomo Electric Group contributes to such technology. I will also endeavor to strengthen the technology of Thailand.

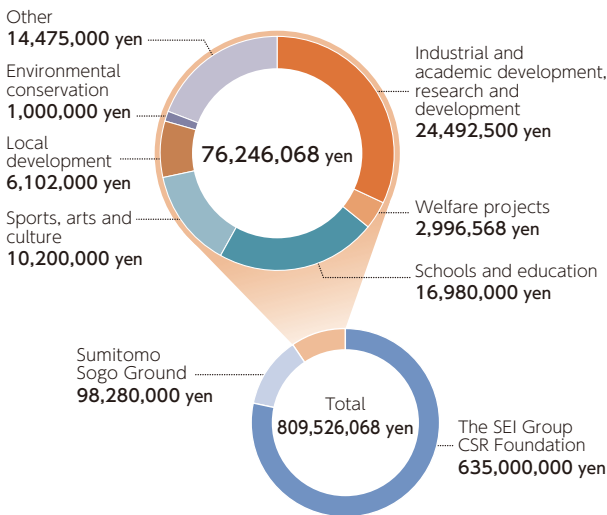
Social Contribution Through Donations

We are making social contribution through donations from a global perspective

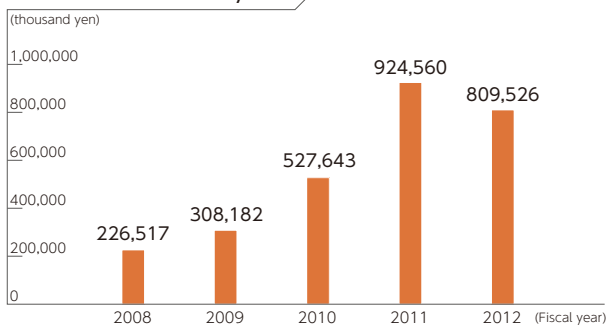
In fiscal 2012, we made donations in various areas including schools and education, industrial and academic development, R&D, art and culture, welfare, local development, environmental conservation and sports. For example, we gave financial support to symphony orchestras and opera performance as part of our efforts to assist art and cultural activities, as well as important social activities such as environmental conservation by World Wide Fund for Nature (WWF) and other organizations.

Our social contribution activities are also developed on a global scale beyond Japan with, for example, donations to commemorative projects on international exchange.

Amount of Donations by Category (Sumitomo Electric alone)



Amount of Donations by Year



Volunteer Activities

We support volunteer activities by employees with various systems

In April 2007, we introduced a volunteer holiday system, which allows employees to take cumulative paid holidays* (up to 10 days in a year) for performing volunteer activities. Furthermore, in September of the same year, we adopted a system in which employees can make monetary donations through our welfare system (cafeteria plan) to welfare- and environment-related public utility corporations, such as the Japan Committee for UNICEF, the Japanese Red Cross Society and World Wide Fund for Nature (WWF) Japan, and towards support for the victims of disasters including earthquakes. At the same time, we also adopted a matching gift system to concurrently donate an amount equal to the donation made by an employee.

Results of contributions through the cafeteria plan in fiscal 2012

	Donation amount (yen)	Total number (persons)
Japanese Red Cross Society	1,199,310	134
UNICEF	826,108	105
World Wide Fund for Nature (WWF)	326,040	42
Great East Japan Earthquake	756,752	92
Total	3,108,210	373

Collaboration with an NPO

We adopted a program aimed at contributing to society and helping employees manage their health

We introduced TABLE FOR TWO (TFT), a program to contribute to society and support health management of our employees, at a cafeteria in our Tokyo head office in October 2011 and in Yokohama Works in October 2012.

TFT is a social action program run by TABLE FOR TWO International, a nonprofit organization, to address the problems of obesity and lifestyle-related illnesses in developed countries as well as hunger in developing countries — Ethiopia, Uganda, Rwanda, Malawi and South Africa. A low-calorie, well-balanced healthy menu that meets the TFT guidelines is offered daily at the cafeteria and 20 yen is donated from the sale of each meal.

Glossary * Cumulative paid holidays

This system allows employees to use paid holidays to be expired, up to 10 days in a year (up to 50 days in total), for the reasons specified by the company rules including sick leave, childcare and nursing of sick family members.

Contributions to Local Communities

In accordance with the basic principle of "Harmony with the International Community," the Sumitomo Electric Group, which has presence in over 30 countries around the world, aims to contribute to development of local economy and society while respecting the culture and customs of every region and country. To this end, along with social contribution through business activities, we are committed to various activities to support local communities and build harmonious relations with them.

