

The Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles

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, along with the SDGs and ESG, have been steadfastly inherited as a commonly held asset of Sumitomo Group companies.



Figure of Masatomo Sumitomo (Monjuin) (Sumitomo Historical Archives)

Business Principles

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

Shinyo-kakujitsu

"placing importance on integrity and sound management"

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

Fusu-furi

"always acting with integrity in pursuit of business"

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

Traditional Beliefs and Principles

Attaching Importance to Technology

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

Respect for Human Resources

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

the commitment among Sumitomo personnel to character cultivation.

Long-Range Planning

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

Mutual Prosperity, Respect for the Public Good

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

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 also on improving one's personality and developing one's character. This lofty document urges us to persist in sincere and careful effort and to cultivate good character.

The Sumitomo Electric Group positions *Banji-nissei* as the key phrase representing the Sumitomo Spirit.



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

The Sumitomo Electric Group Corporate Principles

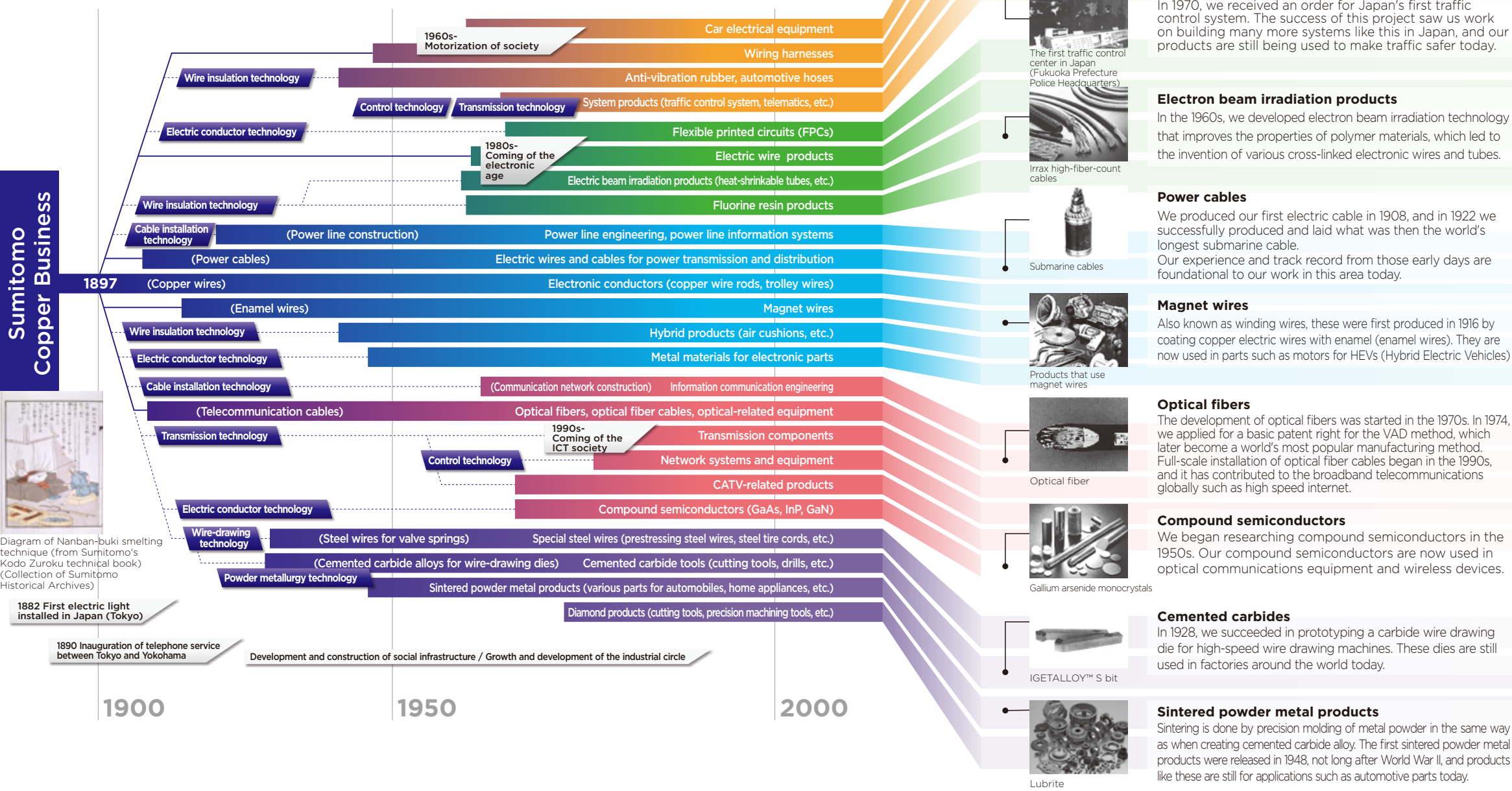
On the occasion of Sumitomo Electric's centennial celebration in 1997, the Sumitomo Electric Group defined the Sumitomo Electric Group Corporate Principles as a new management philosophy based on the Sumitomo Spirit. The Corporate Principles underscore our basic policy of commitment to our important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