Activities in Japan

A total of 53 companies of Sumitomo Electric and its group companies are covered. They include Tokai Rubber Industries, Ltd., Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd., which are listed in stock exchange.

《Promoting community support activities and exchange with local communities》---

- **Local cleaning activities, promotion of greening, environmental conservation activities, etc.**
Sumitomo Electric: Cleanup of the area around each of its business sites
Sumiden Opcom, Ltd.: Cleanup of the area around the company site (every other month)
• Cleanup activities are performed in 31 of the 53 companies including the companies mentioned above.
- **Supporting local disaster-prevention and safety activities**
Sumitomo Electric: Yokohama Works: Participation in an emergency drill at a local disaster management base in August 2012 and January 2013
Hoshi Industries Co., Ltd.: Participation in an event of the spring national traffic safety campaign, and handing out of leaflets in front of Izumisano Station in April
• Performed in 20 of the 53 companies including the companies mentioned above.
- **Opening corporate facilities (sports grounds, gyms etc.) to the public**
Sumitomo Electric: Yokohama Works: Offering the sports ground to local little league baseball teams
• Performed in three of the 53 companies including the company mentioned above.
- **Inviting local residents and students (from elementary, junior high and high schools) on plant tours**
• Performed by eight of the 53 companies including Sumitomo Electric Device Innovations, Inc.
- **Opening company sites to the public to organize events**
Hokkaido Sumiden Precision, Co., Ltd. and Hokkaido Electric Industries Ltd.: Organizing Shibazakura Festival in May
• Performed in three of the 53 companies including the companies mentioned above.
- **Publishing local community magazines**
Sumitomo Electric: Osaka Works in July 2012 and January 2013, Itami Works in May and November 2012

《Contributing to sports and cultural activities》-----

- **Contributing to sports activities**
Sumitomo Electric: Sponsoring the 68th Lake Biwa Mainichi Marathon in March 2013
Itami Works: Jointly organizing athletic practice sessions for elementary school and junior high school students in Itami City (18 sessions a year)
• Performed in nine of the 53 companies including the company mentioned above.
- **Contributing to arts and cultural activities**
Sumitomo Wiring Systems, Ltd.: A team of employees inherited the traditional performing art of the historical Yokkaichi Suwa-Daiko Japanese drum and performed at nursing homes and other places
• Performed in four of the 53 companies including the company mentioned above.

《Supporting education and training》-----

- **Offering hands-on training programs and off-campus classes to students and teachers**
Sumitomo Electric: Itami Works: Hands-on class on manufacturing for 16 junior high school students in Itami City in August
SHC Co., Ltd.: Accepting participation of students from Kosugi Junior High School in a work experience program "A 14-Year-Old's Challenge" at its factory in May
• Performed in 19 of the 53 companies including the companies mentioned above.
- **Holding on-site science classes at schools**
Sumitomo Electric: Osaka Works: "Battery assembly experiment" at Baika Junior High School in February 2013
• Performed in five of the 53 companies including the company mentioned above.

Activities in Other Countries

- **Donations of money and goods to local schools and communities**
Sumitomo Electric Wintec (Malaysia) Sdn. Bhd.: Donation to an orphanage in Malaysia
- **Employee volunteerism in local communities**
Sumitomo Electric Wintec (Thailand) Co., Ltd.: Tree-planting activity in a mangrove forest in Thailand



● Emergency drill at a local disaster management base



● Local cleaning activities



● Sponsoring Lake Biwa Mainichi Marathon



● Accepting participation of students in a hands-on class on manufacturing



● Donation to an orphanage in Malaysia



● Tree-planting activity in a mangrove forest in Thailand



Toward the Creation of a Secure and Prosperous Society

Discussing Relations Between Sumitomo Electric and Society

■ Outline of the Stakeholder Dialogue

Date: March 7, 2013 (Thu.)

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

■ Schedule

1. Opening remarks and explanation of the purpose
2. Presentation on the social contribution activities of the Sumitomo Electric Group
3. Exchange of opinions
4. Summary and closing remarks

■ Guests

Mr. Eiichiro Adachi

Counselor, The Japan Research Institute, Limited

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

Professor Yoshinao Kozuma

Faculty of Economics, Sophia University

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

Facilitator

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

Participants from Sumitomo Electric

Yoshitomo Kasui

(Executive Officer and General Manager of HR & Administration Div.)

Masahito Kasuga

(Manager of the CSR Promotion Office, HR & Administration Div.)

In the third stakeholder dialogue held at the Tokyo Head Office of Sumitomo Electric, we invited two experts with outstanding knowledge about CSR, and exchanged opinions on the social contribution of the Sumitomo Electric Group.

While reviewing the results of the Group's social contribution activities, the participants had an active discussion on the role that the Sumitomo Electric Group should play as a company with global presence.



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

■ Exchange of Opinions

Theme: What is the ideal state of the social contribution of the Sumitomo Electric Group?

What is the “ideal state” of the social contribution of the Sumitomo Electric Group?

Fukushima : The topic of discussion is what activities the Sumitomo Electric Group is required to perform for social contribution as a company with global presence. Firstly, I would like to have your frank comments on the current activities of the Group.

Kozuma : Companies must conduct CSR activities to maintain good relationships with society, which are a foundation for their business, and social contribution is part of the activities. The Sumitomo Electric Group is engaged in business activities on a global scale. Accordingly, the Group has to cover an enormous range in its efforts to maintain good relationships. At the same time, companies have a fiduciary responsibility to shareholders and need to justify the social contribution cost. I think we should start with discussion on the position of “social contribution activities” in an organization.



Adachi : What inconvenience would occur if current social contribution activities were stopped? Consideration of this question will highlight the needed activities. In case of a car manufacturer, for example, assistance to development of car mechanics in emerging countries is not just social contribution. It is also an essential activity for smooth operation because the asset value of cars is different with and without a system for maintenance.



Kasui : Our CSR spirit is condensed in “mutual prosperity, respect for the public good.” This phrase in the Sumitomo Spirit represents the principle that Sumitomo’s business must benefit not only Sumitomo but also the nation and society in general. We supply products and technologies to society through our main business while increasing jobs in various regions, paying tax and avoiding burden on society. Such social contribution through the main business underlies our CSR activities.

Kasuga : As a manufacturer, we are committed to technological development and personnel development based on an idea that they are also suitable subjects in our group’s social contribution activities. In addition, we recognize respect for the autonomy of each employee as an important viewpoint for creation of lively corporate culture.



Kozuma : I think that social contribution is in an ideal state when it is linked to the objectives of the business and incorporated into the business. It is also favorable that personnel development is not implemented just as social contribution but integrated with business activities. The Sumitomo Electric Group will identify issues to be focused on when it recognizes CSR activities as a crucial base that supports long-term growth of both society and itself and examines how to promote the activities in the regions of the Group’s presence.

Kasui : While we are committed to various activities, it may be necessary to have a keystone to conduct them in an organized manner. We will make discussions to show a clear direction.

Social contribution also needs to be “strategic” in the current era

Adachi : A core subject in ISO 26000 is community involvement and development. While Japanese people tend to consider that education, health development and technology promotion are duties for governments, there is also a movement in global companies to play an active role in the areas of their strength. In emerging economies, this is becoming a key factor that affects reliability of companies.

Kozuma : I think the activities in which the Group is involved are fairly appropriate and making much contribution to society. Still, it is better to discuss the strategic direction of the activities for further improvement. It is considered in international society that the companies that use various social resources to make profit should contribute to solving social challenges based on the beneficiary-pays principle. To fulfill such responsibility while developing itself, a company needs to make social contribution in a strategic manner. The conventional Japanese way of responding to this issue is becoming less effective to gain approval or reputation from international community with the rapid progress of globalization. I assume that to be “strategic” is an inevitable process for a company to be “global” in a real sense.

Kasui : As we also have presence in emerging economies, we place emphasis on contribution to development of local communities, and believe that personnel development is an ultimate social contribution through which we return our profits to society as well as individuals. Sumitomo Electric has been committed to establishment of a global personnel system, and formulated the Global HRM Policy in September 2011. We are now designing more specific measures.



Target setting for social contribution activities

Fukushima: To apply the PDCA(plan-do-check-act) cycle in activities and achieve results, it is essential to set targets. In social contribution activities, how should the targets be narrowed down?



Kozuma: For target setting, there have to be clear objectives. Targets should be set for the objectives of higher priority first in relation to the vision.

Adachi: Before discussing target setting and quantification, it will be effective to consider what benefit the activities give to society. Examination of the benefit will lead to reaffirmation of the significance and targets.

Kasui: In rapidly changing society with various challenges such as the global financial crisis and natural disasters, as well as population decline and aging in Japan, "cultivation of persons" is effective only when jobs are saved in business activities, and it is also difficult to make a long-term forecast. On the other hand, in our efforts for social contribution, we have also placed emphasis on the view that awareness and learning by employees, who are front players in the activities, will lead to growth of themselves and revitalization of our organization. While paying attention to synergetic effect with business activities, we will seek to set medium- and long-term targets in a way that can develop employees and also win support from shareholders.