Each company of the Sumitomo Electric Group shall

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

Our Businesses and the Trajectory of Our Growth

The Sumitomo Electric Group was founded as a manufacturer of electric wires and cables, but in the 1950s, we decided to diversify our business to accurately grasp changes in the world and respond to them. Since then, we have used our technology for manufacturing electric wires and cables as a base to develop revolutionary new products and technologies, such as cemented carbide tools, sintered powder metal products, optical fibers and compound semiconductors. We now have five major global business segments: Automotive, Electronics, Environment & Energy, Infocommunications and Industrial Materials.



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

Future direction of our five business segments

Automotive

Contributing to accelerating improvement delivered by CASE* and to the evolution of mobility

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

Electronics

Supporting further evolution of mobile devices, automobiles and aircraft

Environment & Energy

Building next-generation energy systems for the widespread use of renewable energy

Infocommunications

Endeavoring to realize high-speed, high-capacity telecommunications that meet the challenge of the increasing data traffic volume

Industrial Materials

Contributing to the growth of industries and social infrastructure by developing and supplying high-functionality materials

Relevance to society

The Sumitomo Spirit is summarized by the motto "Mutual Prosperity, Respect for the Public Good" - the belief that Sumitomo's business must benefit not only Sumitomo but also the nation and society in general, and everyone in Sumitomo must focus not only on making money but also always conduct business in harmony with public interests.

1897-1945 Early years and World War II

- In 1897, Our forerunner, Sumitomo Copper Rolling Works, was founded. In our early years, we produced copper plates and rods in addition to copper wires.
- From the 1900s, we contributed to the widespread adoption of electricity, telegrams and telephones by supplying electric wires.
- In 1931, we began producing powder metal products (IGETALLOY). This has helped to improve productivity and decrease machining costs in a variety of customers' machining work.

1946s-1960s Post-war rebuilding and economic boom

- After World War II, we implemented science-based management throughout the company. We won the Deming Application Prize in 1962.
- In 1949, we began selling wiring harnesses for automobiles, a core product today and one that contributed to motorization throughout society.
- From the 1950s, we diversified our business as it became apparent that being overly dependent on our electric wire business would leave us with no prospects for future growth.

1970s-1990s Steady growth and the bursting of the bubble

- Our efforts to diversify paid off with the establishment of our compound semiconductor business in 1970. We contributed to the growth of the information society through products such as optical fibers, which were widely adopted by communications companies in 1982. We also began supplying traffic control systems, which has contributed to safer societies.
- In 1982, we succeeded in producing the world's largest synthetic single crystal diamond (1.2 carats), contributing to the popularization of diamond as an industrial material.

2000s-present The last 20 years

- We are globally expanding our five business segments, bringing the world products that meet social needs.
- We have contributed to reducing CO₂ emissions by developing and supplying automotive parts and energy products that have been part of the popularization of electric vehicles and renewable energy.
- We are developing a wide range of products that will provide value in the form of a low environmental footprint, safety, comfort and social growth to improve people's lives.

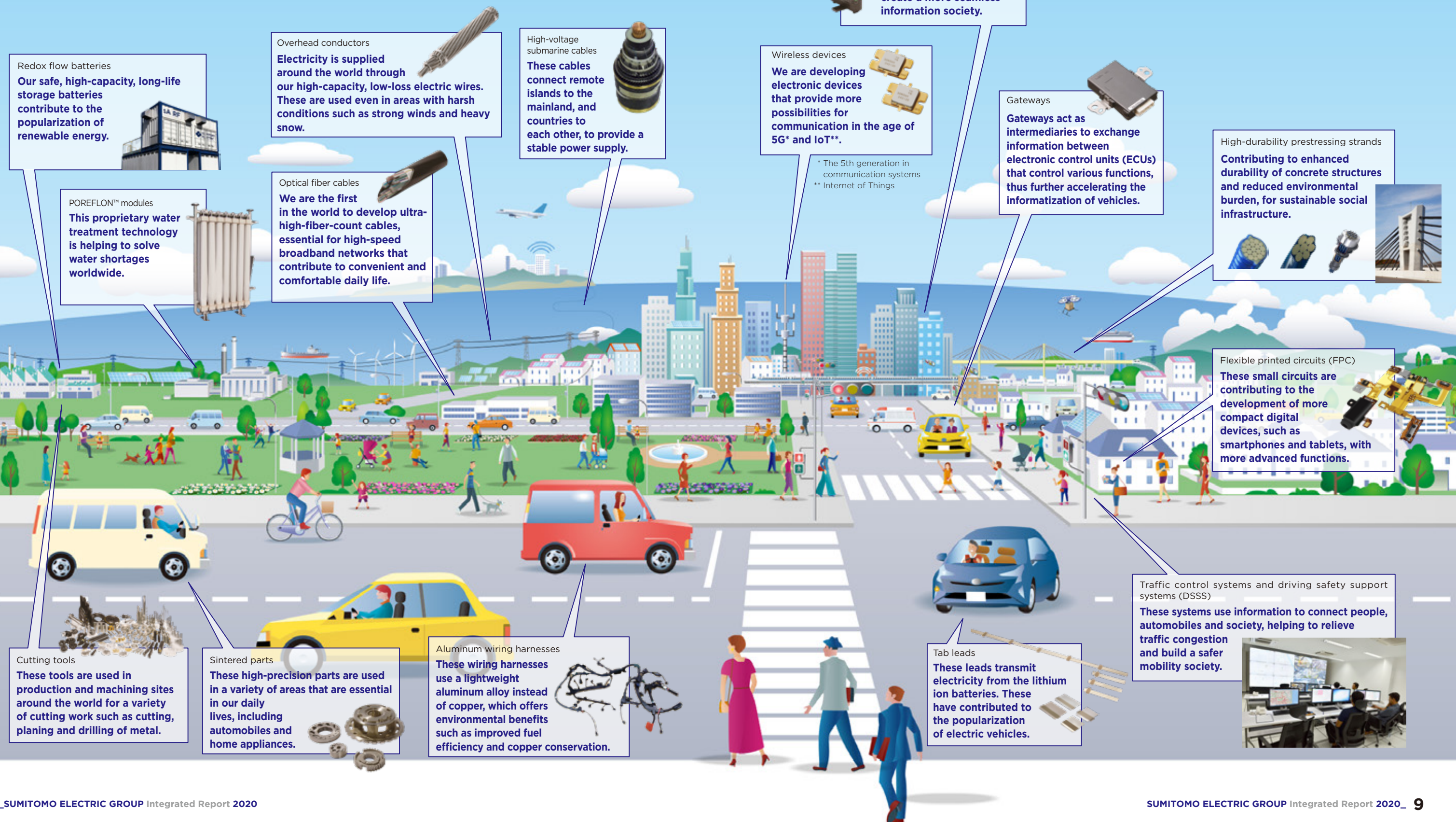
You can read about some of our current products on the next page.