Contributing to the future of society with original technologies

Adachi: The short-term oriented market has created an atmosphere that discourages people to talk about the fields that do not directly generate profits. Accordingly in the R&D arena, the importance of dream technologies, for example, does not seem to be sufficiently recognized. In Europe, experience of the global financial crisis has led to discussions on how to introduce a medium- and long-term perspective into the market. In the newly formulated medium-term management plan VISION 2017 as well, introduction of a medium- and long-term perspective will lead to identification of social contribution activities from the angle.



Kasui: In the world of R&D, it is not unusual that it takes 30 years to achieve results. Continuous investment in the development of something whose real value is still unknown may be a sort of social contribution. On the other hand, we realize our duty to present clear future visions in order to

fulfill our fiduciary responsibility. As Mr. Adachi said, sorting out of social contribution activities linked to VISION 2017 will lead to identification of the activities unique to Sumitomo Electric. We will aim to preserve both our interests and uniqueness in our social contribution activities.

Seeking to link social contribution activities to business

Kozuma: The activities that do not directly generate profits should be addressed within the framework of social contribution for the time being. On the other hand, Sumitomo Electric has many basic technologies that will support people's life in the future although their uses are still unclear. I hope that the Company uses them to show its strength more aggressively.



Adachi: In disclosure of corporate information, integrated reporting has become a major trend. This can be interpreted as society's expectation of linkage of non-financial activities to corporate visions.

Kozuma: Companies need to be able to demonstrate to society that their initiatives are appropriate in light of the medium- and long-term targets. While the scope of the responsibilities that society expects companies to fulfill is expanding, half of the problems are generated in an upper or lower level of the value chain, according to the results of a survey. Companies will have to properly assess such invisible risks and strategically concentrate management resources on response to those risks which should be addressed in connection with business.

Kasui: I have reaffirmed that we should address linkage of business strategy with social contribution activities as a future challenge. We have to make concerted efforts across the Group to obtain results from both of them in an organized manner. We will work on this significant issue. Thank you everyone.

After the Stakeholder Dialogue

I think that we have found a way to solve a problem which has annoyed us. The frank exchange of views gave us a certain level of confidence and assurance about our commitment, as well as a new direction for our future path. It is about the time that the CSR activities, especially social contribution activities, of our group should move to the next stage. I would like to thank all participants for valuable comments.



This report has been prepared in reference to Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Versions 3.1 (G3.1).

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Independent Assurance Report

To the President and CEO of Sumitomo Electric Industries, Ltd.

Purpose and Scope

We were engaged by Sumitomo Electric Industries, Ltd. (the "Company") to provide limited assurance on its SEI CSR Report 2013 (the "Report") for the fiscal year ended March 31, 2013. The purpose of our assurance engagement was to express our conclusion, based on our assurance procedures, on whether:

- the environmental and social performance indicators and environmental accounting indicators for the period from April 1, 2012 to March 31, 2013 and Results of Overseas Compliance Training Seminars for the period from April 2008 to September 2012 marked with (hereinafter comprehensively called the "Indicators") included in the Report are prepared, in all material respects, in accordance with the Company's reporting criteria; and
- all the material environmental information defined by the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS") is included in the Report.

The content of the Report is the responsibility of the Company's management. Our responsibility is to carry out a limited assurance engagement and to express our conclusion based on the work performed.

Criteria

The Company applies its own reporting criteria as described in the Report. These are derived, among others, from the Sustainability Reporting Guidelines (G3.1) of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan's Ministry of the Environment. We used these criteria to evaluate the Indicators. For the completeness of material environmental information, we used the 'Environmental Reporting Assurance and Registration Criteria' of J-SUS.

Procedures Performed

We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of J-SUS.

The limited assurance engagement on the Report consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviews with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report.
- Reviews of the Company's reporting criteria.
- Inquiries about the design of the systems and methods used to collect and process the Indicators.
- Analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also a recalculation of the Indicators.
- Visit to the Company's overseas and domestic factories selected on the basis of a risk analysis.
- Assessment of whether or not all the material environmental information defined by J-SUS is included in the Report.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that:

- the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report; and
- all the material environmental information defined by J-SUS is not included in the Report.