You can read about our main products and services that are solving environmental and social issues on p.72-73.

You can read about our vision of how people will live in future on p.30-31.

Sumitomo Electric's Connectivity and Transmission Technologies in Society

You can't always see them, but the Sumitomo Electric Group's products are keeping our daily lives running.



Mid-term Management Plan: VISION 2022

What do we mean by “Glorious Excellent Company”?

The Sumitomo Electric Group strives to be a “Glorious Excellent Company.” “Glorious” indicates our ideals and qualitative aims, namely, the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, while “Excellent” indicates our quantitative aims in the form of the outstanding results we work toward. Our mid-term management plans provide a specific road map to achieve this vision, with figures to work toward.

VISION 2022 Concept

The concept that we will work toward until 2022 is “contributing to a better society by leveraging our expertise in connectivity and transmission technologies through concerted efforts of the entire group.”



Overall strategies

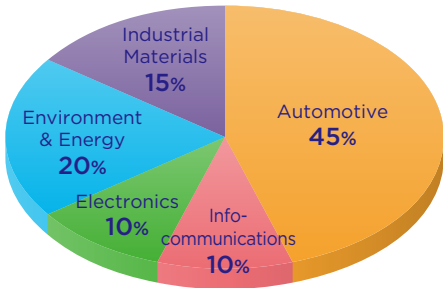
We are continuing and building on the growth strategies we have employed thus far, extending them into our current businesses focused on mobility, energy and communications. Major changes in fields such as automobiles, energy and communications have created new business opportunities, and we are innovating through concerted effort between departments and organizations to create new innovations that will solve social issues and improve our value as a company in the medium to long term.

- Positioning the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles as core values, we are acting on our responsibility to help create a better society through our business activities.
- We are aiming to achieve net sales of ¥3.6 trillion and operating income of ¥230 billion in FY2022. This will mark another step toward our vision of being a Glorious Excellent Company.
- We have set three priority initiatives: “Enhancement of Manufacturing Capabilities,” “Increasing Global Presence” and “Creation and Enhancement of Leading Technology.”
- We are refining our Three Bases—Human Resources and Organization, Manufacturing and Finance—and working to enhance and expand our five current business segments. We are also drawing on the collective strengths of the SEI Group and working on new innovations to achieve further growth.

Targets

	FY2017 Result	FY2020 Interim Target	FY2022 Target
Net Sales	3,082	3,400	3,600
Operating Income	173.1	200	230
Operating Margin Ratio	5.6%	5.9%	6.4%
ROIC	7.9%	8.5% or more	9% or more
ROE	8.1%	8% or more	8% or more
Capital Investment (5-year cumulative amount)		R&D Expenditures (5-year cumulative amount)	
950		600	

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



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

Our Priorities

As a manufacturing company, our core priorities are safety, the environment, quality, cost, delivery and development (SEQCDD*). In addition to strengthening our performance in these areas, our Manufacturing Management & Engineering Unit is rolling out cross-sectional measures throughout the company to support our work on SEQCDD.

* Safety, Environment, Quality, Cost, Delivery, and Research & Development. The Sumitomo Electric Group's policy is to place these at the forefront in everything we do.



Our marketing work combines measures to increase our global market share with quick responses to the major changes taking place around the world. This enables us to capitalize on the new business opportunities these changes offer.

In our research and development work, we are accelerating measures to become even more competitive in each of our business segments and advance into new areas of business.