We have no conflict of interest relationships with the Company that are specified in the Code of Ethics of J-SUS.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Osaka, Japan

November 6, 2013



On-site review at Sumitomo Electric Optical Components (Wuxi) Co., Ltd. in China



On-site review at Sumitomo Electric Photo-Electronics Components (Suzhou), Ltd. in China



On-site review at Ibaraki Automotive Wire Works of Sumitomo Wiring Systems, Ltd.

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

Commendable points

■ **Restructuring of the report**

In response to the newly formulated mid-term management plan VISION 2017, the CSR report was restructured this fiscal year. The CSR strategy based on VISION 2017 aims to help establish a sustainable society, and has identified new core categories and priority themes from the perspectives of improvement of social welfare and growth of the Company, which reflects the Company's determination to create value to be shared with society. In accordance with the direction, this fiscal year's report concentrates top message, business strategy, business model, CSR visions and challenges, stakeholder engagement, governance and compliance and a list of targets and results of assessment in the first half, which represents a structure oriented to integrated reporting. Nevertheless, except R&D and some other parts, there is room for improvement on presentation of relevant information.

■ **Improvement of information disclosure**

While excellent efforts had also been made in the past reports, such as response to my comments in the previous fiscal year and presentation of the ratio of environmental impact covered in the report, this fiscal year's report started to disclose new items, which include process of determining materiality applied in the selection of new CSR core categories and priority themes in VISION 2017, targets of reducing global greenhouse gas emissions (KPI) and a table showing correlation of employee support programs with relevant laws in an integrated manner. Such continual improvement indicates that the PDCA cycle is implemented effectively.

■ **Strengthening of the system to ensure compliance overseas**

VISION 2017 sets a target of increasing the proportions of overseas sales and production to 60% or more while the Sumitomo Electric Group is already a giant global company with more than 200,000 employees across the world. In this context, the Group is developing a system to ensure compliance on a global scale. The anti-bribery program introduced in April 2013 is the latest achievement in the efforts, and also the most commendable point for this fiscal year, along with provision of overseas compliance training seminars in a continuous and phased manner.

■ **Commendation of the report by external organizations**

Following the reception of the Reliability Report Special Excellence Award in last fiscal year, Sumitomo Electric won the Excellence Award of the Environmental Communication

Awards, which was sponsored by Japan's Ministry of the Environment. Commendation by external organizations demonstrates that a certain level of quality is maintained in the CSR report, and also provides important clues for assessment of the appropriateness of the preparation process. While the report uses a combination of assurance by a third party and findings by an independent third party for self check every year, I hope that the Company also pays attention to trends in commendation by external organizations and works to improve the quality of the report in the future as well.

Aspects needing improvement

■ **Information on diversity**

While priority initiatives in VISION 2017 include increase in the Company's global presence, promotion of diversity is indispensable for the initiative. In comparison with the activities, there are still many issues to be addressed on disclosure of relevant information. For example, information on gender forms a foundation for assessment of progress in diversity. While gender data of the employees of Sumitomo Electric are presented multilaterally, the total number of male and female employees is the only data shown on the gender of employees in consolidated companies, 80% of which work overseas. This needs improvement.

■ **Information on workplaces**

The Survey to Create a Lively Working Environment, which has been conducted since fiscal 2006, provides "big data" on Sumitomo Electric and literally conveys the "liveliness" of the working environment. However, the relatively low score on "Workplace Atmosphere" and the decline in the score on "Satisfaction in Working" over time are concerns because these results are inconsistent with the working environment of the Company, which is conducting excellent work life balance initiatives. While I guess the divisions in charge are making detailed discussions on this issue, a reasonable explanation of the results, even if it is just a little bit, would serve as useful information for current and future employees.



Professor, Faculty of Economics,
Sophia University
Yoshinao Kozuma

Sumitomo Electric's Response to the Findings



Hiroyuki Takenaka
Executive Vice President
and Chairperson of
the CSR Committee

We thank Professor Kozuma for providing suggestive opinions on our group's CSR activities and information disclosure. Professor Kozuma gave a high mark to our efforts for "restructuring of the report" and "improvement of information disclosure." We will be continuously committed to these initiatives, and promote integration of CSR activities with business activities through VISION 2017. For "strengthening of the system to ensure compliance overseas," we will make continued efforts to further enhance the compliance system on a global scale. The Excellence Award of the Environmental Communication Awards was very encouraging for us. We will continue to pursue improvement of CSR activities to win high marks from external organizations. We will develop our CSR activities, including those for the items identified as aspects needing improvement, so that our stakeholders enhance their understanding of our activities and attach a higher value to them.

The Findings by an Independent Third Party in this English version are a translation of the original text in the Japanese version.

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[Published November 2013]