The Three Bases

- Manufacturing Base** Keeping our production framework safe, clean, steady and reliable, improving on all of these metrics and investing in the personnel who will help us to do this
- Human Resources and Organization Base** Implementing our Global Human Resource Management Policy (p. 42)
- Financial Base** Pursuing an even safer and firmer financial footing (keeping our shareholders' equity ratio at 50% and increasing our dividend payout ratio to about 40%)

ESG and Deepening CSR Commitment

- Environment**
 - Pursuing measures to combat causes of global warming
 - Strengthening our response towards resource saving (reducing waste emissions and promoting recycling)
 - Increasing the availability of eco-friendly products (water treatment products, sales expansion of light-weight wiring harnesses)
- Social**
 - Promotion of Diversity Management (gender-parity and equal-opportunity employment, etc.)
 - Strengthening the development of human resources (enhancement of group and global training opportunities)
 - Diversification of employment formats and facilitation of sound management practices
 - CSR procurement
 - Social contribution activities (SEI Group CSR Foundation, contribution to sports/culture development)
- Governance**
 - Strengthening of governance

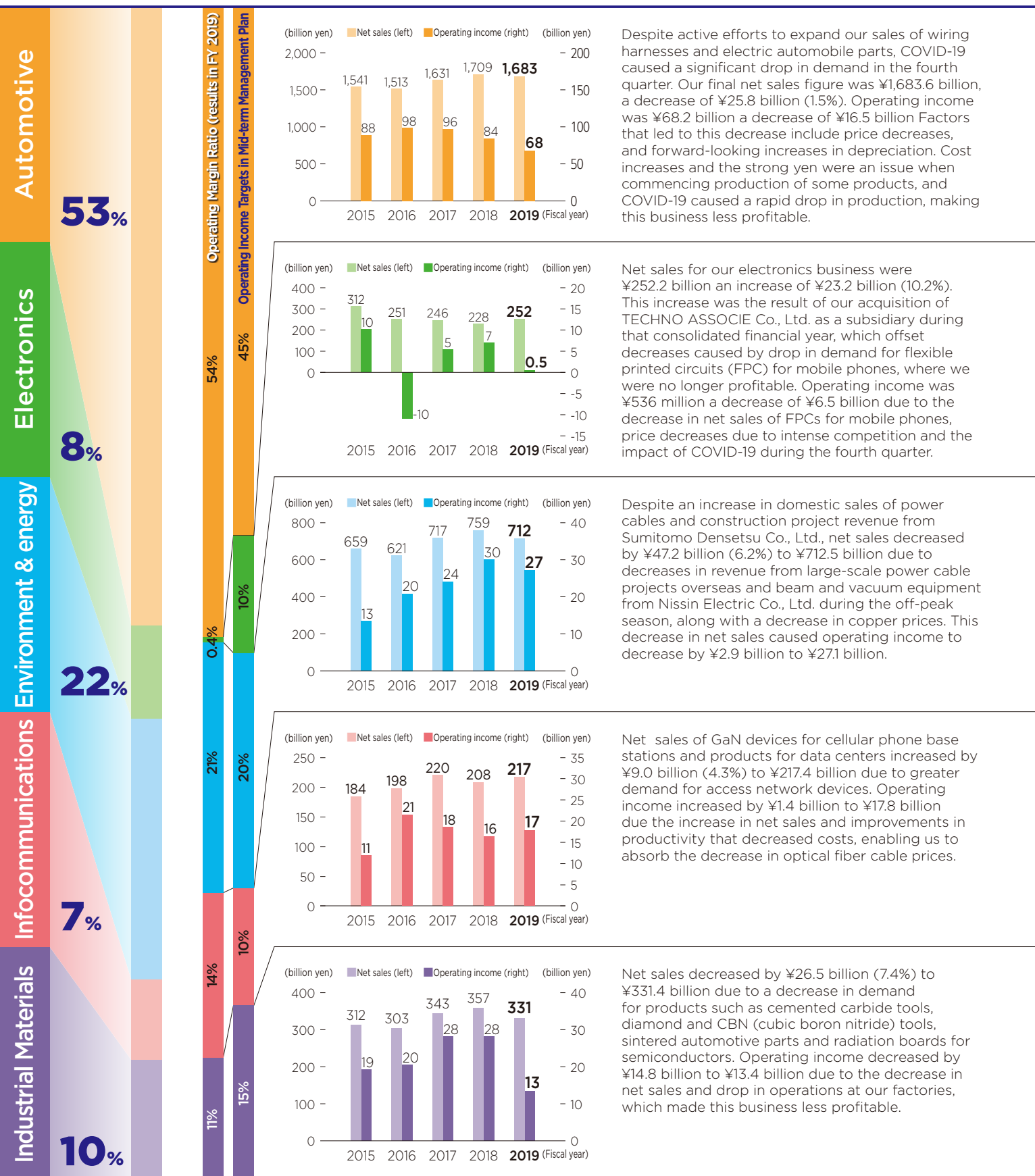
At a Glance

Consolidated results (for period ending March 2020)

Net sales: **¥3,107.0** billionOperating income: **¥127.2** billion

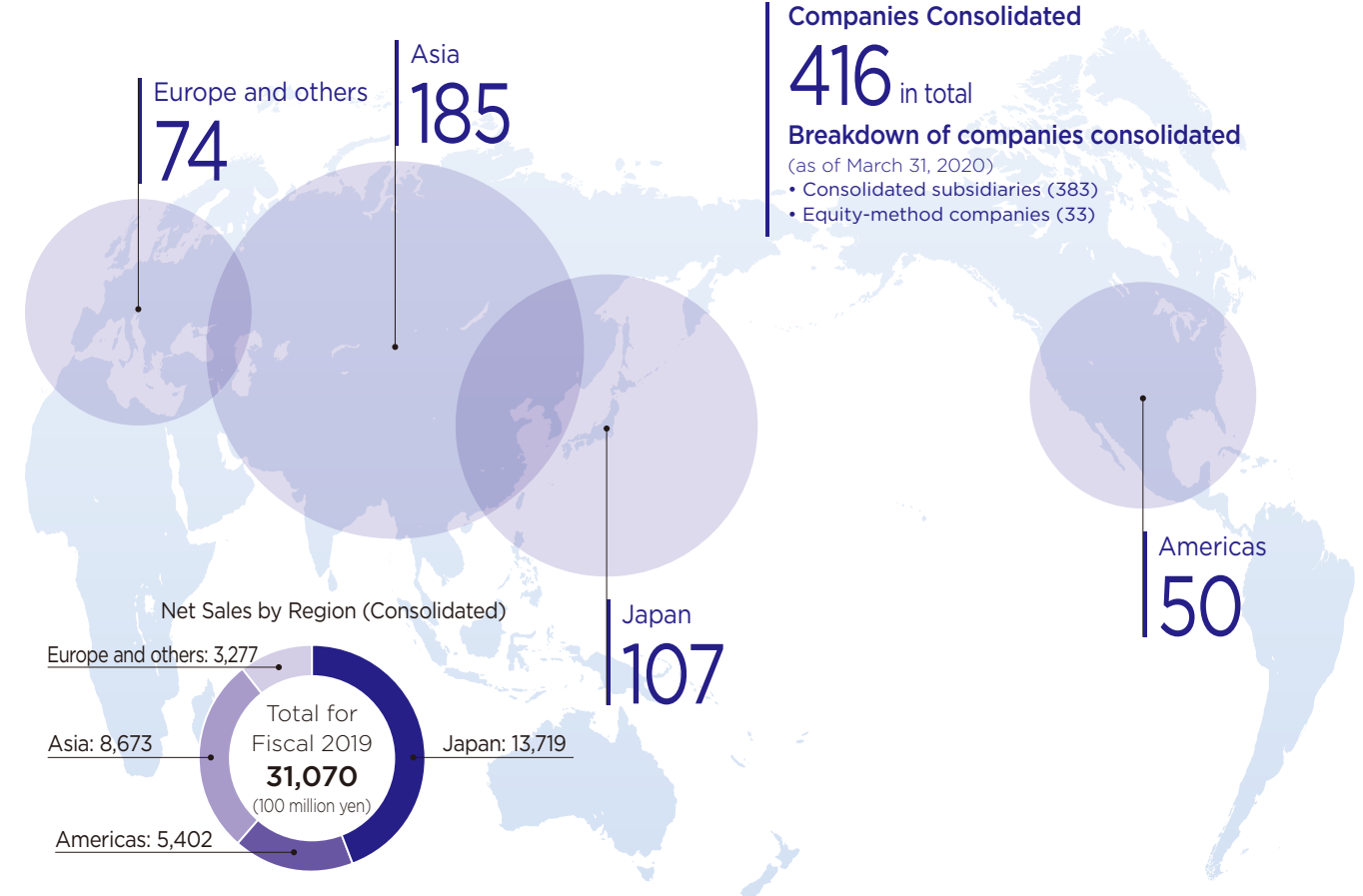
Net sales and operating income over the years

Overview of business

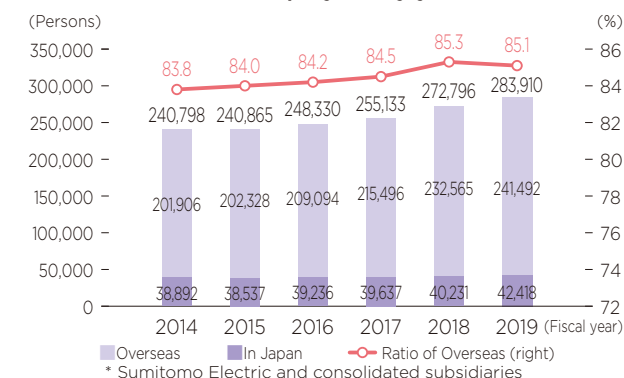


* Differences between the aggregate of all segments and Total are consolidated eliminations.

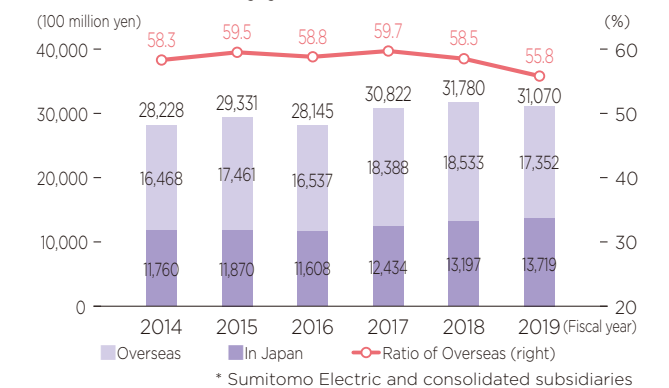
Global Business Expansion



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



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



Number of Group Employees in the World by Year

	2010	2011	2012	2013	2014	2015	2016	2017			2018			2019		
								Male	Female	Total	Male	Female	Total	Male	Female	Total
Americas	15,164	19,712	24,273	29,470	34,828	33,500	37,959	20,381	18,542	38,923	20,523	20,008	40,531	21,099	22,154	43,253
Europe/Africa	41,230	47,735	47,644	54,245	56,477	56,273	56,797	24,097	36,440	60,537	24,733	41,014	65,747	30,018	45,397	75,415
Southeast Asia	37,538	43,000	49,868	56,408	58,278	61,848	65,844	25,009	46,520	71,529	28,466	50,779	79,245	29,238	50,385	79,623
China	51,887	46,788	47,390	47,646	52,323	50,707	48,494	19,716	24,791	44,507	22,853	24,189	47,042	21,360	21,841	43,201
Japan	36,954	37,499	37,148	37,715	38,892	38,537	39,236	32,201	7,436	39,637	32,488	7,743	40,231	33,798	8,620	42,418
Total	182,773	194,734	206,323	225,484	240,798	240,865	248,330	121,404	133,729	255,133	129,063	143,733	272,796	135,513	148,397	283,910
Ratio of overseas employees	79.8%	80.7%	82.0%	83.3%	83.8%	84.0%	84.2%	84.5%			85.3%			85.1%		

* Sumitomo Electric and consolidated subsidiaries